AS HARJU ELEKTER

Interim report 1-6/ 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
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CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2010
End of the reporting period:	30th of June 2010

The interim report of Harju Elekter Group on 24 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-6/ 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 30 June 2010, Harju Elekter has substantial holdings in the following companies:

Company		Country	30.6.10	31.12.09	30.6.09
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 upturn in the global economy continued in the first half of 2010. This was reflected in the growth of economic activity as well as in the improvement of prognoses, regardless of a few setbacks, for example, the Greek crisis. The economy grew in the US and across most of Europe, where the growth in the industrial sector was also supported by the tertiary sector. The existence of free production resources kept inflation under control. Indexes of state institutes of economic research indicate that the upturn will continue. However, the further recovery of the economy and the functioning of international financial markets may be threatened by government debt burdens, which keep growing due to budget deficits.

The economies of the Baltic States have been spared from the budgetary crisis engulfing the European monetary union, as the budgetary discipline here – compared to the Southern European countries – is far better. Moreover, a precondition of the invitation to join the euro zone was the unconditional meeting of requirements. Even though Estonia was one of only a few countries able to achieve this goal, it shows that the meeting of the requirements is still relevant and that there are no exceptions.

The outlook on the recovery of the Estonian economy has, thanks to the recommendation of the European Commission to adopt the use of the euro, improved even more compared to the beginning of the year. In July, Estonia received the official invitation to join the euro zone. Latvia and Lithuania failed to meet the requirements necessary for joining. Although joining the euro zone will probably provide a boost to the Estonian economy and bring in new investors, the engine of economic recovery is still going to be exports, and the biggest challenge for the government will be decreasing the rate of unemployment, thereby supporting domestic demand, including consumption. The most recent indicators of industrial production and retail sales confirm the export-based recovery of the economic growth of Estonia, which is important from the perspective of sustainable economic growth. Mainly due to the low reference base, the annual growth of industrial production grew rapidly by 18% in April, but still only remained at the level of 2004. While the sale of industrial production for export grew rapidly, sales on the domestic market continued to remain low. This is a clear sign of an export-based recovery of the economy.

Main events

On 15 June 2010, the constituting act of Harju Elekter AB, a subsidiary of AS Harju Elekter, was signed in Stockholm. The share capital of the new subsidiary is 1 million Swedish kronor, whereof 90% belongs to AS Harju Elekter and 10% to AS Vallin Baltic. The establishment of subsidiary Harju

Elekter AB increases the presence and sales on the Swedish market, which provides our customers with a wide range of products, especially electrotechnical ones, manufactured by the companies in Harju Elekter Group. Andres Allikmäe, Chairman of the Management Board, was appointed Chairman and Ülo Merisalu (Managing Director, AS Harju Elekter Elektrotehnika) was appointed Member of the Management Board of the subsidiary by AS Harju Elekter, and Andres Olt, a Swedish national, was appointed by AS Vallin Baltic.

Satmatic Oy, a Finnish subsidiary, improved the electrotechnical equipment operating on the basis of solar energy and plays an important role in projects using new sources of energy. Satmatic Oy produces full solutions using solar and wind energy, as well as individual devices for providers of renewable energy solutions, e.g., inverter service centres. The first major project is a full solution utilising solar energy, including 130 solar panels, which will be completed during 2010.

Satmatic Oy obtained the exclusive right of sale for vehicle heating panels for car parks with a remote control system, developed in Finland. The remote control system enables pre-control of a vehicle heating panel across a greater distance, via the internet or a text message.

The leading cable manufacturer in the Baltic States, AS Draka Keila Cables, a subsidiary of AS Harju Elekter, opened its factory expansion at the beginning of June. The construction of the AS Draka Keila Cables factory, which was financed and managed by AS Harju Elekter, led to the increase of the production area rented to AS Draka Keila Cables by 3700 m2 to 12 300 m2 and the secondary warehouse to 18 700 m2.

In June, the Supervisory Board approved the statutes of the auditing committee of the company and appointed Madis Talgre and Andres Toome to office as members of the committee.

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. At the beginning of April, Harju Elekter trade group participated in the international building fair Estbuild 2010.

Operating results

SALES REVENUE

Regardless of the present economic situation and inertness of activity, the financial results of the Group were as expected and the Group was profitable. The consolidated sales revenue of the Group in the second quarter was 130.5 million kroons (8.3 million euros), which was 24% less than the result of the comparable quarter. The consolidated sales revenue of the H1 2010 was 264.6 million kroons (16.9 million euros), which was 25% less than the result of the comparable period.

Sales revenue by segment:

			EEK (in million)				EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
Segment	Q/Q	**6 m/6m**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Manufacturing	-27.3%	-27.7%	112.8	155.1	230.5	318.6	7.2	9.9	14.7	20.4
Real estate	7.5%	4.2%	9.7	9.1	20.0	19.2	0.6	0.6	1.3	1.2
Unallocated activities	3.1%	-11.4%	8.0	7.7	14.1	15.9	0.5	0.5	0.9	1.0
Total	**-24.1%**	**-25.2%**	**130.5**	**171.9**	**264.6**	**353.7**	**8.3**	**11.0**	**16.9**	**22.6**

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, 86-87% (90%). The sales revenue on production received from customers outside of the Group decreased by 27% to 112.8 million kroons (7.2 million euros) in second quarter and were 230.5 million kroons (14.7 million euros) in H1 2010. The main reason for decline was the market recession in Finland.

Sales revenue by markets:

	EEK (in million)						EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
Markets	Q/Q	**6m/6m**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Estonia	-15.4%	-16.7%	46.3	54.7	91.7	110.1	2.9	3.5	5.8	7.0
Finland	-33.2%	-43.1%	50.4	75.4	99.6	175.0	3.2	4.8	6.4	11.2
Lithuania	22.1%	-3.2%	20.1	16.5	30.5	31.5	1.3	1.0	1.9	2.0
Other EU countries	-58.6%	93.8%	3.6	8.7	29.5	15.2	0.2	0.6	1.9	1.0
Others	-39.2%	-39.1%	10.1	16.6	13.3	21.9	0.7	1.1	0.9	1.4
Total	**-24.1%**	**-25.2%**	**130.5**	**171.9**	**264.6**	**353.7**	**8.3**	**11.0**	**16.9**	**22.6**

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. 65% (69%) of Group products were sold outside of Estonia. The Lithuanian market grew over 22% in the second quarter, and for the half-year practically reached the level of the first quarter of 2009. The greatest recession was on the Finnish market. During the first 6 months the sales to other European Union countries have increased almost twice, including sales to the market of Sweden which increased by 22 million kroons (1.4 million euros). France, Czech Republic and Malaysia have been added as new markets and the Group has sold during the H1 2010 its products to those markets totally in amount 18.6 million kroons (1.2 million euros). 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.

Sales revenue by location of business opportunity:

	EEK (in million)						EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
Segment	Q/Q	**6m/6m**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Estonia	-17.2%	-18.2%	59.8	72.1	119.5	146.2	3.8	4.6	7.6	9.3
Finland	-27.4%	-31.1%	46.9	64.6	106.6	154.7	3.0	4.1	6.8	9.9
Lithuania	-32.4%	-27.1%	23.8	35.2	38.5	52.8	1.5	2.3	2.5	3.4
Total	**-24.1%**	**-25.2%**	**130.5**	**171.9**	**264.6**	**353.7**	**8.3**	**11.0**	**16.9**	**22.6**

Sales to the Estonian market decreased by 8.4 million kroons (600,000 euros) within the reporting quarter and by 18.4 million kroons (1.2 million euros) for the half-year. The decrease in sales volumes was, on the one hand, caused by the alterations in the product groups of the energy sector, when on the domestic market the demand for cheaper products increased and the sales of compact secondary substations decreased, and, on the other hand, by the decrease in the sales volumes of metering boards which, in turn, was caused by the decrease in connections. While up to one-third of the products and services of the Estonian segment are sold outside of Estonia, the situation on foreign markets, especially on the Finnish market, had a great effect on the economic results of the accounting period. The sales revenue of the Estonian segment decreased by 27 million kroons (1.7 million euros) in half-year, with one-third being a result of a decrease in export. The main decline in realisation on foreign markets was caused by the decrease in sales volumes of distributing and compact secondary substations in Finland. However, the supply to Portugal increased by 1.6 times within the half-year.

The recession of the Finnish economy continues, although there are a few signs of an upturn, mainly regarding export. The domestic investments of Finland during the accounting period were irrelevant. Finnish metallurgical and engineering industry enterprises are still struggling. The revenues from sales to the Finnish market decreased the most – by one-third within the second quarter and over 40% during the half-year. However, the sales volume of the Finnish company to the domestic market, compared to the first half of 2009, decreased nearly twice within the half-year. The decrease in sales volume of the Finnish segment was 27% during the second quarter and 31% during the half-year. The domestic decrease is partly compensated by the increase in export to Sweden. Malaysia was added in the second quarter as a new market. In total, goods with a value of 30 million kroons (2 million euros) were sold to these markets, accounting for 28% of the sales volumes of subsidiaries.

In 2009, 60% of the sales revenue of the Lithuanian segment was obtained from the domestic market and 40% from foreign markets, with the Norwegian and Danish markets being the largest. This year supplies to those markets have been modest. Finland, France and the Czech Republic were added as new markets. In June several major projects were carried out on the Lithuanian market, as a result of which two-thirds of the sales volumes for the half-year was earned within the reporting quarter. Almost 80% of the sales revenue for the half-year was obtained from Lithuanian customers.

OPERATING EXPENSES

			EEK (in million)				EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
	Q/Q	**6 m/6m**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Cost of sales	-22.2%	-24.3%	110.8	142.3	226.7	299.3	7.1	9.1	14.5	19.1
Distribution costs	-13.5%	-15.3%	6.8	7.9	13.1	15.5	0.4	0.5	0.8	1.0
Admin expenses	-16.6%	-9.1%	10.0	12.0	20.9	23.0	0.6	0.8	1.3	1.5
Total expenses	**-21.3%**	**-22.8%**	**127.6**	**162.2**	**260.7**	**337.8**	**8.1**	**10.4**	**16.6**	**21.6**
incl. depreciation of fixed assets	20.8%	10.0%	5.4	4.5	10.9	9.9	0.3	0.3	0.7	0.6
Total labour cost	-13.7%	-12.3%	31.1	36.1	67.0	76.5	2.0	2.9	4.3	5.5
incl salary cost	-8.2%	-15.2%	26.0	28.4	52.6	62.1	1.7	2.2	3.4	4.3

As a result of the drop in demand, production and sales volumes, the Group has been engaging in making savings on and optimising both operational and fixed expenses. The expenses regarding sold products and services decreased almost at the same pace as the sales revenue. Distribution costs and administration expenses shrank by 3.1 million kroons (200,000 euros) in Q2 and by 4.5 million kroons (290,000 euros) in H1 2010. The decrease in business expenditures was not in accordance with the decrease in sales revenue, mainly due to fixed costs (e.g., depreciation of fixed assets, maintenance costs, heat, electricity, etc.), which had an impact on gross and profit margins. 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 21% in Q2 and by 23% in H1 2010 compared to the same period of the previous year.

In the second quarter, there was an average of 423 (453) people working in the Group, included 270 (295) employees in Estonia, 70 (75) employees in Lithuania and 83 (83) employees in Finland. In H1 2010, the average number of employees was 427 (457). As at the balance day on 30 June, there were 446 people working in the Group, whish is 18 employees less than on the beginning of the year and 40 employees less than a year before. Expenses on staff in Q2 2010 were 31.1 million kroons (2.0 million euros) which is almost 14% less than during the compared period. During the second quarter, labour costs decreased by more than 8% compared to the previous year, reaching 26.0 million kroons (1.7 million euros). During the half-year, expenses on staff decreased by more than 12% reaching 67.0 million kroons (4.3 million euros), during the half-year employees were paid 52.6 million kroons (3.4

million euros) in salaries, bonuses and compensation, which was 15.2% lower than during the comparable period. The average wage per employee was 20,510 kroons (1,310 euros) and 22,627 kroons (1,450 euros) in 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 Q2 2010 and totally in the amount of 0.8 million kroons (52,000 euros) in H1 2010.

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 36 million kroons (more than 2 million euros) were invested in fixed assets, in the compared period the number was 6.6 million kroons (420,000 euros). The depreciation of fixed assets accounted for 10.9 million kroons (696,000 euros) of operational expenditures, which is almost 1 million kroons (63,000 euros) more than during the compared period.

EARNINGS AND MARGINS

The accounting period is characterised by a tough price battle on the Baltic and Finnish markets, mainly on the metallurgical market. Companies are trying to make sales at any cost, even with a minimum sales margin. Customers buy the price and the delivery period. While the Group products use metal, the price increase of metal has a certain effect on the profit of the Group. The prices of sheet steel have been going up lately, reaching 30% during the half-year.

The gross profit of the Group was 19.7 million kroons (1.26 million euros) in Q2 2010 and 37.9 million kroons (2.42 million euros) in H1 2010, decreasing by 33% and 30% respectively compared to the same periods last year. The gross profit margin decreased by 2 per cent points up to 15.1% in the second quarter and by 1 per cent point up to 14.3% in H1 2010.

Operating profit of Q2 2010 was 2.8 million kroons or 177,000 euros (Q2 2009: 9.8 million kroons or 627,000 euros). Return of sales for the period was 2.1% (5.7%). In Q2 2010 EBITDA was 8.2 million kroons or 525,000 euros (Q2 2009: 14.8 million kroons or 944,000 euros) and return of sales before depreciation was 6.3% (8.6%). In H1 2010 EBIT was 3.9 million kroons or 250,000 euros and EBITDA was 14.8 million kroons or 945,000 euros (H1 2009: 16.2 million kroons or 1.04 million euros and 26.1 million kroons or 1.67 million euros respectively). Return of sales of H1 2010 was 1.5% (4.6%) and return of sales before depreciation 5.6% (7.4%).

The Group sold 80 (Q1 2009: 100) thousand shares of PKC Group Oyj 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. During the second quarter, 8.8 million kroons (560,000 euros) of dividend income was obtained; the dividend income during the comparable period was 3.5 million kroons (222,000 euros). In total, the net financial income during the half-year was 16.7 million kroons (1.07 million euros) which is more than twice as much as within the comparable period.

In the second quarter the Group consolidated from the related company a profit of 1.6 million kroons (100,000 euros), and within the 6 months 900,000 kroons (57,000 euros). In 2009, however, the subsidiary yielded a loss – during the second quarter, the loss from the subsidiary was 581,000 kroons (37,000 euros) and during the half-year 8.1 million kroons (519,000 euros).

Overall, the consolidated net profit of the Q2 2010 was 10.0 million kroons or 639,000 euros (Q2 2009: 8.4 million kroons or 535,000 euros), of which the share of the owners of the parent company was 9.2 million kroons or 587,000 euros. EPS of the reporting period was 0.55 kroons or 0.03 euros (Q2 2009: 0.42 kroons or 0.03 euros). The consolidated net profit of the H1 2010 was 18.2 million kroons or 1.16 million euros, which is 64.6% more than in compared period. The share of the owners of the parent company was 18.1 million kroons or 1.16 million euros, increasing more than 87% comparing to the H1 2009. EPS of the reporting period was 1.08 kroons or 0.07 euros (H1 2009: 0.58 kroons or 0.04 euros).

During the second quarter, the unrealised profit from financial assets was 3.1 million kroons (200,000 euros) and the total comprehensive income 13.1 million kroons (840,000 euros). During the comparable period the unrealised profit from financial assets was 20.6 million kroons (1.32 million euros) and the total comprehensive income 29.0 million kroons (1.85 million euros). During the half-year, the unrealised profit from commercially disposable financial assets was 83.5 million kroons (5.3 million euros) and the total comprehensive income was 101.7 million kroons (6.5 million euros) which exceeded the numbers of the previous year by nearly 5 times.

Financial position and cash flows

The amount of the consolidated balance sheet as of 30 June 2010 was 740.8 million kroons or 47.3 million euros (30.06.2009: 547.2 million kroons or 35.0 million euros), increasing by 122.7 million kroons (7.8 million euros) during the first six months.

During H1 business claims increased by 15.8 million kroons (1.0 million euros) up to 86.0 million kroons (5.5 million euros) and inventories by 15.5 million kroons (1.0 million euros) up to 94.8 million kroons (6.1 million euros); money balances decreased by 17.0 million kroons (1.1 million euros) to 18.7 million kroons (1.2 million euros). In total, current assets increased by 13.8 million kroons (0.88 million euros) to 201.5 million kroons (12.9 million euros), which is 27% (36%) from the total assets. At the same time, debts to suppliers and other business-related debts increased by 11.7 million kroons (750,000 euros) to 87.6 million kroons (5.6 million euros) during the half-year. While, during the half-year, short-term debts decreased by 2.0 million kroons (130,000 euros), tax arrears and advance payments of future periods each by 1 million kroons (70,000 euros), short-term liabilities increased by 7.4 million kroons (0.48 million euros) to 114.6 million kroons (7.3 million euros) during the half-year. The quick ratio (1.0) as well as the solvency ratio (1.8) improved during the accounting quarter by 0.1 and 0.2 points respectively compared to the H1 2009.

During the H1 2010 the cost of fixed assets increased by 108.9 million kroons (6.9 million euros) up to 539.3 million kroons (34.4 million euros).

During the reporting quarter the market price of the PKC Group share in Helsinki Stock increased by 0.14 euros (2.19 kroons) and by 4.14 euros (64.75 kroons) during H1 2010. In Q2 2010 the cost of investment in assets and reserves in equity capital increased by the profit of 3.1 million kroons (200,000 thousand euros) and in H1 2010 by 90.7 million kroons (5.8 million euros) received from stock revaluation. The Group sold 80,000 shares of PKC Group Oyj in the Q1 with a book value of 8.2 million kroons (0.5 million euros). All in all, the book value of financial assets increased by 82.4 million kroons (5.27 million euros) to 235.6 million kroons (15.06 million euros) during the first six months.

In H1 2010 the Group invested 3.8 million kroons (0.25 million euros) in real estate, 32.1 million kroons (2.1 million euros) in tangible fixed assets and 476 thousand kroons (31,000 euros) in intangible fixed assets, totally 36.4 million kroons (2.4 million euros, of which the cost of assets acquired by way of financial lease formed 29.8 million kroons (1.9 million euros). During the compared period the Group invested 0.6 million kroons (39,000 thousand euros) in real estate, 4.2 million kroons (268,000 euros) in tangible fixed assets and 1.8 million kroons (113,000 euros) in intangible fixed assets, totally 6.6 million kroons (420,000 euros).

During the H1 2010 the liability of the Group increased by 34.3 million kroons (2.2 million euros) to 148.4 million kroons (9.5 million euros), which is 20% (2009: 22.7%) from the total assets. Interest-bearing debts increased during the first half-year by 24.8 million kroons (1.3 million euros), to 50 million kroons (3.2 million euros).

During H1 short-term liabilities were increased by 0.2 million kroons or 13,000 euros (H1 2009 were decreased by 16.0 million kroons or 1 million euros). Within the reporting period, 2.9 million kroons or 187,000 euros (H1 2009: 11.2 million kroons or 718,000 euros) worth of a long-term loan were re-paid. 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. Within the first six months, 2.3 million kroons or 147,000 euros (H1 2009: 1.1 million kroons or 71,000 euros) worth of principal amounts of the financial lease were repaid.

Due to increase in the market price of financial investments increased equity reserves by 83.5 million kroons (5.34 million euros) to 233.3 million kroons (14.9 million euros). Within the comparable period, the increase formed 10.3 million kroons (660,000 euros). The Group paid the owners dividends in the sum of 14.1 million kroons (900,000 euros), within the comparable period 17.4 million kroons (1.1 million euros). As at June 30 2010 the equity constituted 80% (77.3%) of the balance sheet total, of which the share of the parent was 76.9% (73.2%).

During first six months, cash and cash equivalents decreased by 16.9 million kroons (1.1 million euros). The cash outflow from business was 7.5 million kroons (480,000 euros), cash inflow from investing activities was 9.7 million kroons (620,000 euros), cash outflow from financing activities was 19.1 million kroons (1.2 million euros). Within the comparable period cash and its equivalents decreased by 4.2 million kroons (268,000 euros) – cash inflow from business was 38.1 million kroons (2.4 million euros) and from investing activities 3.4 million kroons (220,000 euros) and cash outflow from financing activity was 45.7 million kroons (EUR 2.9 million).

Shares of Harju Elekter

	EEK			EUR		
	6M 2010	**6M 2009**	**2009**	**6M 2010**	**6M 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	21.28	46.78	2.73	1.36	2.99
Low price	31.61	10.48	10.48	2.02	0.67	0.67
Closing price	35.67	17.99	32.08	2.28	1.15	2.05
Market value (in million)	599.3	302.2	538.9	38.3	19.3	34.4
EPS	1.08	0.58	1.14	0.07	0.04	0.07

Supervisory and management boards

The AGM of AS Harju Elekter appointed the five members Supervisory Board for the next five years in 2007. During the reporting period, there were no changes to the management of AS Harju Elekter. Supervisory Board of Harju Elekter continued in composition: Endel Palla as Chairman of the Supervisory Board and the R&D manager at AS Harju Elekter and members Ain Kabal (Kabal & Partners OÜ, manager), Lembit Kirsme (OÜ Kirschman, manager), Madis Talgre (AS Harju KEK, manager) and Andres Toome (finance consultant).

In H1 2010 there were no changes in the Management of AS Harju Elekter. The Management Board continues with the following membership: Andres Allikmäe as Chairman 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 his contract of service; members of the Management Board receive no special remuneration. The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise. 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 reporting quarter amounted to a total of 0.8 million kroons (52,000 euros) and in six months period 1.8 million kroons (115,000 euros). In the comparable periods the amounts were 0.7 million kroons (51,000 euros) and 1.9 million kroons (125,000 euros) respectively.

More specific 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

AGM

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 (859,000 euros).The dividends were paid to the shareholders on 26 May 2010.

Key indicators

	EEK (in million)					€ (in million)				
	Q2		6 months		year	Q2		6 months		year
(in million)	**2010**	**2009**	**2010**	**2009**	**2009**	**2010**	**2009**	**2010**	**2009**	**2009**
Net sales	130.5	171.9	264.6	353.7	632.7	8.3	11.0	16.9	22.6	40.4
EBITDA	8.2	14.8	14.8	26.1	48.3	0.5	0.9	0.9	1.7	3.1
Operating profit	2.8	9.8	3.9	16.2	28.3	0.2	0.6	0.2	1.0	1.8
Net profit for the current period	10.0	8.4	18.2	11.1	21.7	0.6	0.5	1.2	0.7	1.4
Incl. equity holders of the parents	9.2	7.1	18.1	9.7	19.2	0.6	0.5	1.2	0.6	1.2

	Structure (%)			EEK			€		
(in million)	**30.6. 2010**	**31.12. 2009**	**30.6. 2009**	**30.6. 2010**	**31.12. 2009**	**30.6. 2009**	**30.6. 2010**	**31.12. 2009**	**30.6. 2009**
Total current assets	27.2	30.4	36.0	201.5	187.7	197.2	12.9	12.0	12.6
Total non-current assets	72.8	69.6	64.0	539.3	430.4	350.0	34.4	27.5	22.4
Total assets	100.0	100.0	100.0	740.8	618.1	547.2	47.3	39.5	35.0
Total liabilities	20.0	18.5	22.7	148.4	114.1	124.4	9.5	7.3	8.0
Total equity	80.0	81.5	77.3	592.4	504.0	422.8	37.8	32.2	27.0
Inclusive equity attributable to equity holders of the parent	76.9	77.7	73.2	569.6	480.5	400.4	36.4	30.7	25.6

Growth	Q 2		6 months		year
(%)	**2010**	**2009**	**2010**	**2009**	**2009**
Turnover	-24.1	-27.2	-25.2	-19.6	-27.4
EBITDA	-44.4	-20.7	-43.3	-25.3	-30.0
Operating profit (EBIT)	-71.7	-31.2	-75.9	-36.7	-43.4
Net profit for the current period	19.5	-55.0	64.5	-61.0	-48.4
incl. equity holders of the parent	30.2	-59.5	87.1	-64.3	-50.1
Performance indicators (%)					
Return of sales before depreciation	6.3	8.6	5.6	7.4	7.6
Return of sales (operating profit/turnover *100)	2.1	5.7	1.5	4.6	4.5
Net profit margin (net profit/turnover *100)	7.7	4.9	6.9	3.1	3.4
Employees					
Average number of employees	423	453	427	457	452
Number of employees in the end of the period	446	486	446	486	464

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		EEK'000			€'000		
	Note	**30.6.10**	**31.12.09**	**30.6.09**	**30.6.10**	**31.12.09**	**30.6.09**
Current assets							
Cash and cash equivalents		18,663	35,640	19,145	1,193	2,278	1,224
Trade receivables and other receivables		86,016	70,238	104,332	5,497	4,489	6,668
Prepayments		2,041	2,499	3,518	130	160	225
Inclusive income tax		599	0	334	38	0	21
Inventories		94,832	79,352	70,188	6,061	5,071	4,486
Total current assets		**201,552**	**187,729**	**197,183**	**12,881**	**11,998**	**12,603**
Non-current assets							
Investments in associates	2	10,569	9,681	9,781	676	619	625
Other long-term financial investments	2	235,598	153,172	83,469	15,057	9,789	5,334
Investment property	2	138,297	137,176	131,655	8,839	8,768	8,415
Property. plant and equipment	2	149,155	124,575	120,725	9,533	7,962	7,716
Intangible assets	2	5,647	5,815	4,358	360	371	278
Total non-current assets		**539,266**	**430,419**	**349,988**	**34,465**	**27,509**	**22,368**
TOTAL ASSETS		**740,818**	**618,148**	**547,171**	**47,346**	**39,507**	**34,971**
Liabilities							
Interest-bearing loans and borrowings	3	16,120	18,166	18,026	1,030	1,161	1,152
Trade payables and other payables		87,554	75,890	74,874	5,596	4,850	4,785
Tax liabilities		9,298	10,367	15,724	594	663	1,005
Inclusive income tax		620	620	510	40	39	33
Short-term provision		1,148	1,157	3,561	73	74	228
Deferred income		457	1,564	0	29	100	0
Total current liabilities		**114,577**	**107,144**	**112,185**	**7,322**	**6,848**	**7,170**
Non-current liabilities	3	**33,842**	**7,016**	**12,235**	**2,163**	**448**	**782**
Total liabilities		**148,419**	**114,160**	**124,420**	**9,485**	**7,296**	**7,952**
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		233,261	149,760	80,057	14,907	9,571	5,116
Retained earnings		162,305	156,770	146,341	10,374	10,020	9,353
Total equity attributable to equity holders of the parent		**569,566**	**480,530**	**400,398**	**36,402**	**30,712**	**25,590**
Non-controlling interests		22,833	23,458	22,353	1,459	1,499	1,429
Total equity		**592,399**	**503,988**	**422,751**	**37,861**	**32,211**	**27,019**
TOTAL LIABILITIES AND EQUITY		**740,818**	**618,148**	**547,171**	**47,346**	**39,507**	**34,971**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 April - 30 June		1 January - 30 June	
EEK'000	Note	**2010**	**2009**	**2010**	**2009**
I Income statement					
Revenue	4	130,463	171,934	264,575	353,704
Cost of sales		-110,762	-142,332	-226,699	-299,332
Gross profit		**19,701**	**29,602**	**37,876**	**54,372**
Distribution costs		-6,830	-7,894	-13,160	-15,538
Administrative expenses		-10,028	-12,027	-20,874	-22,952
Other income		77	346	375	662
Other expenses		-144	-216	-316	-348
Operating profit	4	**2,776**	**9,811**	**3,901**	**16,196**
Net financing income/costs	5	8,632	3,567	16,723	8,021
Share of profit of associates	2	1,592	-581	888	-8,126
Profit before tax		**13,000**	**12,797**	**21,512**	**16,091**
Allocation of corporate income tax to relevant periods		-3,004	-4,432	-3,326	-5,039
Profit for the period		**9,996**	**8,365**	**18,186**	**11,052**
Attributable to:					
Equity holders of the parent		9,189	7,059	18,145	9,696
Non-controlling interests		807	1,306	41	1,356
Basic earnings per share (EEK)	6	0.55	0.42	1.08	0.58
Diluted earnings per share (EEK)	6	0.54	0.42	1.07	0.58
II Statement of comprehensive income					
Profit for the period		9,996	8,365	18,186	11,052
Available-for-sale financial assets		3,067	20,610	83,501	10,311
Total comprehensive income for the period		**13,063**	**28,975**	**101,687**	**21,363**
Attributable to:					
Equity holders of the parent		12,256	27,669	101,646	20,007
Non-controlling interests		807	1,306	41	1,356

€'000	Note	1 April - 30 June 2010	1 April - 30 June 2009	1 January - 30 June 2010	1 January - 30 June 2009
I Income statement					
Revenue	4	8,338	10,989	16,909	22,606
Cost of sales		-7,079	-9,097	-14,488	-19,131
Gross profit		**1,259**	**1,892**	**2,421**	**3,475**
Distribution costs		-437	-504	-841	-993
Administrative expenses		-641	-769	-1,334	-1,467
Other income		5	22	24	42
Other expenses		-9	-14	-20	-22
Operating profit	4	**177**	**627**	**250**	**1,035**
Net financing income/costs	5	552	228	1,069	512
Share of profit of associates	2	102	-37	57	-519
Profit before tax		**831**	**818**	**1,376**	**1,028**
Allocation of corporate income tax to relevant periods		-192	-283	-213	-322
Profit for the period		**639**	**535**	**1,163**	**706**
Attributable to:					
Equity holders of the parent		587	451	1,160	619
Non-controlling interests		52	84	3	87
Basic earnings per share (EUR)	6	0.03	0.03	0.07	0.04
Diluted earnings per share (EUR)	6	0.03	0.03	0.07	0.04

II Statement of comprehensive income

		1 April - 30 June 2010	1 April - 30 June 2009	1 January - 30 June 2010	1 January - 30 June 2009
Profit for the period		639	535	1,163	706
Available-for-sale financial assets		196	1,317	5,336	659
Total comprehensive income for the period		**835**	**1,852**	**6,499**	**1,365**
Attributable to:					
Equity holders of the parent		783	1,768	6,496	1,278
Non-controlling interests		52	84	3	87

CONSOLIDATED STATEMENT OF CASH FLOWS

		EEK'000		€'000	
For the period 1 January - 30 June	Note	2010	2009	2010	2009
Cash flows from operating activities					
Operating profit	4	3,901	16,196	250	1,035
Adjustments for:					
Depreciation and amortisation	2	10,884	9,894	696	633
Gain on sale of property. plant and equipment		0	-112	0	-7
Share-based payment transactions		830	0	53	0
Change in receivables related to operating activity		-14,655	-10,756	-937	-687
Change in inventories		-15,480	53,163	-990	3,398
Change in payables related to operating activity		11,520	-23,416	736	-1,497
Corporate income tax paid		-3,992	-6,033	-255	-386
Interest paid		-500	-856	-32	-55
Net cash from operating activities		**-7,492**	**38,080**	**-479**	**2,434**
Cash flows from investing activities					
Acquisition of investment property		-5,863	-607	-375	-39
Acquisition of property. plant and equipment		-2,305	-4,774	-147	-305
Acquisition of intangible assets		-476	-1,763	-30	-113
Proceeds from sale of property. plant and equipment		0	413	0	26
Acquisition of other financial investments		0	-178	0	-11
Proceeds from sale of other financial investments		9,235	6,318	590	404
Interest received		329	502	21	32
Dividends received		8,762	3,474	560	222
Net cash used in investing activities		**9,682**	**3,385**	**619**	**216**
Cash flows from financing activities					
Changes in short-term loans	3	196	-15,965	13	-1,020
Repayment of borrowings	3	-2,925	-11,233	-187	-718
Payment of finance lease principal	3	-2,298	-1,106	-147	-71
Dividends paid		-14,106	-17,355	-902	-1,109
Net cash used in financing activities		**-19,133**	**-45,659**	**-1,223**	**-2,918**
Net cash flows		**-16,943**	**-4,194**	**-1,083**	**-268**
Cash and cash equivalents at beginning of period		**35,640**	**23,379**	**2,278**	**1,494**
Net increase / decrease		-16,943	-4,194	-1,083	-268
Effect of exchange rate fluctuations on cash held		-34	-40	-2	-2
Cash and cash equivalents at end of period		**18,663**	**19,145**	**1,193**	**1,224**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EEK '000	Attributable to equity holders of the parent							
For the period 1-6/ 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	10,311	9,696	20,007	1,356	21,363
Dividends	0	0	0	0	-16,800	-16,800	-555	-17,355
At 30 June 2009	**168,000**	**6,000**	**16,800**	**63,257**	**146,341**	**400,398**	**22,353**	**422,751**
For the period 1-6/ 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	83,501	18,145	**101,646**	41	**101,687**
Share-based payment transactions	0	0	0	0	830	**830**	0	**830**
Dividends	0	0	0	0	-13,440	**-13,440**	-666	**-14,106**
At 30 June 2010	**168,000**	**6,000**	**16,800**	**216,461**	**162,305**	**569,566**	**22,833**	**592,399**
€'000								
For the period 1-6/ 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	619	1,278	87	1,365
Dividends	0	0	0	0	-1,074	-1,074	-35	-1,109
At 30 June 2009	**10,737**	**384**	**1,073**	**4,043**	**9,353**	**25,590**	**1,429**	**27,019**
For period 1-6/ 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	5,336	1,160	**6,496**	3	**6,499**
Share-based payment transactions	0	0	0	0	53	**53**	0	**53**
Dividends	0	0	0	0	-859	**-859**	-43	**-902**
At 30 June 2010	**10,737**	**384**	**1,073**	**13,834**	**10,374**	**36,402**	**1,459**	**37,861**

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 30.6.2010 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 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 31.12.2009. The interim report has been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2009 annual report.

According to the assessment of the management board, the interim report for 1-6/2010 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.

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their effect is explained in the respective notes. When the presentation of items in the financial statements or their classification method has been changed, then also the comparative information of previous periods has been restated.

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

Note 2 Non-current assets

	EEK'000		€'000	
For the period 1 January - 30 June	**2010**	**2009**	**2010**	**2009**
Investments in associate				
At 1 January	9,681	17,907	619	1,144
Profit/loss(-)under the equity method	888	-8,126	57	-519
At 30 June	**10,569**	**9,781**	**676**	**625**
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	90,687	13,662	5,796	873
At 30 June	**235,598**	**83,469**	**15,057**	**5,334**
Investment property				
At 1 January	137,176	133,737	8,768	8,547
Additions	3,846	607	245	39
Depreciation charge	-2,725	-2,689	-174	-171
At 30 June	**138,297**	**131,655**	**8,839**	**8,415**
Property. plant and equipment				
At 1 January	124,575	123,423	7,962	7,889
Additions	32,095	4,202	2,051	268
Disposals	0	-301	0	-19
Depreciation charge	-7,515	-6,599	-480	-422
At 30 June	**149,155**	**120,725**	**9,533**	**7,716**
Intangible assets				
At 1 January	5,815	3,201	371	205
Additions	476	1,763	31	113
Depreciation charge	-644	-606	-42	-40
At 30 June	**5,647**	**4,358**	**360**	**278**
Total non-current assets	**539,266**	**349,988**	**34,465**	**22,368**

Note 3 Interest-bearing loans and borrowings

	EEK'000			€'000		
	30.6.2010	**31.12.2009**	**30.6.2009**	**30.6.2010**	**31.12.2009**	**30.6.2009**
Liabilities						
Short-term bank loans	13,143	12,947	11,884	840	827	760
Current portion of long-term bank loans	757	3,682	5,104	48	235	326
Current portion of lease liabilities	2,220	1,537	1,038	142	99	66
Total current liabilities	**16,120**	**18,166**	**18,026**	**1,030**	**1,161**	**1,152**
Long-term bank loans	1,014	1,014	4,696	65	65	300
Lease liabilities	32,828	6,002	7,539	2,098	383	482
Total non-current liabilities	**33,842**	**7,016**	**12,235**	**2,163**	**448**	**782**
TOTAL	**49,962**	**25,182**	**30,261**	**3,193**	**1,609**	**1,934**

Changes during the period 1 January - 30 June

	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	196	-15,965	13	-1,020
New long-term loan	-2,925	-11,233	-187	-718
Long-term loan repaid	29,807	226	1,905	15
Payment of finance lease principal	-2,298	-1,106	-147	-71
Loans and borrowings at the end of the current period	**49,962**	**30,261**	**3,193**	**1,934**

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. -30.6.

2009	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	318,624	19,189	15,891	0	**353,704**
Inter-segment revenue	1,573	6,708	1,359	-9,640	**0**
Total revenue	**320,197**	**25,897**	**17,250**	**-9,640**	**353,704**
Operating profit	8,523	8,562	-897	8	**16,196**
2010					
Revenue from external customers	230,491	20,000	14,084	0	264,575
Inter-segment revenue	1,612	7,662	2,656	-11,930	0
Total revenue	**232,103**	**27,662**	**16,740**	**-11,930**	**264,575**
Operating profit	-5,300	9,905	-294	-410	**3,901**

1.4. -30.6.

2009					
Revenue from external customers	155,148	9,069	7,717	0	**171,934**
Inter-segment revenue	-3,282	2,957	630	-305	**0**
Total revenue	**151,866**	**12,026**	**8,347**	**-305**	**171,934**
Operating profit	5,661	4,734	-586	2	**9,811**
2010					
Revenue from external customers	112,761	9,745	7,957	0	130,463
Inter-segment revenue	1,325	3,475	1,344	-6,144	0
Total revenue	**114,086**	**13,220**	**9,301**	**-6,144**	**130,463**
Operating profit	-2,412	5,286	318	-416	**2,776**

€'000
1.1. -30.6

2009	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	20,364	1,226	1,016	0	**22,606**
Inter-segment revenue	100	429	87	-616	**0**
Total revenue	**20,464**	**1,655**	**1,103**	**-616**	**22,606**
Operating profit	545	547	-57	0	**1,035**
2010					
Revenue from external customers	14,731	1,278	900	0	**16,909**
Inter-segment revenue	103	490	170	-763	**0**
Total revenue	**14,834**	**1,768**	**1,070**	**-763**	**16,909**
Operating profit	-338	633	-19	-26	**250**

1.4. -30.6.

2009					
Revenue from external customers	9,916	580	493	0	**10,989**
Inter-segment revenue	-210	189	40	-19	**0**
Total revenue	**9,706**	**769**	**533**	**-19**	**10,989**
Operating profit	362	303	-37	-1	**627**
2010					
Revenue from external customers	7,206	623	509	0	**8,338**
Inter-segment revenue	85	222	86	-393	**0**
Total revenue	**7,291**	**845**	**595**	**-393**	**8,338**
Operating profit	-154	338	20	-27	**177**

Revenue by markets:

	EEK'000		€'000	
1.1. -30.6.	**2010**	**2009**	**2010**	**2009**
Estonia	91,646	110,072	5,857	7,035
Finland	99,601	174,992	6,366	11,184
Lithuania	30,545	31,555	1,952	2,017
Ohter EU countries	29,463	15,201	1,864	971
Non-EU countries	13,320	21,884	870	1,399
Total	**264,575**	**353,704**	**16,909**	**22,606**
1.4. -30.6.				
Estonia	46,255	54,673	2,956	3,494
Finland	50,354	75,404	3,218	4,819
Lithuania	20,117	16,476	1,286	1,054
Ohter EU countries	3,614	8,733	212	558
Non-EU countries	10,123	16,648	666	1,064
Total	**130,463**	**171,934**	**8,338**	**10,989**

Revenue by business area:

	EEK'000		€'000	
1.1. -30.6.	**2010**	**2009**	**2010**	**2009**
Electrical equipment	205,950	291,251	13,162	18,614
Sheet metal products and services	9,262	9,338	592	597
Boxes for telecom sector and services	6,581	8,715	420	557
Intermediary sale of electrical products and components	18,910	20,847	1,209	1,333
Commerce and mediation of services	4,900	4,526	313	289
Rental income	15,926	15,204	1,018	972
Other services	3,046	3,823	195	244
Total	**264,575**	**353,704**	**16,909**	**22,606**
1.4. -30.6.				
Electrical equipment	99,720	140,723	6,374	8,994
Sheet metal products and services	5,037	4,780	322	306
Boxes for telecom sector and services	3,366	3,994	214	255
Intermediary sale of electrical products and components	9,469	10,750	605	687
Commerce and mediation of services	2,176	1,772	139	113
Rental income	8,185	7,552	523	483
Other services	2,510	2,363	161	151
Total	**130,463**	**171,934**	**8,338**	**10,989**

Note 5 Net financing income/costs

	EEK'000		€'000	
For the period 1 January - 30 June	**2010**	**2009**	**2010**	**2009**
Interest income	329	468	21	29
Interest expense	-495	-856	-32	-55
Dividend income	8,762	3,474	560	222
Net loss from foreign exchange differences	-34	-40	-2	-2
Marketable investments:				
Income from sale of investments	8,161	4,975	522	318
TOTAL	**16,723**	**8,021**	**1,069**	**512**

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 30.6.2010 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 of H1 2010 was 38.93 kroons (2.49 euros) and in the second quarter it was 38.19 kroons (2.44 euros). The issue of shares would account for 14.9 million kroons (954 thousand euros). In order to obtain the same amount 383.6 thousand (14.9/38.93) new shares at the average market price of 6 months and 391.0 thousand new shares at the average market price of the reporting quarter would be issued. The difference between the number of dilutive potential shares and the number of shares issued at the market price which is 194.8 thousand shares (578.4-383.6) in H1 2010 and 187.4 thousand shares (578.4-391.0) in Q2 2010 could be interpreted as shares granted free of charge and the average number of shares has been adjusted by that number.

		EEK		€	
For the period 1 January - 30 June	Unit	**2010**	**2009**	**2010**	**2009**
Profit attributable to equity holders of the parent	'000	18,145	9,696	1,160	619
Average number of shares outstanding	'000	16,800	16,800	16,800	16,800
Basic earnings per share		1.08	0.58	0.07	0.04
Adjusted number of shares during the period	'000	16,995	16,800	16,995	16,800
Diluted earnings per share		1.07	0.58	0.07	0.04
For the period 1 April - 30 June					
Profit attributable to equity holders of the parent	'000	9,189	7,059	587	451
Average number of shares outstanding	'000	16,800	16,800	16,800	16,800
Basic earnings per share		0.55	0.42	0.03	0.03
Adjusted number of shares during the period	'000	16,987	16,800	16,987	16,800
Diluted earnings per share		0.54	0.42	0.03	0.03

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 - 30 June	**2010**	**2009**	**2010**	**2009**
Purchase of goods and services from related parties:				
- from associates	1,370	2,225	88	142
- from Harju KEK	552	590	36	38
TOTAL	1,922	2,815	124	180
Inclusive:				
- goods and materials for manufacturing	1,370	2,225	88	142
- lease of property. plant and equipment	512	550	33	35
- other	40	40	3	3
Sale of goods and services to related parties:				
- to associates	2,841	5,422	182	347
- to Harju KEK	21	0	1	0
TOTAL	2,862	5,422	183	347
Inclusive:				
- goods and materials for manufacturing	206	58	13	4
- lease of property. plant and equipment	2,215	3,613	142	231
- management services	0	1,357	0	87
- other	441	394	28	25
Balances with related parties at 30 June				
Receivables with associates: goods and services	3,761	3,042	240	194
Payables with associates: goods and services	328	722	21	46

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation. integrity and fair presentation of the consolidated interim financial statements of 1-6/2010 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/	„04.“ August 2010
Lembit Libe	Member of the Board	/signature/	„04.“ August 2010
Karin Padjus	Member of the Board	/signature/	„04.“ August 2010