AS HARJU ELEKTER
Interim report 1-12/2011

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services
Commercial registry code:	10029524
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Web-site:	he@he.ee
Internet homepage:	www.harjuelekter.ee
CEO:	Andres Allikmäe
Auditor**:**	KPMG Baltics
Beginning of the reporting period:	1st of January 2011
End of the reporting period:	31st of December 2011

The interim report of Harju Elekter Group on 23 pages

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EXPLANATORY NOTE

Group structure and changes on it

In interim report for 1-12/ 2011 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika (former Eltek), Harju Elekter AB, Satmatic Oy and UAB Rifas - are consolidated line-by-line and the results of affiliated company – AS Draka Keila Cables - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 31 December 2011, Harju Elekter has substantial holdings in the following companies:

Company		Country	31.12.11	31.12.10
AS Harju Elekter Teletehnika	subsidiary	Estonia	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%
Satmatic Oy	subsidiary	Finland	100.0%	100.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	90.0%
UAB Rifas	subsidiary	Lithuania	51.0%	51.0%
AS DrakaKeila Cables	associated company	Estonia	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	6.6%	7.2%

Economic environment

Until the autumn of 2011, the Estonian economy grew faster than expected; but since the end of the summer, the spreading of the debt crisis has reduced the confidence of producers all across Europe. Indications of an inner imbalance in the Estonian economy have receded in comparison to a few years ago, thus increasing our resistance to the weakening external environment. According to preliminary data from Statistics Estonia, Estonian GDP in the Q4 of 2011 increased by 4 %; however, after a long time, it was the first time it had dropped in comparison with the previous quarter (- 0.8 %). The main contributor to the growth of GDP was the processing industry, although the increase in additional value slowed down in the second half of 2011 and its contribution to the growth of GDP decreased. Together with the decrease in the contribution of the processing industry, the growth of GDP has become more broad-based due to an increase in the effect of other areas of activity. The largest contributors to the growth of GDP were the areas of construction, information and communication; with the growth in proceeds from VAT and excise duty also playing an important part. Thanks to increased investments and stocks, internal demand also increased, and due to higher expenditures on food, housing, communication services, transportation and health care, the final consumption expenditure of households increased.

Sufficient capitalization of the banks in Estonia, as well as an improved relation of deposits and loans, has created a good basis for financing businesses and households. At the same time, businesses and private persons may postpone their loan plans because of insecurities in the external environment.

Employment in Estonia increased and unemployment decreased in 2011. The rise in average wages was also seen. However, wage pressure cannot be considered very high yet and the slowing economy will probably also slow down the increase in wages. Most of the businesses gave up reduced working time that was used as a savings method.

The debt crisis in the euro zone has significantly worsened the economic situation of the important foreign trading partners of Estonia in the second half of 2011. Lower economic activity is relieved by the decisions of the European Central Bank in the last few months to lower the main monetary political interest rate to 1 % and to offer additional liquidity to the banks of the euro zone.

Economic growth in 2011 has been accompanied by a faster than forecast rate of inflation, which was caused by the increase in the price of energy and raw materials for food on the world market. According to the preliminary data of the European central banks, the inflation in the euro zone in 2011 was between 2.6-2.8 %, and economic growth between 1.5-1.7 %.

Main events

In 2011, there was an innovation competition in the Group, to acknowledge engineers and technicians working on product development and innovation. By 1st of December, 9 works were presented to the competition by 18 authors. The jury found unanimously that the best work was the wind farm energy gathering system – Lista Wind Farm – prepared by the engineers of AS Harju Elekter Elektrotehnika, in cooperation with AS Siemens. A contract has already been entered into to put it into practice in 2012, in Norway, in the amount of 600,000 euros.

Swiss asset management company CE Asset Management, along with its Baltic partners, announced the next nominees for the Corporate Excellence Award in October. AS Harju Elekter was recognise as the best in Estonia and fourth among the Baltic States. It was recognised thanks to its market position, stable customer base, good historic economic results and promotion of the general management of the company.

In October, AS Harju Elekter participated in the investment fair Rahakompass 2011, the recurrent topic of which was responsible conduct in saving, investment and company management. The business was represented with an advertising display and introduced itself in the panel of short presentations.

In 2011, Krediidiinfo AS awarded to AS Harju Elekter the credit rating AA (very good). The rating of Krediidiinfo AS assesses the activities of the company as a whole and represents an aggregate assessment of the company’s economic and financial condition as well as the payment patterns. Only 7.6% of the Estonian companies have credit rating AA.

In the third quarter, AS Harju Elekter’s subsidiary UAB Rifas launched the operation of a solar power plant with the capacity of 50 kW, which, due to the favourable repurchase price of electricity, will to cover most of the expenditure incurred to produce electricity at the Lithuanian subsidiary and will enable the testing of various solar energy solutions.

Finnish subsidiary Satmatic Oy was awarded the certificate “Suomen Vahvimmat 2007– 2011” by the client register of Suomen Asiakastiedon. The creditworthiness of the company is the main evaluation criterion. The title of Suomen Vahvimmat is awarded to a company that has met the highest requirements of Alfa rating for five consecutive years. The number of such companies makes up only 10% of all companies registered in Finland.

The production management of Satmatic Oy as well as UAB Rifas declared to be in conformity with the standards of the international environmental management system ISO 14001:2004. Activities of UAB Rifas also were recognized with the health and safety management system OHSAS 18001 standards.

The Group built a new 5000 m^2 large production complex for AS Saajos, manufacturer of fire-proof and safety doors. The construction completed in December 2011 and the production premises have been given for a long-term lease to AS Saajos.

To expand its activities and increase its market share in Sweden, Harju Elekter AB, a subsidiary of AS Harju Elekter, acquired the business of BGB Power Solutions AB in January. The total cost of the contract was SEK 500,000. On the basis of the contract, Harju Elekter AB acquired assets and a strategic partnership agreement with contractual prices, support services and selling. The deal will be financed from own funds over two years in accordance with the contract.

Subsidiaries of AS Harju Elekter – AS Harju Elekter Elektrotehnika, Satmatic Oy and AS Harju Elekter Teletehnika participated in the energy fair Verkosto 2011, held in Finland in February. A stand presented to fair clients substations with a metal casing, which were complemented by construction materials from the other product families. In April, the AS Harju Elekter Trade Group presented the products, produced by Group’s companies, the retail shops and their professional product selection and displayed the products of the companies, represented by the Group, in the international building fair Estbuild 2011. In October, subsidiary UAB Rifas presented its portfolio of products in Elmia Subcontractor Fair in Sweden.

The supervisory board and management board of AS Harju Elekter adopted a decision to consolidate all of the Group's Estonian companies under the trademark Harju Elekter. The use of a joint logo helps increase the competitiveness of the Group and creates additional benefits and possibilities in marketing activities. Based on this, the supervisory board of subsidiary AS Eltek approved AS Harju Elekter Teletehnika as the new name of the company.

Operating results

SALES REVENUE

The financial indicators of the Group in the accounting year demonstrated improvement trends. Over the 12 month period the sales volume of the Group increased by14.2% to 46.7 million euros, with 5.5 million euros of the 5.8 million euros increase coming from the sales of the Group's own products. In Q4, the sales of electric devices increased by almost 5% to 10.7 million euros, accounting for 82 % of the consolidated sales revenue for the quarter. The sales of electrical equipment increased by almost 18% during the year up to 37.9 million euros, accounting for 81% of consolidated sales revenue.

Sales revenue by segment:

EUR (in thousands)	Growth		Q4		12 months		Share	
Segment	**Q/Q**	**12m/12m**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Manufacturing	1.8%	15.3%	11,810	11,599	41,833	36,297	89.6%	88.8%
Real estate	-19.1%	-8.4%	584	722	2,400	2,621	5.2%	6.4%
Unallocated activities	27.4%	24.1%	707	555	2,441	1,967	5.2%	4.8%
Total	**1.7%**	**14.2%**	**13,101**	**12,876**	**46,674**	**40,885**	**100.0%**	**100.0%**

In relation to the opening electric market, some of the clients started to buy electric power from the over-the-counter market, which was the main reason behind the reduction of the sales volume in the real estate segment. Profit from the mediation sale of electric energy decreased by 211,000 euros over the year. The above average temperatures in Q4 also had an effect, as a result of which the mediation sales of thermal energy also decreased by 44,000 euros over the year. For these reasons, profit from communal services dropped by 115,000 euros in the last three months of the year alone. At the same time, the Group earned an annual rental profit of 2.1 million euros, which is a 1.9% increase.

In the reporting quarter, the sales volume of other unallocated activities increased by 27.4%, and by more than 24% in 12 months. The economic recovery has also led to trading volume growth.

Sales revenue by markets:

EUR (in thousands)	Growth		Q4		12 months		Share	
Markets	**Q/Q**	**12m/12m**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Estonia	24.7%	28.4%	5,297	4,248	17,997	14,019	38.6%	34.3%
Finland	22.1%	29.7%	6,412	5,250	21,347	16,464	45.7%	40.3%
Lithuania	-27.6%	0.9%	1,103	1,523	4,283	4,244	9.2%	10.4%
Other EU countries	-66.3%	-55.6%	268	796	1,330	2,997	2.8%	7.3%
Others	-98.0%	-45.7%	21	1,059	1,717	3,161	3.7%	7.7%
Total	**1.7%**	**14.2%**	**13,101**	**12,876**	**46,674**	**40,885**	**100.0%**	**100.0%**

In terms of markets, the domestic markets of the Group businesses were dominating (Estonia, Lithuania and Finland) making up 93.5 % of the consolidated sales revenue (in 2010: 85 %). The sales volumes increased the most on the Finnish and Estonian markets, whereas the sales of the Group's Estonian and Lithuanian businesses to the Finnish market increased by 30 % to 6.9 million euros, from which sales to clients outside the Group accounted for 3.3 million euros. Sales to the Lithuanian market remained at the level of 2010. At the same time, the sales revenues of the Lithuanian segment increased by 3.6 % in the accounting year to 6 million euros, from which sales to the domestic market formed 67 % (in 2010: 72 %). The Lithuanian business significantly increased its sales volumes on the markets of Latvia, Denmark, Poland and Norway; the United States and Brazil were added as new markets.

OPERATING EXPENSES

In Q4, expenses of the operating activities increased by 0.4%; at the same time, cost of sales decreased by 0.8% and distribution costs by 2.1% and admin costs increased by 17.9%. Total operating expenses increased by 13.3% during the year; at the same time, cost of sales decreased by 12.0% and the distribution costs as well as admin expenses by more than 20%. In total, the increase in operational expenditure, both in Q4 and annually, was lower than the growth of sales revenue.

EUR (in thousands)	Growth		Q4		12 months	
	Q/Q	**12m/12m**	**2011**	**2010**	**2011**	**2010**
Cost of sales	-0.8%	12.0%	10,956	11,047	38,863	34,697
Distribution costs	-2.1%	20.4%	604	618	2,270	1,885
Admin expenses	17.9%	24.7%	995	844	3,455	2,770
Total expenses	**0.4%**	**13.3%**	**12,555**	**12,509**	**44,588**	**39,352**
incl. depreciation of fixed assets	-8.9%	-1.9%	315	346	1,353	1,379
Total labour cost	21.3%	19.6%	3,208	2,644	10,878	9,097
incl salary cost	17.4%	15.4%	1,900	1,618	7,699	6,672

One of the reasons for the increase in operational expenditure is the increased labour costs. Expenses on staff in Q4 2011 were 3.2 million euros, increasing by 21% and in 2011 10.9 million euros, increasing by 19.6%. In 2010, a costs savings regime was implemented at the Group, wages were frozen and employees worked temporarily on a part-time basis. Due to the increase in the volume of orders this year the staff turn back to full-time basis as well as new employees has been hired at Group companies and temporary employees were used in the third quarter. In the reporting quarter, the average number of employees was 16 employees more than in the comparable period. In the reporting period, additional remuneration was paid to the employees under the current bonus system; a bonus reserve was also set up for payment of annual bonuses, accompanied by a 4.4% increase in labor costs.

EARNINGS AND MARGINS

In the accounting quarter the gross profit of the Group increased by 17.2% and was 2,145 thousand euros. The gross profit margin improved by 2.2 per cent point and was 17.9%. In 2011, the gross profit of the Group was 7,811 thousand euros increasing by 26.2% compared to the last year. The gross profit margin was 16.7%, increasing by 1.6 per cent point compared to the same period a year before.

Operating profit of Q4 2011 was 520 (Q4 2010: 352) thousand euros and EBITDA was 834 (Q4 2010:698) thousand euros. Return of sales for the period improved by 1.3 per cent point and return of sales before depreciation by 1 per cent point, being 4.0% and 6.4% respectively. Operating profit of the 2011 was 2,025 thousand euros, which was 506 thousand euros more than comparing period. EBITDA was 3,378 thousand euros, increasing by 16.5% compared to the same period a year before.

Return of sales before depreciation in 2011was 7.2% (2010: 7.1%) and return of sales for the period 4.3%, which was 0.6 per cent point better than a year before.

In the accounting quarter the Group consolidated from the related company a profit of 97,000 (Q4 2010: 5,000) euros and within 12 months 497,000 (2010: 61,000) euros. In the Q4, net financial income amounted 16,000 (Q4 2010: 14,000) euros. Within the year net financial income amounted 744,000 euros, which was 298,000 euros less than comparing period. In the reporting period, dividend income was received by 235 thousand euros more than comparing period, totalling 795 thousand euros. At the same time, 80,000 shares in PKC Group Oyj were sold in the Q1 2010 and financial income from selling the shares was 522 thousand euros.

Overall, the consolidated net profit of the Q4 2011 was 624 (Q4 2010: 281) thousand euros, of which the share of the owners of the parent company was 571 (Q4 2010: 173) thousand euros. EPS in the Q4 was 0.03 (Q4 2010: 0.01) euros. During the year earnings per share were 0.17 (2010: 0.13) euros. The consolidated net profit increased during the year 2011 by 28.5% and was 2,948 thousand euros, of which the share of the owners of the parent company was 2,773 (2010: 2,173) thousand euros.

Employees and remuneration

In the fourth quarter, employee wages and salaries totalled 1,900 (Q4 2010: 1,618) thousand euros and they totalled 7,699 (2010: 6,672) thousand euros in the year 2011. The average wages per employee per month have increased by 14% amounted 1,502 euros. The biggest increases took place in Finland and Lithuania. In 2011, the wage expenditure of the Swedish subsidiary was added. The average wage in Finland and Sweden exceed those in Estonia and Lithuania by almost triple.

Average number of employees	Q4		12 months		Number of employees at 31.December		
	2011	**2010**	**2011**	**2010**	**Growth**	**2011**	**2010**
Estonia	280	268	274	272	11	298	287
Finland	87	85	85	83	4	90	86
Lithuania	67	67	67	69	0	67	67
Sweden	2	0	1	0	2	2	0
Total	**436**	**420**	**427**	**424**	**17**	**457**	**440**

In the reporting quarter, on the average 436 people worked in the Group − on the average by 16 persons more than in the reference period; the average number of employees within 12 months was 427 which is on the average 3 employees more than in 2010. As at the balance day on 31 December, there were 457 people working in the Group, which were 17 employees more than a year before.

Financial position and cash flows

The amount of the consolidated balance sheet as of 31 December 2011 was 52,920 (31.12.2010: 55,114) thousand euros, decreasing by 2,194 thousand euros during the year.

During the Q4 the market price of the PKC Group share increased by 1.07 euros, but decreased during the year by 3.94 euros to 11.43 euros. The cost of investment in assets and reserves in equity capital increased by the profit of 1,498 thousand euros in Q4 and during the year totally -5,516 thousand euros received from stock revaluation. At the same time, in the comparing period, the book value of financial assets increased by 12,278 thousand euros, included by 5,768 thousand euros in Q4.

During the accounting year the Group invested 2,505 thousand euros in real estate, 507 thousand euros in tangible fixed assets and 100 thousand euros in intangible fixed assets, totally 3,112 thousand euros. During the compared period the Group invested 300 in real estate, 2,324 in tangible fixed assets and 136 thousand euros in intangible fixed assets, totally 2,760 thousand euros.

During the year the cost of fixed assets decreased by 3.2 million euros to 37.5 million euros, accounting for 70.8% of the cost of assets (2010: 73.8%).

As of the balance sheet date, the Group's working capital (current assets – current liabilities) amounted to 6,131 thousand euros, declining by 552 thousand euros within 12 months. Receivables and prepayments of operating activities increased by 1,350 thousand euros within 12 months and, in conjunction with growth of sales volumes, inventories increased by 1,247 thousand euros to 6,658 thousand euros. Current liabilities increased by 1,587 thousand euros to 9,317 thousand euros, of which growth of payables of the operating activities accounted for 943 thousand euros.

Both, liquidity ratio (1.0) and current ratio (1.8) improved by 0.1 points compared to the reference period.

Therefore, overdraft decreased during the 12 months period by 447 thousand euros to 3,814 thousand euros. Within the year 2011, long-term loan was repaid in the amount of 65 (2010: 235) thousand euros and principal payments of financial lease were made in the amount of 272 (2010: 289) thousand euros. The overdraft facility decreased by 771,000 euros to 1,975 thousand euros.

PKC Group Oyj paid dividends in the amount of 795 thousand euros, which was by 235 thousand euros more than in the reference period. At the same time, a total of 590 thousand euros was received from selling financial investments in the previous period.

The Group paid the owners dividends in the sum of 1,051 thousand euros, within the comparable period 902 thousand euros.

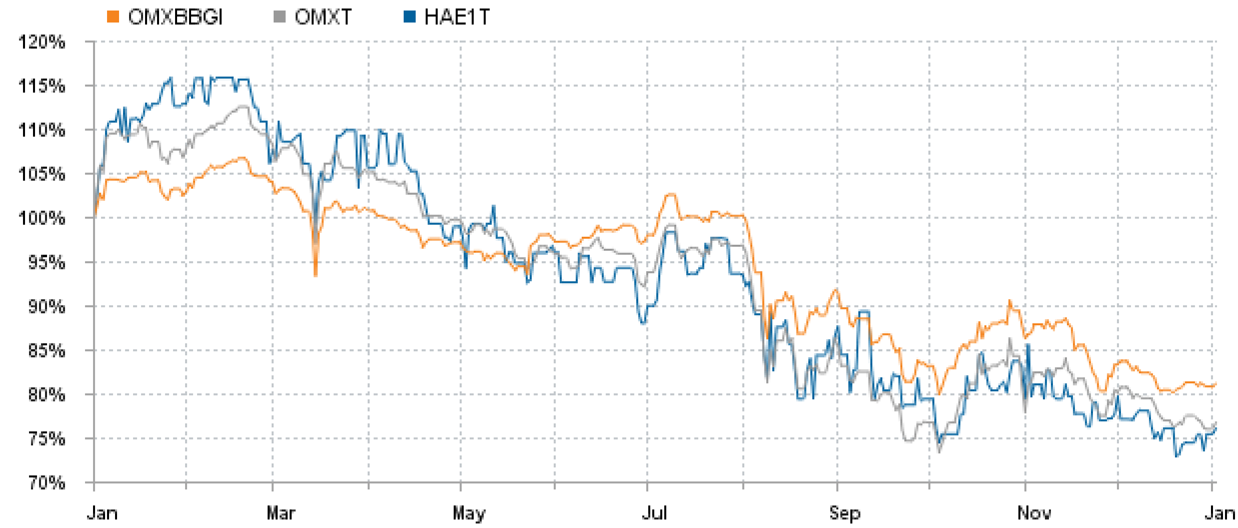
During the year, cash and cash equivalents decreased by 1,585 thousand euros to 815 thousand euros. The cash inflow from business was 1,246 thousand euros; the cash outflow from investing activities was 2,214 thousand euros and from financing activities 617 thousand euros. Within the comparable period cash and its equivalents increased by 119 thousand euros to 2,400 thousand euros. Cash inflow from business was 965 thousand euros and from investing activities 193 thousand euros; cash outflow from financing activity was 1,039 thousand euros.

Shares and shareholders

EUR	Year 2011	Year 2010
Number of the shares, (1000 pc)	16,800	16,800
Nominal value	0.70	0.64
High price	3.54	3.14
Low price	2.19	2.02
Closing price	2.28	3.02
Market value (in million)	38.3	50.7
EPS	0.17	0.13

Harju Elekter share value in Tallinn Stock Exchange in 2011

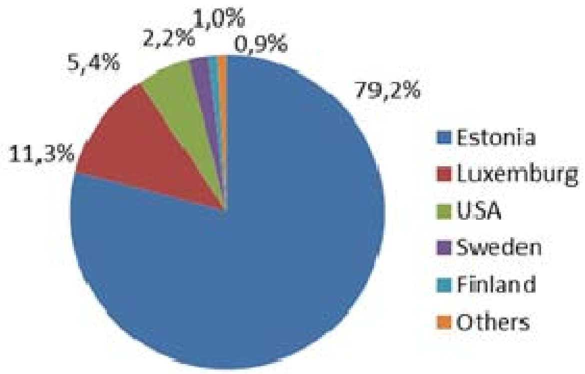
A comparision of Harju Elekter share indexes in 2011



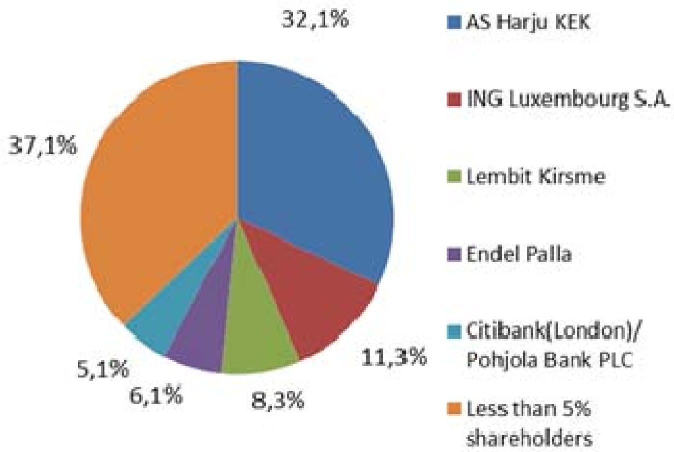
OMXBBGI – OMX Baltic Benchmark GI OMXT - OMX Tallinn HAE1T – Harju Elekter

At the balance date, December 31 2011 Harju Elekter had 1,455 shareholders. The number of shareholders increased during the accounting period by 12 persons. The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which held 32.14% of Harju Elekter's share capital. Members of the supervisory and management boards hold 16.8% of the shares. The comprehensive list of shareholders is available at the website of the Estonian Central Register of securities (www.e-register.ee).

Shareholders by country



>5% shareholders



Shareholders structure by size of holding at 31 December 2011

Holding	**No of shareholders**	**% of all shareholders**	**% of votes held**
> 10%	2	0.14%	43.45%
1,0 - 10,0%	8	0.55%	29.11%
0,1 - 1,0 %	48	3.29%	14.08%
< 0,1%	1,397	96.02%	13.36%
Total	1,455	100.0%	100.0%

AGM

On 29th of April 2011 was held the AGM where attended by 77 shareholders and their authorised representatives who represented the total of 71.96 % of the total votes. The general meeting approved the annual report of 2010 and profit distribution, as well as due to the introduction of the euro the conversion of the share capital and the nominal value of shares into euro, and the corresponding changes in the Articles of Association. On the basis of a decision the owners are paid dividends for 2010 at the rate of 0.06 euros per share in the total amount of 1 million euros. The dividends paid to the shareholders on 24 May 2011.

Supervisory and management boards

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

In connection with the expiration of the authorisation deadline of the Management Board of AS Harju Elekter, the Supervisory Board assigned a one-member Management Board for the next three-year period, at its meeting on 4 May 2011, and appointed Andres Allikmäe, the former Chairman of the Management Board, as its Chairman. At the same meeting, the Supervisory Board also removed Lembit Libe and Karin Padjus from their positions as Members of the Management Board. They will continue in their former positions in the company as chief economist and financial director, respectively. The changes effected on 12 May 2011.

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 manager is entitled to receive a severance payment in the amount of 12 months' remuneration of a member of the management board.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in 2011 amounted to a total of 198.5 thousand euros and in the comparable period 220.5 thousand euros. No other transactions were made with members of the Group's directing bodies and the persons connected with them.

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

Key indicators

Accounting period EUR (in thousands)	Q4 2011	Q4 2010	12 months 2011	12 months 2010
Net sales	13,101	12,876	46,674	40,885
EBIDTA	834	698	3,378	2,898
Operating profit	520	352	2,025	1,519
Net profit for the current period	624	281	2,948	2,295
Incl. equity holders of the parents	571	173	2,773	2,173

	Structure (%)		EUR (in thousands)	
At the end of the period	**31.12. 2011**	**31.12. 2010**	**31.12. 2011**	**31.12. 2010**
Total current assets	29.2	26.2	15,448	14,413
Total non-current assets	70.8	73.8	37,472	40,701
Total assets	**100.0**	**100.0**	**52,920**	**55,114**
Total liabilities	20.6	17.4	10,886	9,568
Total equity	79.4	82.6	42,034	45,546
Inclusive equity attributable to equity holders of the parent	76.2	79.8	40,313	43,957

	Q 4		12 months	
Growth (%)	**2011**	**2010**	**2011**	**2010**
Turnover	1.7	27.2	14.2	1.1
EBITDA	19.3	-2.5	16.5	-6.0
Operating profit (EBIT)	47.7	-9.1	33.3	-16.1
Net profit for the current period	122.0	-2.7	28.5	65.6
incl. equity holders of the parent	229.9	-29.4	27.6	76.9
Performance indicators (%)	6.4	5.4	7.2	7.1
Return of sales before depreciation	4.0	2.7	4.3	3.7
Return of sales (operating profit/turnover *100)	4.8	2.2	6.3	5.6
Net profit margin (net profit/turnover *100)				
Employees				
Average number of employees	436	420	427	424
Number of employees in the end of the period	457	440	457	440

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		EUR (in thousands)	
ASSETS	Note	**31.12.2011**	**31.12.2010**
Current assets			
Cash and cash equivalents		815	2,400
Trade receivables and other receivables		7,848	6,479
Prepayments		104	123
Income tax prepayments		20	0
Deferred income tax asset		3	0
Inventories		6,658	5,411
Total current assets		**15,448**	**14,413**
Non-current assets			
Deferred income tax asset		32	0
Investments in associate	2	1,177	680
Other long-term financial investments	2	16,023	21,539
Investment property	2	10,833	8,711
Property. plant and equipment	2	8,985	9,350
Intangible assets	2	422	421
Total non-current assets		**37,472**	**40,701**
TOTAL ASSETS		**52,920**	**55,114**
LIABILITIES AND EQUITY			
Liabilities			
Interest-bearing loans and borrowings	3	2,245	1,539
Trade payables and other payables		6,268	5,178
Tax liabilities		758	915
Income tax liabilities		29	19
Short-term provision		17	79
Total current liabilities		**9,317**	**7,730**
Interest-bearing loans and borrowings	3	1,569	1,828
Other non-current liebilities		0	10
Non-current liabilities		**1,569**	**1,838**
Total liabilities		**10,886**	**9,568**
Equity			
Share capital		11,760	10,737
Share premium		0	384
Reserves	4	15,881	21,396
Retained earnings		12,672	11,440
Total equity attributable to equity holders of the parent		**40,313**	**43,957**
Non-controlling interests		1,721	1,589
Total equity		**42,034**	**45,546**
TOTAL LIABILITIES AND EQUITY		**52,920**	**55,114**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR (in thousands)	Note	1 October – 31 December 2011	1 October – 31 December 2010	1 January – 31 Decembe 2011	1 January – 31 Decembe 2010
Revenue	5	13,101	12,876	46,674	40,885
Cost of sales		-10,956	-11,047	-38,863	-34,697
Gross profit		**2,145**	**1,829**	**7,811**	**6,188**
Distribution costs		-604	-618	-2,270	-1,885
Administrative expenses		-995	-844	-3,455	-2,770
Other income		-4	0	16	29
Other expenses		-22	-15	-77	-43
Operating profit	5	**520**	**352**	**2,025**	**1,519**
Net financing income/costs	6	-16	-14	744	1,042
Share of profit of equity-accounted investees	2	97	5	497	61
Profit before tax		**601**	**343**	**3,266**	**2,622**
Income tax expense		23	-62	-318	-327
Profit for the period		**624**	**281**	**2,948**	**2,295**
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		1,498	5,768	-5,516	12,278
Realised gain from sale of financial assets (-)		0	0	0	-459
Currency translation differences		4	7	1	7
Other comprehensive income for period. net of tax		**1,502**	**5,775**	**-5,515**	**11,826**
Total comprehensive income for the period		**2,126**	**6,056**	**-2,567**	**14,121**
Profit attributable to:					
Owners of the Company		571	173	2,773	2,173
Non-controlling interests		53	108	175	122
Profit for the period		**624**	**281**	**2,948**	**2,295**
Total comprehensive income attributable to:					
Owners of the Company		2,073	5,947	-2,742	13,998
Non-controlling interests		53	109	175	123
Total comprehensive income for the period		**2,126**	**6,056**	**-2,567**	**14,121**
Earnings per share					
Basic earnings per share (EUR)	7	0.03	0.01	0.17	0.13
Diluted earnings per share (EUR)	7	0.03	0.01	0.16	0.13

CONSOLIDATED STATEMENT OF CASH FLOWS

		EUR (in thousands)	
For the period 1 January - 31 December	Note	**2011**	**2010**
Cash flows from operating activities			
Operating profit	5	2,025	1,519
Adjustments for:			
Depreciation and amortisation	2	1,353	1,379
Gain on sale of property, plant and equipment	8	-1	-3
Share-based payment transactions		106	106
Change in receivables related to operating activity		-1,351	-1,953
Change in inventories		-1,247	-339
Change in payables related to operating activity		784	665
Corporate income tax paid	8	-362	-347
Interest paid	8	-59	-62
Net cash from operating activities		**1,248**	**965**
Cash flows from investing activities			
Acquisition of investment property	8	-2,460	-429
Acquisition of property, plant and equipment	8	-489	-422
Acquisition of intangible assets	8	-73	-136
Proceeds from sale of property, plant and equipment	8	2	3
Proceeds from sale of other financial investments		0	590
Interest received	6	11	27
Dividends received		795	560
Net cash used in investing activities		**-2,214**	**193**
Cash flows from financing activities			
Changes in short-term loans	3	771	377
Repayment of borrowings	3	-65	-235
Payment of finance lease principal	3	-272	-289
		0	10
Dividends paid		-1,051	-902
Net cash used in financing activities		**-617**	**-1,039**
Net cash flows		**-1,583**	**119**
Cash and cash equivalents at beginning of period		**2,400**	**2,278**
Net increase / decrease		-1,583	119
Currency translation differences		-2	3
Cash and cash equivalents at end of period		**815**	**2,400**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
EUR (in thousands)	**Share capital**	**Share premium**	**Reserves**	**Retained earnings**	**Total**	**Non-control-ling interests**	**TOTAL**
At 31.12.2009	**10,737**	**384**	**9,571**	**10,020**	**30,712**	**1,499**	**32,211**
Profit for the period	0	0	0	2,173	**2,173**	122	**2,295**
Other comprehensive income	0	0	11,825	0	**11,825**	1	**11,826**
Comprehensive income for the period	0	0	11,825	2,173	**13,998**	123	**14,121**
Share-based payment transactions	0	0	0	106	**106**	0	**106**
Dividends	0	0	0	-859	**-859**	-43	**-902**
Acquisition of non-controlling interests	0	0	0	0	**0**	10	**10**
At 31.12.2010	**10,737**	**384**	**21,396**	**11,440**	**43,957**	**1,589**	**45,546**
At 31.12.2010	**10,737**	**384**	**21,396**	**11,440**	**43,957**	**1,589**	**45,546**
Profit for the period	0	0	0	2,773	**2,773**	175	**2,948**
Other comprehensive income	0	0	-5,515	0	**-5,515**	0	**-5,515**
Comprehensive income for the period	0	0	-5,515	2,773	**-2,742**	175	**-2,567**
Increase of share capital	1,023	-384	0	-639	**0**	0	**0**
Share-based payment transactions	0	0	0	106	**106**	0	**106**
Dividends	0	0	0	-1,008	**-1,008**	-43	**-1,051**
At 31.12.2011	**11,760**	**0**	**15,881**	**12,672**	**40,313**	**1,721**	**42,034**

Further information on reserves can be found in Note 4.

NOTES TO INTERIM FINANCIAL STATEMENT

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 31.12.2011 comprises AS Harju Elekter (the "parent company") and its subsidiaries AS Harju Elekter Teletehnika (former Eltek), AS Harju Elekter Elektrotehnika, Satmatic Oy, Harju Elekter AB and Rifas UAB (together referred to as the Group) and the Group's interest in associate AS DrakaKeila 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.

The consolidated interim financial statements of AS Harju Elekter and its subsidiaries have been prepared in accordance with International Reporting Standards (IFRS EU) as adopted by the European Union. 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 31.12.2010. 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 2010 annual report.

According to the assessment of the management board the interim report for 1-12/2011 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 Euro. The consolidated interim financial statement has been drawn up in thousands of Euros and all the figures have been rounded to the nearest thousand, unless indicated otherwise.

Note 2 Non-current assets

For the period 1 January – 31 December	EUR (in thousands) 2011	2010
Investments in associate		
At 1 January	680	619
Profit under the equity method	497	61
At the end of the period	**1,177**	**680**
Other long-term financial investments		
At 1 January	21,539	9,789
Sale of shares	0	-528
Changes in the fair value reserve	-5,516	12,278
At the end of the period	**16,023**	**21,539**
Investment property		
At 1 January	8,711	8,768
Additions	2,505	300
Depreciation charge	-383	-357
At the end of the period	**10,833**	**8,711**
Property. plant and equipment		
At 1 January	9,350	7,962
Additions	507	2,324
Disposals	-1	0
Depreciation charge	-871	-936
At the end of the period	**8,985**	**9,350**
Intangible assets		
At 1 January	421	371
Additions	100	136
Depreciation charge	-99	-86
At the end of the period	**422**	**421**
Total non-current assets	**37,440**	**40,701**

Note 3 Interest-bearing loans and borrowings

EUR (in thousands)	31.12.2011	31.12.2010
Current liabilities		
Short-term bank loans	1,975	1,204
Current portion of long-term bank loans	0	65
Current portion of lease liabilities	270	270
Total current liabilities	**2,245**	**1,539**
Non-current liabilities		
Lease liabilities	1,569	1,828
Total non-current liabilities	**1,569**	**1,828**
TOTAL	**3,814**	**3,367**

Changes during the period 1 January – 31 December

EUR (in thousands)	2011	2010
Loans and borrowings at the beginning of the year	**3,367**	**1,609**
Changes in short-term loans	771	377
Long-term loan repaid	-65	-235
New finance lease	13	1,905
Payment of finance lease principal	-272	-289
Loans and borrowingsat the end of the current period	**3,814**	**3,367**

Note 4 Reserves

EUR (in thousands)	Capital reserve	Fair value reserve	Translation reserve	TOTAL
At 31.12.2009	1,073	8,498	0	9,571
Other comprehensive income	0	11,819	6	11,825
At 31.12.2010	**1,073**	**20,317**	**6**	**21,396**
At 31.12.2010	1,073	20,317	6	21,396
Other comprehensive income	0	-5,516	1	-5,515
At 31.12.2011	**1,073**	**14,801**	**7**	**15,881**

Note 5 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 Harju Elekter Teletehnika, Satmatic Oy and UAB Rifas.

"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.

For the period 1 January – 31 December

EUR (in thousands) **2010**	**Manu-facturing**	**Real estate**	**Un-allocated activities**	**Elimi-nations**	**Consoli-dated**
Revenue from external customers	36,297	2,621	1,967	0	40,885
Inter-segment revenue	187	966	313	-1,466	0
Total revenue	**36,484**	**3,587**	**2,280**	**-1,466**	**40,885**
Operating profit	456	1,233	-144	-26	**1,519**
Segment assets	22,312	9,451	1,038	-296	32,505
Indivisible assets					22,609
Total assets					**55,114**
2011					
Revenue from external customers	41,833	2,400	2,441	0	46,674
Inter-segment revenue	484	951	269	-1,704	0
Total revenue	**42,317**	**3,351**	**2,710**	**-1,704**	**46,674**
Operating profit	1,245	1,246	-360	-106	**2,025**
Segment assets	24,152	11,228	2,020	-470	36,930
Indivisible assets					15,990
Total assets					**52,920**

Revenue by markets:

For the period	1 January – 31 December	
EUR (in thousands)	**2011**	**2010**
Estonia	17,997	14,019
Finland	21,347	16,464
Lithuania	4,283	4,244
Ohter EU countries	1,330	2,997
Non-EU countries	1,717	3,161
Total	**46,674**	**40,885**

Revenue by business area:

For the period	1 January – 31 December	
EUR (in thousands)	**2011**	**2010**
Electrical equipment	37,887	32,198
Sheet metal products and services	1,251	1,194
Boxes for telecom sectorand services	868	1,064
Intermediary sale of electrical products and components	3,916	3,324
Commerce and mediation of services	406	662
Rental income	2,064	2,026
Other services	282	417
Total	**46,674**	**40,885**

Note 6 Net financing income/costs

For the period	1 January – 31 December	
EUR (in thousands)	**2011**	**2010**
Interest income	11	27
Interest expense	-60	-63
Dividend income	795	560
Net loss from foreign exchange differences	-2	-4
Marketable investments:		
Income from sale of investments	0	522
TOTAL	**744**	**1,042**

Note 7 Basic and diluted earnings per share

Basic earnings per share have been calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the period.

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. As at the reporting date on 31.12.2011 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. 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. Thus the subscription price per each share within the meaning of IFRS 2 is 1.65 euros and the potential shares become dilutive only after their average market price of the period exceed 1.65 euros.

The average market price of the share of 1-12/2011 was 2.84 (1-12/2010: 2.65) euros and in the fourth quarter it was 2.37 (Q4/2010: 2.81) euros. The issue of shares would account for 954 thousand euros. In order to obtain the same amount 336.6 thousand (954/2.84) new shares at the average market price of 12 months would be issued and 402.7 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 241.8 thousand shares (578.4-336.6) in 1-12/2011 (1-12/ 2010: 218.1 thousand shares) and 175.7 (578.4-402.7) thousand shares in the reporting quarter (2010 Q4: 238.3 thousand shares) could be interpreted as shares granted free of charge and the average number of shares has been adjusted by that number.

For the period 1 January – 31 December	Unit	**2011**	**2010**
Profit attributable to equity holders of the parent	EUR‘000	2,773	2,173
Average number of shares outstanding	Pc‘000	16,800	16,800
Basic earnings per share	EUR	0.17	0.13
Adjusted number of shares during the period	Pc‘000	17,042	17,018
Diluted earnings per share	EUR	0.16	0.13

For the period 1 October- 31 December			
Profit attributable to equity holders of the parent	EUR‘000	571	173
Average number of shares outstanding	Pc‘000	16,800	16,800
Basic earnings per share	EUR	0.03	0.01
Adjusted number of shares during the period	Pc‘000	16,976	17,038
Diluted earnings per share	EUR	0.03	0.01

Note 8 Cash flow statement line items

For the period EUR (in thousands)	Note	1 January – 31 December 2011	2010
Corporate income tax paid			
Income tax expense		-318	-327
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)		-10	-20
Deferred tax asset increase (-)		-34	0
Corporate income tax paid		**-362**	**-347**
Interest paid			
Interest expense		-60	-63
Liability decrease incurred by purchase		1	1
Interest paid		**-59**	**-62**
Paid for investment property			
Additions of investment property		-2,505	-300
Liability decrease (-)/ increase (+) incurred by purchase		45	-129
Acquisition of investment property		**-2,460**	**-429**
Paid for property plant and equipment			
Additions of property plant and equipment		-507	-2,324
Acquired with finance lease		13	1,905
Liability decrease (-)/ increase (+) incurred by purchase		5	-3
Acquisition of property plant and equipment		**-489**	**-422**
Proceeds from sale of property plant and equipment			
Book value of disposed property plant and equipment		1	0
Profit on disposal of property plant and equipment		1	3
Proceeds from sale of property plant and equipment		**2**	**3**
Paid for intangible assets			
Additions of intangible assets		-100	-136
Liability decrease (-)/ increase (+) incurred by purchase		27	0
Acquisition of intangible assets		**-73**	**-136**

Note 9 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:

For the period	1 January – 31 December	
EUR (in thousands)	**2011**	**2010**
Purchase of goods and services from related parties:		
- from associates	436	246
- from Harju KEK	343	68
TOTAL	779	314
Inclusive:		
- goods and materials for manufacturing	436	246
- lease of property. plant and equipment	65	65
- other	3	3
- property.plant and equioment	275	0
Sale of goods and services to related parties:		
- to associates	765	891
- to Harju KEK	3	2
TOTAL	768	893
Inclusive:		
- goods and materials for manufacturing	43	27
- lease of property. plant and equipment	685	616
- other	40	250
Balances with related parties at 31 December		
Receivables with associates: goods and services	132	310
Payables with associates: goods and services	1	14

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-12/2011 as set out on pages 3 to 23 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.

/signature/

Andres Allikmäe
Managing Director/CEO

„28.“ February 2012