AS HARJU ELEKTER

Interim report 1-9/ 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 September 2010

The interim report of Harju Elekter Group on 25 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-9/ 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 September 2010, Harju Elekter has substantial holdings in the following companies:

Company		Country	30.9.10	31.12.09	30.9.09
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%
Harju Elekter AB	subsidiary	Sweden	90.0%	0.0%	0.0%
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%

On 15 June 2010, the constituting act of Harju Elekter AB, a subsidiary of AS Harju Elekter, was signed in Stockholm. The company was entered in the commercial register on 16 August. The share capital of the new subsidiary is 1 million Swedish kronor, whereof 90% belongs to AS Harju Elekter. 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. The subsidiary conducted no business activities in Q3.

Economic environment

The global economy has recovered from the economic crisis somewhat more vigorously than expected. Sources of support proved to be developing countries – with their fast rates of growth providing opportunities to developed countries – as well as gaining control over and stabilising the spring crisis hotbeds (e.g., the Greek crisis). With the improvement in the condition of the global economy, the prices of raw materials have increased to some extent. However, analysts forecast slightly more modest growth over the next few years compared to the growth of 4.3% in the current year. There are many reasons for this; however, the most important ones include the need of wealthy countries to reduce their government debt and improve their budgetary positions; therefore, expenses must be curbed – including for the purposes of supporting the economy – and in all probability taxes increased. A slowdown in the growth of developing countries is also highlighted as an important factor. Due to modest economic developments and the limitations of other measures supporting the economy, interest rates in advanced countries remain low; minimal demand and the limited possibilities of governments to boost it have again shifted the focus to risks related to deflation.

Economic developments in the Baltic States have also outperformed forecasts. Although the Latvian economy is still predicted to drop by 2% during the year, it is expected to grow in the second half of the year. The Lithuanian economy is forecast to grow by 0.5%. The recovery of the economy in Latvia as well Lithuania relies on exports, while domestic demand continues to remain weak due to high unemployment and decreased earnings. Unemployment is, however, expected to decrease to some extent and consumption to increase in the next year. The Latvian and Lithuanian governments have set an objective to meet the Maastricht criteria in 2012 in order to join the euro area in 2014.

The Estonian economy has grown since Q4 2009, with growth in the first half of 2010 being stronger than forecast. As expected, export was the growth driver; also, stocks in warehouses increased in Q2, resulting in a surprising increase in domestic demand. Consumption and fixed assets still remained in decline and, despite a much improved feeling of security among consumers, consumption remained modest and the savings ratio high because of high unemployment. The feeling of security regarding the future was improved by two significant events – at the beginning of June, Estonia signed an accession agreement to join OECD as the 34th state and the adoption of euro from 2011 owing to meeting the Maastricht criteria.

Main events

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. In October 2010, the construction of a 30 kW solar power plant was completed; it is comprised of 130 solar panels and is located on the roof of the company's factory in Ulvila. The estimated output of the system is 25 000 kWh of electricity per annum. The generated electricity will be used to reduce the factory's expenses related to illumination, cooling and peak hours. Investment costs for the solar plant were approximately EUR 100 000; although grants from the Ministry of Labour and Economic Affairs were also used in the project.

Satmatic Oy has developed remote-controlled vehicle heating panels for car parks. 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 3,700 sq.m to 12,300 sq.m and the secondary warehouse to 18,700 sq.m.

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.

In February, subsidiary Satmatic Oy participated in the Sähkö, Tele, Valo and AV Fair 2010, and introduced a wide product range of the company's new products, including vehicle heating panels for car parks, distribution boards and Sivacon board systems. 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 third quarter was 173.7 million kroons (11.1 million euros), which was 44% more than the result of the comparable period. The sales volume for the nine months dropped in comparison with the reference period by 7.6% to 438.2 million kroons (28.0 million euros).

Sales revenue by segment:

			EEK (in million)				EUR (in million)			
	Growth		Q3		9 months		Q3		9 months	
Segment	Q/Q	**9m/9m**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Manufacturing	50.9%	-8.4%	156.0	103.3	386.4	422.0	10.0	6.6	24.7	27.0
Real estate	11.2%	6.4%	9.7	8.7	29.7	27.9	0.6	0.6	1.9	1.8
Unallocated activities	-6.0%	-9.5%	8.0	8.6	22.1	24.4	0.5	0.5	1.4	1.5
Total	**44.0%**	**-7.6%**	**173.7**	**120.6**	**438.2**	**474.3**	**11.1**	**7.7**	**28.0**	**30.3**

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, almost 90%. The sales revenue on production received from customers outside of the Group increased by 51% to 156.0 million kroons (10.0 million euros) in third quarter and were 386.4 million kroons (24.7 million euros) in 9M 2010. This is 8.4% less than in comparable period. The main reason for growth in the sales revenue of investment properties was an increase in rental premises in the current year. A decline in the sales revenue of other non-segmented activities was caused by a decrease in commercial sales volumes in relation to the slowdown of the building market.

Sales revenue by markets:

			EEK (in million)				EUR (in million)			
	Growth		Q3		9 months		Q3		9 months	
Markets	Q/Q	**9m/9m**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Estonia	5.1%	-9.2%	61.2	58.2	152.9	168.3	3.9	3.7	9.8	10.8
Finland	98.8%	-17.7%	75.9	38.2	175.4	213.2	4.9	2.5	11.2	13.6
Lithuania	-28.5%	-12.0%	12.0	16.8	42.6	48.4	0.8	1.1	2.7	3.1
Other EU countries	149.7%	98.9%	5.3	2.2	34.4	17.3	0.3	0.1	2.2	1.1
Others	268.0%	21.3%	19.3	5.2	32.9	27.1	1.2	0.3	2.1	1.7
Total	**44.0%**	**-7.6%**	**173.7**	**120.6**	**438.2**	**474.3**	**11.1**	**7.7**	**28.0**	**30.3**

Of the markets, the domestic markets (Estonia, Lithuania and Finland) of the Group’s companies prevailed, where 84.6% (93.6%) of the Group’s products and services were sold. 65% (65%) of Group products were sold outside of Estonia. The reporting quarter demonstrated a boom in the Finnish economy. Sales to the Finnish market almost doubled compared to Q3 2009. In the reporting quarter, sales to the Estonian market increased by 5.1% and sales to the Lithuanian market dropped by 28.5%. At the same time, the share of other markets has grown: in the reporting quarter, the sale of the Group’s products and services to other Member States of the European Union was EEK 3.1 million (200,000 euros) and to the other markets 14.1 million kroons (900,000 euros) larger compared to the reference period. Within the 9 month period, sales to the domestic markets of the Group remained below the sales volume of the reference period. At the same time, the Group has been working on finding new markets. In the current year, sales to other Member States of the European Union has almost doubled and sales outside the European Union has grown by more than one-fifth, where products in the amount of 67.3 million kroons (4.3 million euros) were sold within the 9 month period, growing by 22.9 million kroons (1.5 million euros) year-over-year. France, Czech Republic and Malaysia have been added as new markets and the Group has sold during the 9M 2010 its products to those markets totally in amount 26.7 million kroons (1.7 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		Q3		9 months		Q3		9 months	
Segment	Q/Q	**9m/9m**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Estonia	8.8%	-9.4%	77.0	70.8	196.5	216.9	4.9	4.5	12.6	13.9
Finland	180.5%	0.9%	77.3	27.6	183.9	182.3	5.0	1.8	11.7	11.6
Lithuania	-13.0%	-22.9%	19.4	22.2	57.8	75.1	1.2	1.4	3.7	4.8
Total	**44.0%**	**-7.6%**	**173.7**	**120.6**	**438.2**	**474.3**	**11.1**	**7.7**	**28.0**	**30.3**

Sales to the Estonian market increased by 8% within the reporting quarter. At the same time, the sales revenue from the other geographic segments amounted to 13.2 million kroons (840,000 euros), which was almost twice as much as in the reference period. The total operating income of the Estonian segment increased by 13.1% up to 90.2 million kroons (5.77 million euros) in the reporting quarter. The main growth resulted from sales to foreign markets, where 32% (Q3 2009: 28%) of the products were sold. The growth was mainly achieved owing to an increase in the sales of medium voltage distribution and outdoor substation units in Finland. The sales revenue of the Estonian segment within the 9 month period was 196.5 million kroons (12.6 million euros), decreasing by 9.4% compared to the reference period.

Signs of recovery may be noticed in the Finnish economy, mainly in export. The domestic investments of Finland during the accounting period were slight as well as Finnish metallurgical and engineering industry enterprises are still struggling. Vehicle heating panels for car parks have become a very good sales article for the Finnish company. In the reporting quarter the market share of the company increased and the sale of products also demonstrates a continuing growing trend. In Q3, the sales volume of the Finnish segment increased by 2.8 times and the 9M 2009 level was outperformed by 0.9% within the 9 month period. While 99% of the sales revenue was received from the Finnish market in 2009, it has dropped to 75% in the current year. The domestic decrease is compensated by the increase in export to Sweden. As a new market was added Malaysia.

In the reporting quarter, the sales volume of the Lithuanian segment accounted for 87% and the sales volume within the 9 month period comprised 77% of the results in 9M 2009. The modest results of the reporting quarter as well as the 9 month period were mainly caused by a decline in the domestic market. In Q3, sales to the Lithuanian market dropped by one-third compared to the reference period. At the same time, sales to foreign markets increased by 88%, accounting for 43% of the sales revenue in Q3, but only one-fourth in the reference period. Within the 9 month period, the decline occurred mainly in foreign markets. In 2009 the Lithuanian company had the large-scale agreements with Norwegian and Danish clients, what gave 27% from the sales volumes of the period. This year supplies to those markets have been modest. Finland, France and the Czech Republic were added as new markets. Almost 80% of the sales revenue for the 9M 2010 was obtained from Lithuanian customers; major part here is on several large-scale projects were carried out in local market in June.

OPERATING EXPENSES

			EEK (in million)				EUR (in million)			
	Growth		Q3		9 months		Q3		9 months	
	Q/Q	**9 m/9m**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
Cost of sales	45.7%	-7.0%	143.3	98.4	370.0	397.7	9.2	6.3	23.6	25.4
Distribution costs	-0.5%	-10.8%	6.7	6.7	19.8	22.3	0.4	0.4	1.3	1.4
Admin expenses	-1.2%	-6.7%	9.6	9.7	30.5	32.6	0.6	0.6	1.9	2.1
Total expenses	**39.1%**	**-7.1%**	**159.6**	**114.8**	**420.3**	**452.6**	**10.2**	**7.3**	**26.8**	**28.9**
incl. depreciation of fixed assets	17.4%	9.2%	5.3	4.9	16.2	14.8	0.3	0.3	1.0	0.9
Total labour cost	6.0%	-7.0%	34.0	32.0	101.0	108.5	2.2	2.0	6.5	6.9
incl salary cost	9.1%	-8.4%	26.5	24.3	79.1	86.4	1.7	1.6	5.1	5.5

The prices of raw materials have also risen as a result of the recovery of the economy. 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 more than 20% during this year.

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. Distribution costs and administration expenses shrank by 1 per cent point in Q3 and by 9.2% in 9M 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 still have increased by 39% in Q3, but decreased by 7% or 32.3 million kroons (2.06 million euros) in 9M 2010 compared to the same period of the previous year.

In the third quarter, there was an average of 421 (448) people working in the Group, included 270 (293) employees in Estonia, 69 (77) employees in Lithuania and 82 (78) employees in Finland. In 9M 2010, the average number of employees was 425 (454). As at the balance day on 30 September, there were 440 people working in the Group, whish is 24 employees less than on the beginning of the year and 31 employees less than a year before. Expenses on staff in Q3 2010 were 34.0 million kroons (2.17 million euros) which is almost 6% more than during the compared period. During the third quarter, labour costs increased by more than 9% compared to the previous year, reaching 26.5 million kroons (1.69 million euros). During the nine months period, expenses on staff decreased by more than 7% reaching 101.0 million kroons (6.45 million euros); employees were paid 79.1 million kroons (5.05 million euros) in salaries, bonuses and compensation, which was 8.4% lower than during the comparable period. The average wage per employee was 20,650 kroons (1,320 euros) and 21,140 kroons (1,350 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 Q3 2010 and totally in the amount of 1.2 million kroons (80,000 euros) in 9M 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 over 37 million kroons (more than 2 million euros) were invested in fixed assets, in the compared period the number was 16.8 million kroons (1.1 million euros). The depreciation of fixed assets accounted for 16.2 million kroons (1.03 million euros) of operational expenditures, which is almost 1.4 million kroons (87,000 euros) more than during the compared period, including 5.3 million kroons (340,000 euros) in Q3 and 4.9 million kroons (310,000 euros) in the comparable period.

EARNINGS AND MARGINS

The recovery of the economy in Estonia, as well as neighbouring markets, has positively influenced the sales volumes, profitability and profit margins of the Group compared to the first half-year of this year. The gross profit of the Group was 30.3 million kroons (1.94 million euros) in Q3 2010 and 68.2 million kroons (4.36 million euros) in 9M 2010, increasing by 36.6% and decreasing 10.9% respectively compared to the same periods last year. The gross profit margin was 17.5% in Q3 and 15.6% in 9M 2010, which is 1 and 0.9 per cent points lower compared respectively to the same periods last year.

Operating profit of Q3 2010 was 14.3 million kroons (920,000 euros), which was 2.4 times more compared to the Q3 2009. Return of sales for the period was 8.3% (5.0%). In Q3 2010 EBITDA was 19.6 million kroons or 1.25 million euros, which is 8.7 million kroons (550,000 euros) more than in comparable quarter; return of sales before depreciation was 11.3% being 2.2 per cent points better. In 9M 2010 EBIT was 18.2 million kroons (1.17 million euros) and EBITDA was 34.4 million kroons (2.20 million euros); 22.2 million kroons (1.42 million euros) and 37.1 million euros (2.41 million euros) respectively compared to the same periods last year. Return of sales of 9M 2010 was 4.2% (4.7%) and return of sales before depreciation 7.9% (7.8%).

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 of 9M 2010 was 16.5 million kroons (1.06 million euros) which is 8.5 million kroons (540,000 euros) more as within the comparable period.

In the third quarter the Group consolidated from the related company a loss of 9,000 kroons (575 euros), and within the 9 months a profit of 0.9 million kroons (57,000 euros). In Q3 2009 the subsidiary yielded from the subsidiary a profit in amount 5,000 kroons (320 euros) and in 9M 2009 the loss was 8.1 million kroons (520,000 euros).

Overall, the consolidated net profit of the Q3 2010 was 13.3 million kroons or 850,000 euros (Q3 2009: 6.1 million kroons or 390,000 euros), of which the share of the owners of the parent company was 13.2 million kroons or 840,000 euros. EPS of the Q3 was 0.78 kroons or 0.05 euros (Q3 2009: 0.34 kroons or 0.02 euros). The consolidated net profit of the 9M 2010 was 31.5 million kroons (2.01 million euros), which is 83.6% more than in compared period. The share of the owners of the parent company was 31.3 million kroons (2.0 million euros), increasing twice comparing to the 9M 2009. EPS of the reporting period was 1.86 kroons or 0.12 euros (9M 2009: 0.92 kroons or 0.06 euros).

During the third quarter, the unrealised profit from financial assets was 11.2 million kroons (710,000 euros) and the total comprehensive income 24.5 million kroons (1.57 million euros). During the comparable period the unrealised profit from financial assets was 35.2 million kroons (2.25 million euros) and the total comprehensive income 41.3 million kroons (2.64 million euros). During the first nine months, the unrealised profit from commercially disposable financial assets was 94.7 million kroons (6.05 million euros) and the total comprehensive income was 126.2 million kroons (8.06 million euros) which exceeded the numbers of the previous year more than 2 times.

Financial position and cash flows

The amount of the consolidated balance sheet as of 30 September 2010 was 774.0 million kroons or 49.5 million euros (30.09.2009: 591.4 million kroons or 37.8 million euros), increasing by 155.9 million kroons (10.0 million euros) during the first nine months, including total current assets by 39.6 million kroons (2.5 million euros), total non-current assets by 116.2 million kroons (7.4 million euros) and total liabilities by 42.6 million kroons (2.7 million euros), total equity by 113.3 million kroons (7.2 million euros).

During 9 months business claims increased by 19.4 million kroons (1.24 million euros) up to 89.6 million kroons (5.73 million euros) and inventories by 29.6 million kroons (1.89 million euros) up to 109.0 million kroons (6.96 million euros); money balances decreased by 8.6 million kroons (550,000 euros) to 27.0 million kroons (1.73 million euros). At the same time, debts to suppliers and other business-related debts increased by 13.3 million kroons (850,000 euros) to 89.2 million kroons (5.7 million euros) and tax liabilities by 2 million kroons (130,000 euros) during the nine months. The outflow of cash from the operating activities amounted to 1.8 million kroons (110,000 euros) and the inflow of cash in the reference period was 78.7 million kroons (5.03 million euros). The quick ratio (1.0) as well as the solvency ratio (1.8) improved during the 9M 2010 by 0.1 and 0.2 points respectively compared to the 9M 2009.

During the 9M 2010 the cost of non-current assets increased by 116.2 million kroons (7.43 million euros) up to 546.6 million kroons (34.94 million euros).

During the reporting quarter the market price of the PKC Group share in Helsinki Stock increased by 0.51 euros (7.98 kroons) and by 4.65 euros (72.73 kroons) up to 11.25 euros (176.02 kroons) during 9M 2010. In Q3 2010 the cost of investment in assets and reserves in equity capital increased by the profit of 11.2 million kroons (710,000 thousand euros) and in 9M 2010 by 101.9 million kroons (6.51 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 (500,000 euros). All in all, the book value of financial assets increased by 93.6 million kroons (5.98 million euros) to 246.8 million kroons (15.77 million euros) during the first nine months. PKC Group Oyj paid dividends 0.40 euros (6.26 kroons) per share, totally 8.8 million kroons (560,000 euros), a year before 0.15 euros (2.35 kroons) per share, totally 3.5 million kroons (220,000 euros).

In 9M 2010 the Group invested 4.5 million kroons (0.29 million euros) in real estate, 32.6 million kroons (2.1 million euros) in tangible fixed assets and 866 thousand kroons (55,000 euros) in intangible fixed assets, totally 37.9 million kroons (2.42 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, 12.9 million kroons (820,000 euros) in tangible fixed assets and 3.3 million kroons (210,000 euros) in intangible fixed assets, totally 16.8 million kroons (1.07 million euros).

At the beginning of the year, the debt related to the acquisition of investment properties amounted to 2 million kroons (130,000 euros), which was repaid in the current year. By that same amount, the cash flow related to investment properties was also larger than the cost of the investment property acquired in the reporting period. In summary, the inflow of cash from investment activities totalled 8.2 million kroons (520,000 euros) in the reporting period, the outflow of cash in the reference period amounted to 5.2 million kroons (330,000 euros).

Interest-bearing debts increased during the first nine months by 28.9 million kroons (1.85 million euros) to 54.1 million kroons (3.46 million euros). During 9M 2010 short-term liabilities were increased by 5.8 million kroons (370,000 euros) up to 18.8 million kroons (1.20 million euros); in the comparable period short-term liabilities were decreased by 25.4 million kroons (1.62 million euros) up to 2.5 million kroons (160,000 euros). Within the reporting period, 3.3 million kroons or 210,000 euros (9M 2009: 13.8 million kroons or 880,000 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 nine months, 3.4 million kroons or 220,000 euros (9M 2009: 1.6 million kroons or 100,000 euros) worth of principal amounts of the financial lease were repaid.

The Group paid to 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). In the accounting period the cash outflow from financing activities was 15.0 million kroons (960,000 euros); it was 58.1 million kroons (3.72 million euros) in the comparable period.

As at September 30 2010 the total current assets constituted 29% (34%) and the total non-current assets 71% (66%); and the other side external finance 20% (22%) and equity 80% (78%) of the balance sheet total.

Shares of Harju Elekter	EEK			EUR		
	9M 2010	**9M 2009**	**2009**	**9M 2010**	**9M 2009**	**2009**
Number of the shares, (1000 pc)	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	45.38	46.78	2.73	2.90	2.99
Low price	31.61	10.48	10.48	2.02	0.67	0.67
Closing price	35.52	40.52	32.08	2.27	2.59	2.05
Market value (in million)	596.7	680.7	538.9	38.1	43.5	34.4
EPS	1.86	0.92	1.14	0.12	0.06	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 9M 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 nine months period 2.6 million kroons (169,000 euros). In the comparable periods the amounts were 0.8 million kroons (52,000 euros) and 2.9 million kroons (187,000 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)				
	Q3		9 months		year	Q3		9 months		year
(in million)	**2010**	**2009**	**2010**	**2009**	**2009**	**2010**	**2009**	**2010**	**2009**	**2009**
Net sales	173.7	120.6	438.2	474.3	632.7	11.1	7.7	28.0	30.3	40.4
EBITDA	19.6	11.0	34.4	37.1	48.3	1.3	0.7	2.2	2.4	3.1
Operating profit	14.3	6.0	18.2	22.2	28.3	0.9	0.4	1.2	1.4	1.8
Net profit for the current period	13.3	6.1	31.5	17.2	21.7	0.9	0.4	2.0	1.1	1.4
Incl. equity holders of the parents	13.2	5.7	31.3	15.4	19.2	0.8	0.4	2.0	1.0	1.2

	Structure (%)			EEK			€		
(in million)	**30.9. 2010**	**31.12. 2009**	**30.9. 2009**	**30.9. 2010**	**31.12. 2009**	**30.9. 2009**	**30.9. 2010**	**31.12. 2009**	**30.9. 2009**
Total current assets	29.4	30.4	34.0	227.4	187.7	200.9	14.5	12.0	12.8
Total non-current assets	70.6	69.6	66.0	546.6	430.4	390.5	35.0	27.5	25.0
Total assets	100.0	100.0	100.0	774.0	618.1	591.4	49.5	39.5	37.8
Total liabilities	20.2	18.5	21.5	156.7	114.1	127.3	10.0	7.3	8.1
Total equity	79.8	81.5	78.5	617.3	504.0	464.1	39.5	32.2	29.7
Inclusive equity attributable to equity holders of the parent	76.8	77.7	74.6	594.3	480.5	441.3	38.0	30.7	28.2

Growth	Q 3		9 months		year
(%)	**2010**	**2009**	**2010**	**2009**	**2009**
Turnover	44.0	-46.9	-7.6	-28.9	-27.4
EBITDA	79.1	-37.4	-7.1	-29.3	-30.0
Operating profit (EBIT)	137.2	-52.9	-18.0	-42.1	-43.4
Net profit for the current period	118.0	-45.2	83.6	-56.5	-48.4
incl. equity holders of the parent	130.8	-44.5	103.3	-58.9	-50.1
Performance indicators (%)					
Return of sales before depreciation	11.3	9.1	7.9	7.8	7.6
Return of sales (operating profit/turnover *100)	8.3	5.0	4.2	4.7	4.5
Net profit margin (net profit/turnover *100)	7.7	5.1	7.2	3.6	3.4
Employees					
Average number of employees	421	448	425	454	452
Number of employees in the end of the period	440	471	440	471	464

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		EEK'000			€'000		
	Note	**30.9.10**	**31.12.09**	**30.9.09**	**30.9.10**	**31.12.09**	**30.9.09**
Current assets							
Cash and cash equivalents		27,038	35,640	38,761	1,728	2,278	2,477
Trade receivables and other receivables		89,611	70,238	74,493	5,727	4,489	4,761
Prepayments		1,761	2,499	4,387	113	160	281
Inclusive income tax		1,180	0	1,018	75	0	66
Inventories		108,964	79,352	83,298	6,964	5,071	5,324
Total current assets		**227,374**	**187,729**	**200,939**	**14,532**	**11,998**	**12,843**
Non-current assets							
Investments in associates	2	10,560	9,681	9,786	676	619	625
Other long-term financial investments	2	246,770	153,172	118,668	15,771	9,789	7,584
Investment property	2	137,524	137,176	129,908	8,790	8,768	8,303
Property, plant and equipment	2	146,092	124,575	126,517	9,337	7,962	8,086
Intangible assets	2	5,712	5,815	5,587	364	371	357
Total non-current assets		**546,658**	**430,419**	**390,466**	**34,938**	**27,509**	**24,955**
TOTAL ASSETS		**774,032**	**618,148**	**591,405**	**49,470**	**39,507**	**37,798**
Liabilities							
Interest-bearing loans and borrowings	3	20,251	18,166	5,556	1,294	1,161	355
Trade payables and other payables		89,228	75,890	97,020	5,703	4,850	6,201
Tax liabilities		12,357	10,367	8,705	790	663	556
Inclusive income tax		188	620	0	12	39	0
Short-term provision		1,044	1,157	3,828	67	74	245
Deferred income		0	1,564	0	0	100	0
Total current liabilities		**122,880**	**107,144**	**115,109**	**7,854**	**6,848**	**7,357**
Non-current liabilities	3	**33,842**	**7,016**	**12,235**	**2,163**	**448**	**782**
Total liabilities		**156,722**	**114,160**	**127,344**	**10,017**	**7,296**	**8,139**
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		244,433	149,760	115,256	15,621	9,571	7,366
Retained earnings		175,878	156,770	152,041	11,241	10,020	9,717
Total equity attributable to equity holders of the parent		**594,311**	**480,530**	**441,297**	**37,983**	**30,712**	**28,204**
Non-controlling interests		**22,999**	**23,458**	**22,764**	**1,470**	**1,499**	**1,455**
Total equity		**617,310**	**503,988**	**464,061**	**39,453**	**32,211**	**29,659**
TOTAL LIABILITIES AND EQUITY		**774,032**	**618,148**	**591,405**	**49,470**	**39,507**	**37,798**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		1 July - 30 September		1 January - 30 September	
EEK'000	Note	**2010**	**2009**	**2010**	**2009**
I Income statement					
Revenue	4	173,666	120,571	438,241	474,275
Cost of sales		-143,343	-98,370	-370,042	-397,702
Gross profit		**30,323**	**22,201**	**68,199**	**76,573**
Distribution costs		-6,682	-6,715	-19,842	-22,253
Administrative expenses		-9,584	-9,700	-30,458	-32,652
Other income		408	376	783	1,038
Other expenses		-117	-113	-433	-461
Operating profit	4	**14,348**	**6,049**	**18,249**	**22,245**
Net financing income/costs	5	-208	-30	16,516	7,991
Share of profit of associates	2	-9	5	879	-8,121
Profit before tax		**14,131**	**6,024**	**35,644**	**22,115**
Allocation of corporate income tax to relevant periods		-807	87	-4,133	-4,952
Profit for the period		**13,324**	**6,111**	**31,511**	**17,163**
Attributable to:					
Equity holders of the parent		13,157	5,700	31,304	15,396
Non-controlling interests		167	411	207	1,767
Basic earnings per share (EEK)	6	0.78	0.34	1.86	0.92
Diluted earnings per share (EEK)	6	0.78	0.34	1.84	0.92
II Statement of comprehensive income					
Profit for the period		13,324	6,111	31,511	17,163
Available-for-sale financial assets		11,172	35,199	94,673	45,510
Total comprehensive income for the period		**24,496**	**41,310**	**126,184**	**62,673**
Attributable to:					
Equity holders of the parent		24,329	40,899	125,977	60,906
Non-controlling interests		167	411	207	1,767

€’000	Note	1 July - 30 September 2010	1 July - 30 September 2009	1 January - 30 September 2010	1 January - 30 September 2009
I Income statement					
Revenue	4	11,099	7,706	28,009	30,311
Cost of sales		-9,161	-6,287	-23,650	-25,418
Gross profit		**1,938**	**1,419**	**4,359**	**4,893**
Distribution costs		-427	-429	-1,268	-1,422
Administrative expenses		-613	-620	-1,947	-2,087
Other income		26	24	50	66
Other expenses		-7	-7	-28	-29
Operating profit	4	**917**	**387**	**1,166**	**1,421**
Net financing income/costs	5	-13	-2	1,055	510
Share of profit of associates	2	-1	0	57	-519
Profit before tax		**903**	**385**	**2,278**	**1,412**
Allocation of corporate income tax to relevant periods		-51	6	-264	-316
Profit for the period		**852**	**391**	**2,014**	**1,096**
Attributable to:					
Equity holders of the parent		841	365	2,000	983
Non-controlling interests		11	26	14	113
Basic earnings per share (EUR)	6	0.05	0.02	0.12	0.06
Diluted earnings per share (EUR)	6	0.05	0.02	0.12	0.06
II Statement of comprehensive income					
Profit for the period		852	391	2,014	1,096
Available-for-sale financial assets		714	2,250	6,050	2,909
Total comprehensive income for the period		**1,566**	**2,641**	**8,064**	**4,005**
Attributable to:					
Equity holders of the parent		1,555	2,615	8,050	3,892
Non-controlling interests		11	26	14	113

CONSOLIDATED STATEMENT OF CASH FLOWS

		EEK'000		€'000	
For the period 1 January - 30 September	**Note**	**2010**	**2009**	**2010**	**2009**
Cash flows from operating activities					
Operating profit	4	18,249	22,245	1,166	1,421
Adjustments for:					
Depreciation and amortisation	2	16,169	14,806	1,033	946
Gain on sale of property. plant and equipment		0	-186	0	-12
Share-based payment transactions		1,244	0	80	0
Change in receivables related to operating activity		-18,327	24,384	-1,171	1,558
Change in inventories		-29,612	40,053	-1,893	2,560
Change in payables related to operating activity		16,124	-14,418	1,031	-921
Corporate income tax paid		-4,872	-6,972	-311	-446
Interest paid		-738	-1,176	-47	-74
Net cash from operating activities		**-1,763**	**78,736**	**-112**	**5,032**
Cash flows from investing activities					
Acquisition of investment property		-6,510	-607	-416	-39
Acquisition of property. plant and equipment		-2,784	-11,998	-178	-767
Acquisition of intangible assets		-866	-3,289	-55	-210
Proceeds from sale of property. plant and equipment		0	-178	0	-11
Acquisition of other financial investments		0	486	0	31
Proceeds from sale of other financial investments		9,235	6,318	590	404
Interest received		365	631	23	40
Dividends received		8,762	3,474	560	222
Net cash used in investing activities		**8,202**	**-5,163**	**524**	**-330**
Cash flows from financing activities					
Changes in short-term loans	3	5,814	0	372	0
Repayment of borrowings	3	-3,297	-39,152	-211	-2,502
Payment of finance lease principal	3	-3,413	-1,621	-218	-104
Dividends paid		-14,106	-17,355	-902	-1,109
Net cash used in financing activities		**-15,002**	**-58,128**	**-959**	**-3,715**
Net cash flows		**-8,563**	**15,445**	**-547**	**987**
Cash and cash equivalents at beginning of period		**35,640**	**23,379**	**2,278**	**1,494**
Net increase / decrease		-8,563	15,445	-547	987
Effect of exchange rate fluctuations on cash held		-39	-63	-3	-4
Cash and cash equivalents at end of period		**27,038**	**38,761**	**1,728**	**2,477**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EEK '000	Attributable to equity holders of the parent							
For the period 1-9/ 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	45,510	15,396	60,906	1,767	**62,673**
Dividends	0	0	0	0	-16,800	-16,800	-555	**-17,355**
At 30 September 2009	**168,000**	**6,000**	**16,800**	**98,456**	**152,041**	**441,297**	**22,764**	**464,061**
For the period 1-9/ 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	94,673	31,304	**125,977**	207	**126,184**
Share-based payment transactions	0	0	0	0	1,244	**1,244**	0	**1,244**
Dividends	0	0	0	0	-13,440	**-13,440**	-666	**-14,106**
At 30 September 2010	**168,000**	**6,000**	**16,800**	**227,633**	**175,878**	**594,311**	**22,999**	**617,310**
€'000								
For the period 1-9/ 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	2,909	983	3,892	113	**4,005**
Dividends	0	0	0	0	-1,074	-1,074	-35	**-1,109**
At 30 September 2009	**10,737**	**384**	**1,073**	**6,293**	**9,717**	**28,204**	**1,455**	**29,659**
For period 1-9/ 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	6,050	2,000	**8,050**	14	**8,064**
Share-based payment transactions	0	0	0	0	80	**80**	0	**80**
Dividends	0	0	0	0	-859	**-859**	-43	**-902**
At 30 September 2010	**10,737**	**384**	**1,073**	**14,548**	**11,241**	**37,983**	**1,470**	**39,453**

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 30.9.2010 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. 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 1-9/2010 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 September	**2010**	**2009**	**2010**	**2009**
Investments in associate				
At 1 January	9,681	17,907	619	1,144
Profit/loss(-)under the equity method	879	-8,121	57	-519
At 30 September	**10,560**	**9,786**	**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	101,859	48,861	6,510	3,123
At 30 September	**246,770**	**118,668**	**15,771**	**7,584**
Investment property				
At 1 January	137,176	133,737	8,768	8,547
Additions	4,493	607	286	39
Depreciation charge	-4,145	-4,436	-264	-283
At 30 September	**137,524**	**129,908**	**8,790**	**8,303**
Property. plant and equipment				
At 1 January	124,575	123,423	7,962	7,889
Additions	32,572	12,863	2,082	821
Disposals	0	-301	0	-19
Depreciation charge	-11,055	-9,468	-707	-605
At 30 September	**146,092**	**126,517**	**9,337**	**8,086**
Intangible assets				
At 1 January	5,815	3,201	371	205
Additions	866	3,289	55	210
Depreciation charge	-969	-903	-62	-58
At 30 September	**5,712**	**5,587**	**364**	**357**
Total non-current assets	**546,658**	**390,466**	**34,938**	**24,955**

Note 3 Interest-bearing loans and borrowings

	EEK'000			€'000		
	30.9.2010	**31.12.2009**	**30.9.2009**	**30.9.2010**	**31.12.2009**	**30.9.2009**
Liabilities						
Short-term bank loans	18,761	12,947	2,477	1,199	827	158
Current portion of long-term bank loans	385	3,682	2,557	24	235	164
Current portion of lease liabilities	1,105	1,537	522	71	99	33
Total current liabilities	**20,251**	**18,166**	**5,556**	**1,294**	**1,161**	**355**
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	**54,093**	**25,182**	**17,791**	**3,457**	**1,609**	**1,137**

Changes during the period 1 January - 30 September

	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	5,814	-25,372	372	-1,622
New long-term loan	-3,297	-13,780	-211	-880
Long-term loan repaid	29,807	225	1,905	15
Payment of finance lease principal	-3,413	-1,621	-218	-104
Loans and borrowings at the end of the current period	**54,093**	**17,791**	**3,457**	**1,137**

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. -30.9.

2009	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	421,943	27,922	24,410	0	**474,275**
Inter-segment revenue	2,158	9,800	1,889	-13,847	**0**
Total revenue	**424,101**	**37,722**	**26,299**	**-13,847**	**474,275**
Operating profit	9,539	14,350	-1,660	16	**22,245**
2010					
Revenue from external customers	386,438	29,708	22,095		**438,241**
Inter-segment revenue	2,364	10,904	3,757	-17,025	**0**
Total revenue	**388,802**	**40,612**	**25,852**	**-17,025**	**438,241**
Operating profit	3,451	15,146	-358	10	**18,249**

1.7. -30.9.

2009	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	103,319	8,733	8,519	0	**120,571**
Inter-segment revenue	585	3,092	530	-4,207	**0**
Total revenue	**103,904**	**11,825**	**9,049**	**-4,207**	**120,571**
Operating profit	1,015	5,788	-762	8	**6,049**
2010					
Revenue from external customers	155,946	9,709	8,011	0	**173,666**
Inter-segment revenue	753	3,241	1,101	-5,095	**0**
Total revenue	**156,699**	**12,950**	**9,112**	**-5,095**	**173,666**
Operating profit	8,878	5,241	223	6	**14,348**

€’000

1.1. -30.9.

2009	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	26,966	1,785	1,560	0	**30,311**
Inter-segment revenue	138	626	121	-885	**0**
Total revenue	**27,104**	**2,411**	**1,681**	**-885**	**30,311**
Operating profit	610	916	-106	1	**1,421**
2010					
Revenue from external customers	24,698	1,899	1,412	0	**28,009**
Inter-segment revenue	151	697	240	-1,088	**0**
Total revenue	**24,849**	**2,596**	**1,652**	**-1,088**	**28,009**
Operating profit	221	968	-24	1	**1,166**

1.7. -30.9.

2009	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	6,604	558	544	0	**7,706**
Inter-segment revenue	37	198	34	-269	**0**
Total revenue	**6,641**	**756**	**578**	**-269**	**7,706**
Operating profit	65	370	-49	1	**387**
2010					
Revenue from external customers	9,967	620	512	0	**11,099**
Inter-segment revenue	48	208	70	-326	**0**
Total revenue	**10,015**	**828**	**582**	**-326**	**11,099**
Operating profit	567	335	15	0	**917**

Revenue by markets:

	EEK'000		€'000	
1.1. -30.9.	**2010**	**2009**	**2010**	**2009**
Estonia	152,881	168,312	9,771	10,757
Finland	175,460	213,160	11,214	13,624
Lithuania	42,566	48,367	2,721	3,091
Ohter EU countries	34,442	17,313	2,201	1,106
Non-EU countries	32,892	27,123	2,102	1,733
Total	**438,241**	**474,275**	**28,009**	**30,311**
1.7. -30.9.				
Estonia	61,234	58,240	3,914	3,722
Finland	75,860	38,168	4,848	2,440
Lithuania	12,021	16,812	768	1,074
Ohter EU countries	5,271	2,111	337	135
Non-EU countries	19,280	5,240	1,232	335
Total	**173,666**	**120,571**	**11,099**	**7,706**

Revenue by business area:

	EEK'000		€'000	
1.1. -30.9.	**2010**	**2009**	**2010**	**2009**
Electrical equipment	343,813	375,778	21,974	24,016
Sheet metal products and services	14,424	14,689	922	939
Boxes for telecom sector and services	11,443	13,408	731	857
Intermediary sale of electrical products and components	33,685	36,195	2,153	2,313
Commerce and mediation of services	6,522	6,559	417	419
Rental income	24,153	22,657	1,544	1,448
Other services	4,201	4,989	268	319
Total	**438,241**	**474,275**	**28,009**	**30,311**
1.7. -30.9.				
Electrical equipment	137,863	84,527	8,812	5,403
Sheet metal products and services	5,162	5,351	330	342
Boxes for telecom sector and services	4,862	4,693	311	300
Intermediary sale of electrical products and components	14,775	15,348	944	980
Commerce and mediation of services	1,622	2,033	104	130
Rental income	8,227	7,453	525	476
Other services	1,155	1,166	73	75
Total	**173,666**	**120,571**	**11,099**	**7,706**

Note 5 Net financing income/costs

	EEK'000		€'000	
For the period 1 January - 30 September	**2010**	**2009**	**2010**	**2009**
Interest income	365	596	23	38
Interest expense	-733	-991	-47	-64
Dividend income	8,762	3,474	560	222
Net loss from foreign exchange differences	-39	-63	-3	-4
Marketable investments:				
Income from sale of investments	8,161	4,975	522	318
TOTAL	**16,516**	**7,991**	**1,055**	**510**

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 30.9.2010 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 1-9/ 2010 was 38.43 kroons (2.46 euros) and in the third quarter it was 35.72 kroons (2.28 euros). The issue of shares would account for 14.9 million kroons (954 thousand euros). In order to obtain the same amount 388.6 thousand (14.9/38.43) new shares at the average market price of 9 months and 418.1 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 189.8 thousand shares (578.4-388.6) in 1-9/ 2010 and 160.3 thousand shares (578.4-418.1) in Q3 2010 could be interpreted as shares granted free of charge and the average number of shares has been adjusted by that number.

		1.07 - 30.09		1.01 - 30.09	
EEK	Unit	**2010**	**2009**	**2010**	**2009**
Profit attributable to equity holders of the parent	'000	13,157	5,700	31,304	15,396
Average number of shares outstanding	'000	16,800	16,800	16,800	16,800
Basic earnings per share		0.78	0.34	1.86	0.92
Adjusted number of shares during the period	'000	16,960	16,800	16,990	16,800
Diluted earnings per share		0.78	0.34	1.84	0.92

€					
Profit attributable to equity holders of the parent	'000	841	365	2,000	983
Average number of shares outstanding	'000	16,800	16,800	16,800	16,800
Basic earnings per share		0.05	0.02	0.12	0.06
Adjusted number of shares during the period	'000	16,960	16,800	16,990	16,800
Diluted earnings per share		0.05	0.02	0.12	0.06

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 September	**2010**	**2009**	**2010**	**2009**
Purchase of goods and services from related parties:				
- from associates	2,660	3,902	170	250
- from Harju KEK	807	833	52	53
TOTAL	3,467	4,735	222	303
Inclusive:				
- goods and materials for manufacturing	2,660	3,889	170	249
- lease of property. plant and equipment	767	806	49	51
- other	40	40	3	3
Sale of goods and services to related parties:				
- to associates	10,180	8,081	650	516
- to Harju KEK	26	0	2	0
TOTAL	10,206	8,081	652	516
Inclusive:				
- goods and materials for manufacturing	348	89	22	6
- lease of property. plant and equipment	6,985	5,420	446	346
- management services	1,572	2,035	101	130
- other	1,301	537	83	34
Balances with related parties at 30 September				
Receivables with associates: goods and services	3,448	4,687	220	300
Payables with associates: goods and services	712	1,291	45	83

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation. integrity and fair presentation of the consolidated interim financial statements of 1-9/2010 as set out on pages 3 to 24 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/	„03." November 2010
Lembit Libe	Member of the Board	/signature/	„03." November 2010
Karin Padjus	Member of the Board	/signature/	„03." November 2010