# AS HARJU ELEKTER

Interim report 1-12/ 2009

| | |
|---|---|
| Business name | AS Harju Elekter |
| Main business area: | production of electrical distribution systems and control panels; production of sheet metal products; wholesale and mediation of goods, retail of light fittings and electrical appliances; real estate holding; management assistance and services |
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| Internet homepage: | www.harjuelekter.ee |
| CEO: | Andres Allikmäe |
| Auditor**:** | KPMG Baltics |
| Beginning of the reporting period: | 1st of January 2009 |
| End of the reporting period: | 31st of December 2009 |

*The interim report of Harju Elekter Group on 24 pages*

## Contents

## EXPLANATORY NOTE

The presented consolidated unaudited interim report for 2009 and Q4 is provisional and, in the estimation of the management, some changes may appear in the performance of AS Harju Elekter Group, in connection with the replacement of the economic management software and introduction of new software in the parent company and its subsidiary - AS Harju Elekter Elektrotehnika- in Q4 2009.

### *Group structure and changes on it*

In interim report for 1-12/ 2009 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – Harju Elekter Elektrotehnika, Eltek, Satmatic OY and Rifas UAB - are consolidated line-by-line and the results of affiliated company – Draka Keila Cables - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 31 December 2009, Harju Elekter has substantial holdings in the following companies:

| Company | | Country | 31.12.09 | 31.12.08 |
|---|---|---|---|---|
| AS Eltek | subsidiary | Estonia | 100.0% | 100.0% |
| AS Harju Elekter Elektrotehnika | subsidiary | Estonia | 100.0% | 100.0% |
| Satmatic OY | subsidiary | Finland | 100.0% | 100.0% |
| Rifas UAB | subsidiary | Lithuania | 51.0% | 51.0% |
| AS Draka Keila Cables | associated company | Estonia | 34.0% | 34.0% |
| SIA Energokomplekss | financial investment | Latvia | 14.0% | 10.0% |
| PKC Group Oyj | financial investment | Finland | 8.3% | 8.9% |

### *Economic environment*

The year 2009 proved to be especially difficult and complicated for the global economy. Having been hit hard by the financial and economic crisis of previous years, the economic climate, however, improved slightly in the second half of the year. Stabilisation and recovery was also noticeable in the economy of the euro zone. The whole year was characterised by large and ever-increasing unemployment, low inflation levels (on average 2.5%) caused by a deep drop in consumption, and low interest rates established by the joint efforts of governments and banks to boost consumption. However, in the second half of the year, the level of consumer and company confidence rose, with the financial markets rising as well. In the estimation of analysts, however, the recuperation of the economy will remain moderate in the immediate future, depending in large part on state stimulus packages.

In general, the economic developments in the three Baltic states have been similar: an extensive drop in demand, a drop in prices, a fast rise in unemployment, a drop in wages and current accounts running a surplus. For the year 2009 the analysts at Swedbank are predicting an 18% recession in Latvia, 16% in Lithuania and 13-15% in Estonia.

According to the Estonian Institute of Economic Research a number of signs in exports, industry and the labour market indicate that in the summer of 2009 the Estonian economy hit the bottom of the current economic cycle, and that the second half of the year will show some signs of recuperation. The analysts are, however, expecting a slow recovery, depending to a large extent on specific processes unfolding in the world and Estonia. The efforts by the Government to keep the budget deficit below 3% of GDP, as required by the Maastricht criteria, in order to meet the requirements for membership in the euro zone and the adoption of the euro in 2011, should also be highlighted.

### *Main events*

In February Harju Elekter’s subsidiaries Harju Elekter Elektrotehnika and Satmatic, along with their long-term cooperation partner Siemens Oy, participated in the electricity networks fair Verkosto 2009 in Tampere, Finland. Two compact substations with sheet metal enclosures, as well as a medium voltage distribution point, were presented to the fair visitors. The visitors expressed a great deal of interest in the novel products, with an air insulated medium voltage substation manufactured for the Finnish market proving to be the most attractive. In April, at the local construction trade fair Estbuild 2009, in Tallinn, the Harju Elekter trade group also presented its product range.

In Q2, organisational changes took place, in the course of which the new CEO of AS Eltek Mr Urmas Paisnik was appointed on 1 June as well as the Group strengthened the sales teams of its subsidiaries Eltek and HE Elektrotehnika by creating jobs in both companies and hiring people whose main task is to find new export markets and increase orders and sale.

Satmatic Oy, the 100% Finnish subsidiary of Harju Elekter, purchased the rights to manufacture and sell vehicle pre-heating panels for car parks, which belonged to Siemens Oy in September. With the transaction, Satmatic acquired the technology for the manufacture of vehicle heating panels for car parks, including production equipment and the required know-how. Thus far, Satmatic had been manufacturing the heating panels as a subcontractor for Siemens. Vehicle heating panels for car parks are used mainly in Finland for the pre-heating of cars when starting the engine, where the estimated annual market volume is about 40 thousand products. There is a potential market for said products in other Nordic countries and in Russia as well. Such king of product is a product of the future; the product group is expected to expand to charging stations for electric cars and infrastructure objects for the development of electric supply stations in external conditions.

The complex and unexpected economic situation has not shaken the management’s belief in the group’s sustainability and success and therefore continued to invest in ensuring production capacity. Extension of production spaces of Estonian subsidiaries Eltek (app. 500 sq m) and HE Elektrotehnika (app. 1,500 sq m) were taken into use in the first six months of the year. Subsidiary Satmatic in Finland added production space of 2,000 sq m in the autumn of 2009 by increasing the production space available for the company to 4,200 sq m. By the end of the year, the expansion of UAB Rifas completed, subsequent to which the production premises of the Lithuanian subsidiary increased to 2,500 sq m. In September, the expansion of the Draka Keila Cables plant commenced, upon the completion of which the production premises leased to the affiliated company will increase by 3,700 sq m to 12,300 sq m.

***Operating results***

Regardless of the present economic situation, the financial results of the Group were as expected and the Group was profitable. The consolidated sales revenue of the Group in the fouth quarter was 158.4 million kroons (10.1 million euros), which was 22.6% less than the result of the comparable quarter. During the reporting period the Group sold its products and services 27.4% less, totally 632.7 million kroons (40.4 million euros).

SALES REVENUE

Sales revenue by segment:

| | EEK (in million) | | | | | | € (in million) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Growth | | Q4 | | 12 months | | Q4 | | 12 months | |
| Segment | Q/Q | **y/y** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Manufacturing | -22.5% | -27.3% | 139.9 | 180.5 | 561.9 | 772.6 | 8.9 | 11.6 | 35.9 | 49.4 |
| Real estate | 0.3% | 3.0% | 9.7 | 9.7 | 37.6 | 36.5 | 0.6 | 0.6 | 2.4 | 2.3 |
| Unallocated activities | -38.7% | -46.8% | 8.8 | 14.4 | 33.2 | 62.5 | 0.6 | 0.9 | 2.1 | 4.0 |
| **Total** | **-22.6%** | **-27.4%** | **158.4** | **204.6** | **632.7** | **871.6** | **10.1** | **13.1** | **40.4** | **55.7** |

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, approx. 90%. Real estate and other business activity constitute a total of one-tenth of the consolidated sales revenue.

Of the consolidated sales revenue, the Estonian segment accounted for 47% (44%), the Finnish segment 36% (41%) and the Lithuanian segment 17% (15%).

Sales revenue by location of business opportunity:

| | | | EEK (in million) | | | | € (in million) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Growth | | Q4 | | 12 months | | Q4 | | 12 months | |
| Segment | Q/Q | y/y | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Estonia | -18.4% | -23.9% | 78.8 | 96.6 | 295.8 | 388.7 | 5.0 | 6.2 | 18.9 | 24.8 |
| Finland | -39.8% | -35.1% | 48.1 | 79.8 | 230.4 | 354.8 | 3.1 | 5.1 | 14.7 | 22.7 |
| Lithuania | 11.7% | -16.8% | 31.5 | 28.2 | 106.5 | 128.1 | 2.0 | 1.8 | 6.8 | 8.2 |
| **Total** | **-22.6%** | **-27.4%** | **158.4** | **204.6** | **632.7** | **871.6** | **10.1** | **13.1** | **40.4** | **55.7** |

Sales revenue by markets:

| | | | EEK | | | | € | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| (in million) | Growth | | Q4 | | 12 months | | Q4 | | 12 months | |
| Markets | Q/Q | y/y | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Estonia | -17.9% | -28.2% | 64.4 | 78.4 | 232.7 | 324.1 | 4.1 | 5.0 | 14.9 | 20.7 |
| Finland | -40.1% | -30.9% | 56.9 | 95.1 | 270.1 | 390.7 | 3.6 | 6.1 | 17.3 | 25.0 |
| Lithuania | 8.3% | -32.7% | 18.1 | 16.7 | 66.5 | 98.7 | 1.2 | 1.1 | 4.2 | 6.3 |
| Other EU countries | -40.4% | -50.2% | 6.1 | 10.3 | 23.4 | 47.1 | 0.4 | 0.7 | 1.5 | 3.0 |
| Others | 210.2% | 262.6% | 12.9 | 4.1 | 40.0 | 11.0 | 0.8 | 0.2 | 2.5 | 0.7 |
| **Total** | **-22.6%** | **-27.4%** | **158.4** | **204.6** | **632.7** | **871.6** | **10.1** | **13.1** | **40.4** | **55.7** |

The sales volume of the Estonian segment this year has declined by 23.9% and in Q4 the decline was smaller – 18.4%, primarily due to a decline on both the Estonian and Finnish markets.

The companies in the Lithuanian segment produced a strong Q4, in which the sales volume increased by as much as 11.7% compared to the comparable quarter. The sale of products and services to the Lithuanian market in Q4 was also 8.3% higher than in the same period of the previous year. A sale by Lithuanian companies to clients outside of the Group in 2009 was 106.5 million kroons (6.8 million euros), which was 16.8% less than in 2008. At the same time, during the accounting year the sales volume to the Lithuanian market declined by one-third, which is compensated by the increasing of sales volumes to foreign markets. If in 2008 the Lithuanian segment sold three-fourth of its own products to the Lithuanian market, in the accounting year the level was a little over 60%. In 2009, Norway, Belgium, Ukraine and the Czech Republic were added as new markets. Sales by the Lithuanian segment to foreign markets increased by 9.4 million kroons (0.6 million euros) or nearly 30%.

Recession reached Finland somewhat later than the Baltic States. The sales volume of the Finnish segment in the Q1 remained at the Q1 2008 level; however, in Q2, a decline in sales volume began due to a decrease in the volumes of metal and engineering industry exports, which deepened further in Q4 due to a decline in domestic demand in the Finnish market. Sale to the Finnish market fell by 40% in the accounting quarter and by 31% over 12 months. Since the products of Satmatic Oy are primarily aimed at the industrial sector, this development significantly affected the business performance of the Finnish company during the accounting period. The sales volume of the Finnish segment in Q4 was 48.1 million kroons (3.1 million euros), which was 39.8% less than in the comparable period. Over the year, sales revenue decreased by 35.1% to 230.4 million kroons (14.7 million euros).

Of the Group's products and services, 36.8% (37.2%) were sold on the Estonian, 42.7% (44.8%) on the Finnish and 10.5% (11.3%) on the Lithuanian markets; to the other European markets – Latvia, Germany, Denmark and Portugal – a total of 3.7% (5.4%) were sold, which is approximately 24 million kroons (1.5 million euros) less than in the year before. In 2008, an order in the amount of 16.6 million kroons (1.1 million euros) to Poland was executed. In 2009, sales to the Polish market accounted to 1.2 million kroons (75,000 euros). The drop in demand on domestic markets has forced a search for new markets. Outside the European Union – in Russia, Belarus and Norway – a total of 6.3% (1.3%) of products were sold. Sales by the Group outside the European Union increased by 29.0 million kroons (1.8 million euros), compensating for the drop in the volumes of sales into other European Union countries.

OPERATING EXPENSES

| | | | EEK (in million) | | | | € (in million) | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Growth | | Q4 | | 12 months | | Q4 | | 12 months | |
| | **Q/Q** | **y/y** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Cost of sales | -23.2% | -28.2% | 129.0 | 167.8 | 526.7 | 733.5 | 8.2 | 10.7 | 33.7 | 46.9 |
| Distribution costs | -24.5% | -20.4% | 8.6 | 11.4 | 30.9 | 38.8 | 0.6 | 0.7 | 2.0 | 2.5 |
| Admin expenses | -0.3% | -5.3% | 13.5 | 13.6 | 46.2 | 48.8 | 0.9 | 0.9 | 2.9 | 3.1 |
| **Total expenses** | **-21.6%** | **-26.5%** | **151.1** | **192.8** | **603.8** | **821.1** | **9.7** | **12.3** | **38.6** | **52.5** |
| incl. depreciation of fixed assets | 14.1% | 5.5% | 5.1 | 4.5 | 19.9 | 18.9 | 0.3 | 0.3 | 1.3 | 1.2 |
| Total labour cost | -13.4% | -14.3% | 39.1 | 45.2 | 147.6 | 172.2 | 2.5 | 2.9 | 9.4 | 11.0 |
| incl salary cost | -16.1% | -13.7% | 27.9 | 33.2 | 114.3 | 132.4 | 1.8 | 2.1 | 7.3 | 8.5 |

As a result of the drop in demand, production and sales volumes, the Group has been engaging in saving on and optimising both operational and fixed expenses. The business expenses of the Group declined at the same rate as the sales revenue – by -21.6% in Q4 and -26.5% in the year 2009. Compared to the sales revenue, the expenses of products and services sold dropped even more: by -28.2% in 12 months period and by -23.2% in the accounting quarter. The marketing and general administration expenses for the accounting quarter is, on average, 11.6% less than the indicators for the comparable period.

As at the balance day on 31December, there were 464 people working in the Group, whish is 51 people less than a year before. People left during the accounting period of their own accord, due to retirement or as a result of redundancy. In the fourth quarter, there was an average of 445 people working in the Group (Q4 2008: 503), included 286 (327) employees in Estonia, 78 (88) employees in Lithuania and 81 (88) employees in Finland. The annual average number of employees was 452 (501). All labour cost in Q4 2009 were 39.1 million kroons (2.5 million euros), which was 13.4% less than in the comparable period. Labour expenses in the 12 months dropped by over 14% to 147.6 million kroons (9.4 million euros). Spending on wages and salaries decreased by more than 16.1% to 27.9 million kroons (1.8 million euros) in the Q4 2009. Leave and redundancy payments have been paid out of reserves built up previously, as a result of which these are not reflected to this extent in the labour expenses for this period. Salaries, bonuses and termination payments of the twelve months amounted to 114.3 million kroons (7.3 million euros) and 132.4 million kroons (8.5 million euros) in the compared period. There were reserves formed in 2008 for the bonuses for good work results of the last accounting year paid in the first quarter and for certain share of the termination and redundancy payments and these were reflected already in the employment costs of the previous accounting year.

PROFITS

Business activity of the Group in Q4 was profitable – the operating profit was 7.2 million kroons (0.46 million euros), decreased more than 38% compared to the Q4 2008. The operating margin was 4.6% (5.7%). Depreciation of fixed assets in Q4 was 5.1 million kroons or 0.33 million euros (during the comparable period, 4.5 million kroons or 0.30 million euros), EBITDA was 12.4 million kroons (0.79 million euros), which is 25% less than in the comparable period. EBITDA was 7.8%, which is 0.3 percentage points better than the figure for the comparable period.

The operating profit for the 12 months was 29.5 million kroons or 1.88 million euros (50.1 million kroons or 3.20 million euros during the comparable period), with the operating profit margin for the account period at 4.7% (5.7%). Depreciation of fixed assets amounted to 19.9 million kroons (1.28 million euros) and 18.9 million kroons (1.21 million euros) during the comparable period. EBITDA was 7.8% (7.9%).

In 2009, PKC Group Oyj paid dividends of 0.15 euros (2.35 kroons) per share, while in 2008 0.45 euros (7.04 kroons) per share. In Q1, the Group sold 100,000 shares, and the profit generated from the sale of shares was 5.0 million kroons (0.32 million euros). Revenue from financial investments totaled 8.4 million kroons (0.54 million euros), which is 2.7 million kroons (0.17 million euros) less than in 2008. Due to a drop in interest-bearing debt obligations during the accounting period, interest expenses have decreased significantly from 2.9 million kroons (188 thousand euros) in 2008 to 1.1 million kroons (71 thousand euros) in 2009. In total, the profit from financial activities was 8.0 million kroons (508 thousand euros), which was 0.7 million kroons (48,000 euros) less than in 2008.

Consolidated net profit in 2009 was impacted most by the consolidated loss 8.2 million kroons (0.53 million euros) of the affiliated company. Year before the loss was 2 times smaller.

This year, the parent company paid the owners two times less in dividends, which also entailed lower income tax expenses on the income statement. As a result in the decline in taxable revenue in Finland and Lithuania, periodic corporate income tax expenses in 2009 have declined as well. In total, 6.3 million kroons (0.41 million euros) have been periodised in income tax expenses this year, which is 6.3 million kroons (0.40 million euros) less than the year before.

The consolidated net profit of the Q4 2009 was 5.7 million kroons or 0.36 million euros (in Q4 2008:2.6 million kroons or 0.17 million euros), of which the share of the owners of the parent company was 5.0 million kroons or 0.32 million euros (in Q4 2008: 1.1 million kroons or 0.07 million euros). The net profit margin on the turnover was 3.6%, which is 2.3 percentage points better than the figure for the comparable period. EPS of the reporting period was 0.30 kroons or 0.02 euros (in Q4 2008: 0.07 kroons or 0.00 euros).

The consolidated net profit of 2009 was 22.8 million kroons or 1.46 million euros (in 2008:42.1 million kroons or 2.69 million euros), of which the share of the owners of the parent company was 20.4 million kroons or 1.30 million euros (in 2008: 38.6 million kroons or 2.46 million euros). The net profit margin on the turnover came out at 3.6% (4.8%). EPS of the reporting period was 1.20 kroons or 0.08 euros (in 2008: 2.29 kroons or 0.15 euros).

Due to a change in the market price of saleable financial assets, Q4 produced an unrealised profit of 34.5 million kroons (2.2 million euros), whereas during the comparable period there was a loss of 88.3 million kroons (5.6 million euros). Unrealised profits and losses produced by a re-valuation of financial assets to a fair value are reported directly under equity capital. Thus, the total profit in Q4 was 40.2 million kroons (2.6 million euros), of which the share of the owners of the parent company made up 39.5 million kroons (2.5 million euros). During the comparable period, the total loss was 85.7

million kroons (5.5 million euros), of which the share belonging to the owners of the parent company was -87.1 million kroons (-5.6 million euros).

During the year 2009 unrealised profit from the re-valuation of financial assets reported directly under equity capital is 80.0 million kroons (5.1 million euros), with a loss during the comparable period of 140.9 million kroons (9.0 million euros). Thus, the total profit for the period totaled 102.8 million kroons (6.6 million euros), of which the share of the owners of the parent company made up 100.4 million kroons (6.4 million euros). During the comparable period, a total loss of 98.9 million kroons (6.3 million euros) occurred, of which the share belonging to the owners of the parent company made up -102.4 million kroons (-6.5 million euros).

***Balance sheet and cash flows***

The amount of the consolidated balance sheet as of 31 December 2009 was 619.6 million kroons or 39.6 million euros (31.12.2008: 602.0 million kroons or 38.5 million euros), increasing by 17.6 million kroons (1.1 million euros) during the 12 months period.

As a result of a decline in production and sales volumes, the reserves of the Group have declined by more than 30 million kroons (2 million euros) and current assets declined by a total of 40 million kroons (2.7 million euros) in 12 months period. In 12 months, the liquidity coefficient of the Group was 0.9 (0.8) and the solvency coefficient 1.6 (1.7).

During the year the cost of fixed assets increased by 77.8 million kroons (5.0 million euros) up to 430.4 million kroons (27.5 million euros).

A sudden drop in cable prices in the second half of 2008 continued to influence the financial results of the affiliated undertaking at the beginning of this year. At the same time, because of the slowdown of the economy, the sales volume of the company has dropped significantly, as a result of which the Group consolidated from the affiliated undertaking a loss of 8.2 million kroons i.e. 0.5 million euros (in 2008: 4.1 million kroons or 0.3 million euros).

The market price of the PKC Group share decreased by 0.30 euros (4.69 kroons) over the Q1, but from the second quarter started to rise. In Q4, the price per share increased by 1.49 euros (23.31 kroons) to 6.60 euros (103.27 kroons). Profit on revaluation of shares was 34.5 million kroons (2.2 million euros) in the accounting quarter and 83.4 million kroons (5.3 million euros) in 12 months. The Group sold 100,000 shares of PKC Group Oyj in the Q1 2009 with a book value of 4.7 million kroons (0.3 million euros). The sale of the investment produced a yield of 6.3 million kroons (0.4 million euros). All in all, the book value of financial assets increased by 78.8 million kroons (5.0 million euros) to 153.2 million kroons (9.8 million euros) during the year 2008.

In 2009 the Group invested 9.2 million kroons or 0.6 million euros in real estate (in 2008: 5.2 million kroons or 0.3 million euros), 16.3 million kroons (1.0 million euros) in tangible fixed assets and 30.9 million kroons (2.0 million euros) in the compared period and 3.8 million kroons or 0.2 million euros in tangible fixed assets (in 2008: 1.1 million kroons or 71 thousand euros). In the second quarter approximately 2,000 sq m of production space with the total cost of 9.7 million kroons (0.6 million euros) was put into operation in Estonia, 7.3 million kroons (0.5 million euros) of this formed unfinished construction works.

During the year 2009 the liability of the Group decreased by 68.7 million kroons (4.4 million euros) to 114.5 million kroons (7.3 million euros). Due to high interest rates, the Lithuanian subsidiary repaid the long-term loan in full in the amount of 6.2 million kroons (0.4 million euros) at the beginning of the year. During the 12 months, the Group companies repaid a total of 16.3 million kroons (1.04 million euros) of the long-term loan and the short-term loan in the amount of 14.9 million kroons (0.95 million euros) along with the capital lease in the amount of 2.1 million kroons, i.e. 137,000 euros. Interest-bearing debt obligations declined on the balance sheet by a total of 33.2 million kroons (2.1 million euros) to 25.2 million kroons (1.6 million euros). Due to a decline in production and sales volumes, debts to suppliers and other trade debts during the accounting period have declined by 36.2

million kroons (2.3 million euros) to 76.2 million kroons (4.9 million euros). The proportion of non-equity capital declined by 11.9 percentage points to 18.5% as at the 31 December balance sheet date.

Due to increase in the market price of financial investments increased equity reserves by 80.0 million kroons or 5.1 million euros in 12 months period, net profit was 22.8 million kroons (1.5 million euros) and consolidated profit was 102.8 million kroons (6.6 million euros) in total. Decrease of the market price of PKC Group Oyj shares caused reserves to reduce in 2008 by 140.9 million kroons (9.0 million euros), net profit of the period was 42.1 million kroons (2.7 million euros), and consolidated loss was 98.9 million kroons (6.3 million euros). In the second quarter dividends were paid to the owners of the parent company in the amount of 16.8 million kroons (1.07 million euros), in the compared period it was 33.6 million kroons (2.15 million euros) and to minority shareholders 555,000 kroons (35,000 euros), which in compared period was 400,000 kroons (27,000 euros). In total, equity capital increased in 12 months by 86.4 million kroons (5.5 million euros) to 505.1 million kroons (32.3 million euros). As at the balance day on 31 December, the equity capital constituted 81.5% (69.6%) of the assets, including the owners' share of 77.7% (66.0%) in the parent company.

The cash flow from operations amounted to 77.5 million kroons, i.e. 5.0 million euros (45.0 million kroons, i.e. 2.9 million euros in the comparable period). The cash flow from investments was a negative 14.4 million kroons, i.e. 917,000 euros (in the accounting period 12.9 million kroons i.e. 825,000 euros). In financing activity, 50.7 million kroons or 3.2 million euros in cash was disbursed (34.9 million kroons or 2.2 million euros during the comparable period).

In 2009 cash and cash equivalents increased by 12.4 million kroons (790,000 euros) up to 35.6 million kroons (2.3 million euros) and decreased by 2.8 million kroons (181,000 euros) to the 23.4 million kroons (1.5 million euros) during the comparable period.

***Shares of Harju Elekter***

| | EEK | | | € | | |
|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2007** | **2009** | **2008** | **2007** |
| Number of the shares ('000) | 16,800 | 16,800 | 16,800 | 16,800 | 16,800 | 16,800 |
| Nominal value | 10.00 | 10.00 | 10.00 | 0.64 | 0.64 | 0.64 |
| High price | 46.78 | 53.98 | 71.97 | 2.99 | 3.45 | 4.60 |
| Low price | 10.48 | 14.86 | 47.25 | 0.67 | 0.95 | 3.02 |
| Closing price | 32.08 | 15.49 | 53.20 | 2.05 | 0.99 | 3.45 |
| Turnover (in millions) | 33.51 | 178.25 | 335.42 | 2.14 | 11.39 | 21.44 |
| Market value (in millions) | 544.13 | 260.23 | 893.73 | 34.78 | 16.63 | 57.12 |
| EPS | 1.21 | 2.29 | 5.03 | 0.08 | 0.15 | 0.32 |

For more information: http://www.nasdaqomxbaltic.com

As at 31.12.2009, the following shareholders had more than a 5% holding in the share capital of Harju Elekter: AS Harju KEK – 32.14%; ING Luxembourg S.A – 11.31%; Lembit Kirsme – 8.33%; Endel Palla – 5.95%

***AGM***

On 23nd of April 2009 was held the AGM where attended by 100 shareholders and their authorised representatives who represented the total of 61.8 % of the total votes. The general meeting approved management proposal to pay to owners dividends for 2008 at the rate of 1.00 kroons per share, totally 16.8 million kroons (1.07 million euros). Dividends were paid to the shareholders' bank account on 20th of May 2009.

***Supervisory and management boards***

Supervisory Board of Harju Elekter has 5 members: the Chairman of the Supervisory Board is Endel Palla, the R&D manager at AS Harju Elekter and the members Ain Kabal (Kabal & Partners OÜ, Manager), Lembit Kirsme (OÜ Kirschman, Manager), Madis Talgre (AS Harju KEK, Manager) and Andres Toome (finance consultant). AS a rule, meetings of the Supervisory Board are attended by all its members. During the reporting year the only exception was Lembit Kirsme, who for medical reasons did not attend in the meetings.

During the reporting period there were no changes in the Management of AS Harju Elekter. The Management Board continues with the following membership: Andres Allikmäe as Ch of the Management Board and members Karin Padjus, the Financial Director, and Lembit Libe, the Chief Economist. All members of the Management Board belong to the executive management of the company. The Chairman of the Board receives remuneration in accordance with his contract of service; members of the Management Board receive no special remuneration.

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/index.php?page=151&

Audits are carried out by KPMG Baltics AS in cooperation with UAB Baltijos Auditas in Lithuania and Pyydönniemi Ky in Finland.

***Transactions with related parties***

The related parties of AS Harju Elekter include associated company AS Draka Keila Cables; members of the management and supervisory boards and their close family members; and AS Harju KEK which owns 32.14% of the shares of AS Harju Elekter.

During the reporting period the Group has purchased goods and services from associated company and AS Harju KEK in the amount of 6.0 million kroons (0.4 million euros) and sold goods and services to them totally in the amount of 10.9 million kroons (0.7 million euros) and in the comparable period in the amount of 10.6 million kroons (0.7 million euros) and 10.7 million kroons (0.7 million euros) respectively.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in 2009 amounted to a total of 3.4 million kroons (210 thousand euros) and in the comparable period 4.2 million kroons (268 thousand euros). When the contract of service of a member of the Supervisory or Management Board expires or is prematurely terminated the company has no obligation to pay any other compensation, except for that prescribed by law. A service contract has been concluded with the chairman of the management board, specifying social guarantees payable upon resigning from the office.

***Key indicators***

| | EEK (in million) | | | | € (in million) | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | | year | | Q4 | | year | |
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Net sales | 158.4 | 204.6 | 632.7 | 871.6 | 10.1 | 13.1 | 40.4 | 55.7 |
| EBITDA | 12.4 | 16.5 | 50.3 | 69.0 | 0.8 | 1.1 | 3.2 | 4.4 |
| Operating profit | 7.2 | 11.6 | 29.5 | 50.1 | 0.5 | 0.7 | 1.9 | 3.2 |
| Net profit for the current period | 5.7 | 2.6 | 22.8 | 42.1 | 0.4 | 0.2 | 1.5 | 2.7 |
| Incl. equity holders of the parents | 5.0 | 1.1 | 20.4 | 38.6 | 0.3 | 0.1 | 1.3 | 2.5 |

| | Structure (%) | | EEK (in million) | | € (in million) | |
|---|---|---|---|---|---|---|
| As at 31 December | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Total current assets | 30.5 | 41.4 | 189.2 | 249.4 | 12.1 | 16.0 |
| Total non-current assets | 69.5 | 58.6 | 430.4 | 352.6 | 27.5 | 22.5 |
| Total assets | 100.0 | 100.0 | 619.6 | 602.0 | 39.6 | 38.5 |
| Total liabilities | 18.5 | 30.4 | 114.5 | 183.2 | 7.3 | 11.7 |
| Total equity | 81.5 | 69.6 | 505.1 | 418.8 | 32.3 | 26.8 |
| Inclusive equity attributable to equity holders of the parent | 77.7 | 66.0 | 481.7 | 397.2 | 30.8 | 25.4 |

| *Growth* | Q 4 | | 12 months | |
|---|---|---|---|---|
| (%) | **2009** | **2008** | **2009** | **2008** |
| Turnover | -22.6 | -1 | -27.4 | 19.1 |
| EBITDA | -25.4 | 8.3 | -28.4 | -2.8 |
| Operating profit (EBIT) | -37.9 | 25.3 | -41.2 | -2.6 |
| Net profit for the current period | 118.7 | -39.6 | -45.7 | -50.9 |
| incl. equity holders of the parent | 346.4 | -74.6 | -47.2 | -54.2 |
| *Performance indicators (%)* | | | | |
| Return of sales before depreciation | 7.8 | 8.1 | 7.8 | 7.9 |
| Return of sales (operating profit/turnover *100) | 4.6 | 5.7 | 4.7 | 5.7 |
| Net profit margin (net profit/turnover *100) | 3.6 | 1.3 | 3.6 | 4.8 |
| *Employees* | | | | |
| Average number of employees | 445 | 503 | 452 | 501 |
| Number of employees in the end of the period | 464 | 515 | 464 | 515 |

# INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | EEK'000 | | €'000 | |
|---|---|---|---|---|---|
| As at 31 December | Note | **2009** | **2008** | **2009** | **2008** |
| **Current assets** | | | | | |
| Cash and cash equivalents | | 35,640 | 23,379 | 2,278 | 1,494 |
| Trade receivables and other receivables | | 70,238 | 99,449 | 4,489 | 6,356 |
| Prepayments | | 2,499 | 3,217 | 160 | 205 |
| Inclusive income tax | | 1,137 | 47 | 73 | 3 |
| Inventories | | 80,852 | 123,351 | 5,167 | 7,884 |
| **Total current assets** | | **189,229** | **249,396** | **12,094** | **15,939** |
| **Non-current assets** | | | | | |
| Investments in associates | 2 | 9,681 | 17,907 | 619 | 1,144 |
| Other long-term financial investments | 2 | 153,172 | 74,323 | 9,789 | 4,750 |
| Investment property | 2 | 137,176 | 133,737 | 8,768 | 8,547 |
| Property, plant and equipment | 2 | 124,575 | 123,423 | 7,962 | 7,889 |
| Intangible assets | 2 | 5,815 | 3,201 | 371 | 205 |
| **Total non-current assets** | | **430,419** | **352,591** | **27,509** | **22,535** |
| **TOTAL ASSETS** | | **619,648** | **601,987** | **39,603** | **38,474** |
| **Liabilities** | | | | | |
| Interest-bearing loans and borrowings | 3 | 18,166 | 41,958 | 1,161 | 2,682 |
| Trade payables and other payables | | 76,243 | 112,395 | 4,873 | 7,183 |
| Tax liabilities | | 10,367 | 11,216 | 663 | 717 |
| Inclusive income tax | | 620 | 1,551 | 40 | 99 |
| Short-term provision | | 1,156 | 1,294 | 74 | 83 |
| **Total current liabilities** | | 1,565 | 0 | 100 | 0 |
| Non-current liabilities | 3 | **107,497** | **166,863** | **6,871** | **10,665** |
| **Total non-current liabilities** | | **7,016** | **16,381** | **448** | **1,046** |
| **Total liabilities** | | **114,513** | **183,244** | **7,319** | **11,711** |
| **Equity** | | | | | |
| Share capital | | 168,000 | 168,000 | 10,737 | 10,737 |
| Share premium | | 6,000 | 6,000 | 384 | 384 |
| Reserves | | 149,760 | 69,746 | 9,571 | 4,457 |
| Retained earnings | | 157,917 | 153,445 | 10,093 | 9,808 |
| **Total equity attributable to equity holders of the parent** | | **481,677** | **397,191** | **30,785** | **25,386** |
| Minority interest | | **23,458** | **21,552** | **1,499** | **1,377** |
| **Total equity** | | **505,135** | **418,743** | **32,284** | **26,763** |
| **TOTAL LIABILITIES AND EQUITY** | | **619,648** | **601,987** | **39,603** | **38,474** |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For the period<br>EEK'000 | Note | 1 October - 31 December<br>2009 | <br>2008 | 1 January - 31 December<br>2009 | <br>2008 |
|---|---|---|---|---|---|
| **I Income statement** | | | | | |
| Revenue | 4 | 158,400 | 204,629 | 632,675 | 871,610 |
| Cost of sales | | -128,958 | -167,808 | -526,660 | -733,467 |
| **Gross profit** | | **29,442** | **36,821** | **106,015** | **138,143** |
| Distribution costs | | -8,613 | -11,410 | -30,865 | -38,785 |
| Administrative expenses | | -13,533 | -13,573 | -46,185 | -48,758 |
| Other income | | 1,972 | 62 | 3,010 | 324 |
| Other expenses | | -2,053 | -285 | -2,515 | -860 |
| **Operating profit** | 4 | **7,215** | **11,615** | **29,460** | **50,064** |
| Net financing income/costs | 5 | -35 | -555 | 7,956 | 8,694 |
| Share of profit of associates | 2 | -105 | -7,811 | -8,226 | -4,068 |
| **Profit before tax** | | **7,075** | **3,249** | **29,190** | **54,690** |
| Allocation of corporate income tax to relevant periods | | -1,404 | -656 | -6,356 | -12,629 |
| **Profit for the period** | | **5,671** | **2,593** | **22,834** | **42,061** |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | 4,977 | 1,115 | 20,373 | 38,551 |
| Non-controlling interests | | 694 | 1,478 | 2,461 | 3,510 |
| Basic earnings per share (EEK | 6 | 0.30 | 0.07 | 1.21 | 2.29 |
| Diluted earnings per share (EEK) | 6 | 0.29 | 0.07 | 1.21 | 2.29 |
| **II Statement of comprehensive income** | | | | | |
| Profit for the period | | 5,671 | 2,593 | 22,834 | 42,061 |
| Available-for-sale financial assets | | 34,504 | -88,256 | 80,014 | -140,913 |
| **Total comprehensive income for the period** | | **40,175** | **-85,663** | **102,848** | **-98,852** |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | 39,481 | -87,141 | 100,387 | -102,362 |
| Non-controlling interests | | 694 | 1,478 | 2,461 | 3,510 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| For the period<br>€'000 | Note | 1 October - 31 December<br>**2009** | **2008** | 1 January - 31 December<br>**2009** | **2008** |
|---|---|---|---|---|---|
| **I Income statement** | | | | | |
| Revenue | 4 | 10,124 | 13,078 | 40,435 | 55,706 |
| Cost of sales | | -8,242 | -10,725 | -33,660 | -46,877 |
| **Gross profit** | | **1,882** | **2,353** | **6,775** | **8,829** |
| Distribution costs | | -550 | -730 | -1,973 | -2,479 |
| Administrative expenses | | -865 | -867 | -2,951 | -3,117 |
| Other income | | 126 | 4 | 192 | 21 |
| Other expenses | | -131 | -18 | -161 | -55 |
| **Operating profit** | 4 | **462** | **742** | **1,882** | **3,199** |
| Net financing income/costs | 5 | -2 | -35 | 508 | 556 |
| Share of profit of associates | 2 | -7 | -499 | -525 | -260 |
| **Profit before tax** | | **453** | **208** | **1,865** | **3,495** |
| Allocation of corporate income tax to relevant periods | | -90 | -42 | -406 | -807 |
| **Profit for the period** | | **363** | **166** | **1,459** | **2,688** |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | 319 | 72 | 1,302 | 2,464 |
| Non-controlling interests | | 44 | 94 | 157 | 224 |
| Basic earnings per share (EUR) | 6 | 0.02 | 0.00 | 0.08 | 0.15 |
| Diluted earnings per share (EUR) | 6 | 0.02 | 0.00 | 0.08 | 0.15 |

### II Statement of comprehensive income

| | | | | |
|---|---|---|---|---|
| Profit for the period | 363 | 166 | 1,459 | 2,688 |
| Available-for-sale financial assets | 2,205 | -5,641 | 5,114 | -9,006 |
| **Total comprehensive income for the period** | **2,568** | **-5,475** | **6,573** | **-6,318** |
| **Attributable to:** | | | | |
| Equity holders of the parent | 2,524 | -5,569 | 6,416 | -6,542 |
| Non-controlling interests | 44 | 94 | 157 | 224 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | | EEK'000 | | €'000 | |
|---|---|---|---|---|---|
| For the period 1 January – 31 December | Note | 2009 | 2008 | 2009 | 2008 |
| **Cash flows from operating activities** | | | | | |
| Operating profit | 4 | 29,460 | 50,064 | 1,882 | 3,199 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | 2 | 19,941 | 18,904 | 1,275 | 1,208 |
| Gain on sale of property, plant and equipment | | -2,044 | -13 | -131 | -1 |
| Equity-settled share-based payment transactions | | 899 | 0 | 57 | 0 |
| Change in receivables related to operating activity | | 29,847 | -15,322 | 1,908 | -978 |
| Change in inventories | | 42,499 | 5,288 | 2,716 | 338 |
| Change in payables related to operating activity | | -34,774 | -109 | -2,222 | -7 |
| Corporate income tax paid | | -7,240 | -11,080 | -463 | -708 |
| Interest paid | | -1,130 | -2,780 | -72 | -178 |
| **Net cash from operating activities** | | **77,458** | **44,952** | **4,950** | **2,873** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Acquisition of investment property | | -9,226 | -5,238 | -590 | -335 |
| Acquisition of property, plant and equipment | | -15,906 | -18,225 | -1,015 | -1,165 |
| Acquisition of intangible assets | | -3,844 | -1,107 | -246 | -71 |
| Acquisition of other financial investments | | -178 | 0 | -11 | 0 |
| Proceeds from sale of property, plant and equipment | | 4,246 | 13 | 271 | 1 |
| Proceeds from sale of other financial investments | | 6,318 | 0 | 404 | 0 |
| Loans given | | 0 | -35 | 0 | -2 |
| Repayment of loans given | | 0 | 35 | 0 | 2 |
| Interest received | | 746 | 528 | 48 | 34 |
| Dividends received | | 3,474 | 11,125 | 222 | 711 |
| **Net cash used in investing activities** | | **-14,370** | **-12,904** | **-917** | **-825** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | 3 | 0 | 14,345 | 0 | 917 |
| Repayment of borrowings | 3 | -31,239 | -11,364 | -1,997 | -726 |
| Payment of finance lease principal | 3 | -2,144 | -3,856 | -137 | -247 |
| Dividends paid | | -17,355 | -34,000 | -1,109 | -2,173 |
| **Net cash used in financing activities** | | **-50,738** | **-34,875** | **-3,243** | **-2,229** |
| | | | | | |
| **Net cash flows** | | **12,350** | **-2,827** | **790** | **-181** |
| | | | | | |
| **Cash and cash equivalents at beginning of period** | | **23,379** | **26,257** | **1,494** | **1,678** |
| Net increase / decrease | | 12,350 | -2,827 | 790 | -181 |
| Effect of exchange rate fluctuations on cash held | | -89 | -51 | -6 | -3 |
| **Cash and cash equivalents at end of period** | | **35,640** | **23,379** | **2,278** | **1,494** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| EEK '000 | Attributable to equity holders of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share pre-mium** | **Capital reserve** | **Fair value reserve** | **Retained earnings** | **Total** | **Non-cont-rolling interest** | **TOTAL** |
| At 31 December 2007 | **168,000** | **6,000** | **13,400** | **193,859** | **151,894** | **533,153** | **18,442** | **551,595** |
| For the period 1-12/ 2008 | | | | | | | | |
| Comprehensive income for period | 0 | 0 | 0 | -140,913 | 38,551 | **-102,362** | 3,510 | **-98,852** |
| Dividends | 0 | 0 | 0 | 0 | -33,600 | **-33,600** | -400 | **-34,000** |
| Amounts transferred reserves | 0 | 0 | 3,400 | 0 | -3,400 | **0** | 0 | **0** |
| **At 31 December 2008** | **168,000** | **6,000** | **16,800** | **52,946** | **153,445** | **397,191** | **21,552** | **418,743** |
| For the period 1-12/2009 | | | | | | | | |
| Comprehensive income for period | 0 | 0 | 0 | 80,014 | 20,373 | **100,387** | 2,461 | **102,848** |
| Share-based payment transactions | 0 | 0 | 0 | 0 | 899 | **899** | 0 | **899** |
| Dividends | 0 | 0 | 0 | 0 | -16,800 | **-16,800** | -555 | **-17,355** |
| **At 31 December 2009** | **168,000** | **6,000** | **16,800** | **132,960** | **157,917** | **481,677** | **23,458** | **505,135** |
| €'000 | | | | | | | | |
| At 31 December 2007 | **10,737** | **384** | **856** | **12,390** | **9,708** | **34,075** | **1,179** | **35,254** |
| For the period 1-12/ 2008 | | | | | | | | |
| Comprehensive income for period | 0 | 0 | 0 | -9,006 | 2,464 | **-6,542** | 224 | **-6,318** |
| Dividends | 0 | 0 | 0 | 0 | -2,147 | **-2,147** | -26 | **-2,173** |
| Amounts transferred reserves | 0 | 0 | 217 | 0 | -217 | **0** | 0 | **0** |
| **At 31 December 2008** | **10,737** | **384** | **1,073** | **3,384** | **9,808** | **25,386** | **1,377** | **26,763** |
| For the period 1-12/ 2009 | | | | | | | | |
| Comprehensive income for period | 0 | 0 | 0 | 5,114 | 1,302 | **6,416** | 157 | **6,573** |
| Share-based payment transactions | 0 | 0 | 0 | 0 | 57 | **57** | 0 | **57** |
| Dividends | 0 | 0 | 0 | 0 | -1,074 | **-1,074** | -35 | **-1,109** |
| **At 31 December 2009** | **10,737** | **384** | **1,073** | **8,498** | **10,093** | **30,785** | **1,499** | **32,284** |

# 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 reports prepared as of 31.12.2009 comprise 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 31.12.2008

According to the assessment of the management board, the interim report for 1-12/2009 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.

***Changes in the presentation of information in 2009***

*Revised IAS 1 Presentation of Financial Statements,* which will come into force as of 1 January 2009, requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The comprehensive income statement also includes all non-owner changes previously recognized in equity. Since 1st of January 2009 items of income and expense and components of comprehensive income are presented in a single statement of comprehensive income. In connection with the compilation of the consolidated comprehensive income statement, the presentation of the report on changes in equity also changed. The report on changes in equity does not recognize statement of comprehensive income elements as separate changes just on the one row „*Comprehensive income for period"*.

Pursuant to IAS I, the term "*Consolidated balance sheet*" used previously is replaced by the term "*Statement of financial position*". The presentation of basic reports and the new terms do not affect the recognition of transactions and balances or the accounting principles.

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**Note 2 Non-current assets**

| For the period 1 January - 31 December | EEK'000 2009 | 2008 | €'000 2009 | 2008 |
|---|---|---|---|---|
| **Investments in associate** | | | | |
| At 1 January | 17,907 | 21,975 | 1,144 | 1,404 |
| Profit/loss(-)under the equity method | -8,226 | -4,068 | -525 | -260 |
| **At 31 December** | **9,681** | **17,907** | **619** | **1,144** |
| | | | | |
| **Other long-term financial investments** | | | | |
| At 1 January | 74,323 | 215,236 | 4,750 | 13,756 |
| Additions | 178 | 0 | 11 | 0 |
| Sale of shares | -4,694 | 0 | -300 | 0 |
| Changes in the fair value reserve | 83,365 | -140,913 | 5,328 | -9,006 |
| **At 31 December** | **153,172** | **74,323** | **9,789** | **4,750** |
| | | | | |
| **Investment property** | | | | |
| At 1 January | 133,737 | 133,839 | 8,547 | 8,554 |
| Additions | 9,226 | 5,238 | 590 | 335 |
| Transfer from investment property | 0 | -619 | 0 | -40 |
| Depreciation charge | -5,787 | -4,721 | -369 | -302 |
| **At 31 December** | **137,176** | **133,737** | **8,768** | **8,547** |
| | | | | |
| **Property, plant and equipment** | | | | |
| At 1 January | 123,423 | 104,948 | 7,889 | 6,707 |
| Additions | 16,279 | 30,864 | 1,040 | 1,973 |
| Transfer from investment property | 0 | 619 | 0 | 40 |
| Disposals | -2,203 | 0 | -141 | 0 |
| Depreciation charge | -12,924 | -13,008 | -826 | -831 |
| **At 31 December** | **124,575** | **123,423** | **7,962** | **7,889** |
| | | | | |
| **Intangible assets** | | | | |
| At 1 January | 3,201 | 3,269 | 205 | 209 |
| Additions | 3,844 | 1,107 | 246 | 71 |
| Depreciation charge | -1,230 | -1,175 | -80 | -75 |
| **At 31 December** | **5,815** | **3,201** | **371** | **205** |
| | | | | |
| **Total non-current assets** | **430,419** | **352,591** | **27,509** | **22,535** |

### Note 3 Interest-bearing loans and borrowings

| | EEK'000 | | €'000 | |
|---|---|---|---|---|
| | **31.12.2009** | **31.12.2008** | **31.12.2009** | **31.12.2008** |
| **Liabilities** | | | | |
| Short-term bank loans | 12,947 | 27,849 | 827 | 1,780 |
| Current portion of long-term bank loans | 3,682 | 12,066 | 235 | 771 |
| Current portion of lease liabilities | 1,537 | 2,043 | 99 | 131 |
| **Total current liabilities** | **18,166** | **41,958** | **1,161** | **2,682** |
| Long-term bank loans | 1,014 | 8,967 | 65 | 573 |
| Lease liabilities | 6,002 | 7,414 | 383 | 473 |
| **Total non-current liabilities** | **7,016** | **16,381** | **448** | **1,046** |
| **TOTAL** | **25,182** | **58,339** | **1,609** | **3,728** |

Changes during the period 1 January - 31 December

| | EEK'000 | | €'000 | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| **Loans and borrowings at the beginning of the year** | **58,339** | **48,324** | **3,728** | **3,088** |
| Changes in short-term loans | -14,902 | 11,340 | -953 | 725 |
| New long-term loan | 0 | 3,005 | 0 | 192 |
| Long-term loan repaid | -16,337 | -11,364 | -1,044 | -726 |
| New finance lease liabilities | 226 | 10,890 | 15 | 696 |
| Payment of finance lease principal | -2,144 | -3,856 | -137 | -247 |
| **Loans and borrowings at the end of the current period** | **25,182** | **58,339** | **1,609** | **3,728** |

### Note 4 Segment reporting

*IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009),* introduces the "management approach" to segment reporting and requires segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the Group's Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance.

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 | **Manufacturing** | | **Real estate** | | **Unallocated items** | | **Eliminations** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.1. -31.12. | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Revenue from external customers | 561,806 | 772,622 | 37,634 | 36,536 | 33,235 | 62,452 | 0 | 0 | 632,675 | 871,610 |
| Inter-segment revenue | 2,764 | 5,327 | 13,665 | 13,095 | 3,472 | 2,401 | -19,901 | -20,823 | 0 | 0 |
| **Total revenue** | **564,570** | **777,949** | **51,299** | **49,631** | **36,707** | **64,853** | **-19,901** | **-20,823** | **632,675** | **871,610** |
| Segment result | 13,546 | 37,222 | 17,287 | 17,365 | -1,401 | -4,571 | 28 | 48 | **29,460** | **50,064** |
| 1.10.-31.12. | | | | | | | | | | |
| Revenue from external customers | 139,864 | 180,542 | 9,712 | 9,685 | 8,824 | 14,402 | 0 | 0 | 158,400 | 204,629 |
| Inter-segment revenue | 605 | 1,479 | 3,865 | 3,588 | 1,583 | 0 | -6,053 | -5,067 | 0 | 0 |
| **Total revenue** | **140,469** | **182,021** | **13,577** | **13,273** | **10,407** | **14,402** | **-6,053** | **-5,067** | **158,400** | **204,629** |
| Segment result | 4,008 | 9,199 | 2,937 | 3,142 | 258 | -760 | 12 | 34 | **7,215** | **11,615** |

| €'000 | **Manufacturing** | | **Real estate** | | **Unallocated items** | | **Eliminations** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.1. -31.12. | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Revenue from external customers | 35,906 | 49,380 | 2,405 | 2,335 | 2,124 | 3,991 | 0 | 0 | 40,435 | 55,706 |
| Inter-segment revenue | 177 | 340 | 873 | 837 | 222 | 153 | -1,272 | -1,330 | 0 | 0 |
| **Total revenue** | **36,083** | **49,720** | **3,278** | **3,172** | **2,346** | **4,144** | **-1,272** | **-1,330** | **40,435** | **55,706** |
| Segment result | 866 | 2,379 | 1,105 | 1,110 | -91 | -293 | 2 | 3 | **1,882** | **3,199** |
| 1.10.-31.12. | | | | | | | | | | |
| Revenue from external customers | 8,939 | 11,539 | 621 | 619 | 564 | 920 | 0 | 0 | 10,124 | 13,078 |
| Inter-segment revenue | 39 | 95 | 247 | 229 | 101 | 0 | -387 | -324 | 0 | 0 |
| **Total revenue** | **8,978** | **11,634** | **868** | **848** | **665** | **920** | **-387** | **-324** | **10,124** | **13,078** |
| Segment result | 256 | 588 | 188 | 201 | 17 | -49 | 1 | 2 | **462** | **742** |

Revenue based on the geographical location of the assets and customers:

| EEK'000 | Estonia | | Finland | | Lithuania | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.1. -31.12. | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Estonia | 232,999 | 324,060 | 142 | 45 | 479 | 880 | -879 | -920 | 232,741 | 324,065 |
| Finland | 75,628 | 103,914 | 229,363 | 338,771 | 0 | 672 | -34,936 | -52,674 | 270,055 | 390,683 |
| Lithuania | 1,169 | 5,262 | 0 | 0 | 65,835 | 96,882 | -529 | -3,398 | 66,475 | 98,746 |
| Other EU countries | 12,631 | 11,200 | 990 | 16,057 | 9,822 | 19,838 | 0 | 0 | 23,443 | 47,095 |
| Other | 8,813 | 348 | 0 | 0 | 31,148 | 10,673 | 0 | 0 | 39,961 | 11,021 |
| **Total** | **331,240** | **444,784** | **230,495** | **354,873** | **107,284** | **128,945** | **-36,344** | **-56,992** | **632,675** | **871,610** |
| 1.10.-31.12. | | | | | | | | | | |
| Estonia | 64,687 | 78,434 | 26 | 4 | 218 | 69 | -502 | -74 | 64,429 | 78,433 |
| Finland | 19,243 | 26,920 | 48,054 | 79,297 | 0 | 0 | -10,402 | -11,176 | 56,895 | 95,041 |
| Lithuania | 299 | 664 | 0 | 0 | 17,890 | 16,244 | -81 | -184 | 18,108 | 16,724 |
| Other EU countries | 5,095 | 1,966 | 35 | 533 | 1,000 | 7,793 | 0 | 0 | 6,130 | 10,292 |
| Other | 0 | 0 | 0 | 0 | 12,838 | 4,139 | 0 | 0 | 12,838 | 4,139 |
| **Total** | **89,324** | **107,984** | **48,115** | **79,833** | **31,946** | **28,245** | **-10,985** | **-11,433** | **158,400** | **204,629** |

| €'000 | Estonia | | Finland | | Lithuania | | Eliminations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| 1.1. -31.12. | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| Estonia | 14,891 | 20,712 | 9 | 3 | 31 | 56 | -56 | -59 | 14,875 | 20,712 |
| Finland | 4,834 | 6,641 | 14,659 | 21,652 | 0 | 43 | -2,233 | -3,367 | 17,260 | 24,969 |
| Lithuania | 75 | 336 | 0 | 0 | 4,208 | 6,192 | -34 | -217 | 4,249 | 6,311 |
| Other EU countries | 807 | 716 | 63 | 1,026 | 628 | 1,268 | 0 | 0 | 1,498 | 3,010 |
| Other | 563 | 22 | 0 | 0 | 1,990 | 682 | 0 | 0 | 2,553 | 704 |
| **Total** | **21,170** | **28,427** | **14,731** | **22,681** | **6,857** | **8,241** | **-2,323** | **-3,643** | **40,435** | **55,706** |
| 1.10.-31.12. | | | | | | | | | | |
| Estonia | 4,134 | 5,013 | 2 | 0 | 14 | 4 | -32 | -5 | 4,118 | 5,012 |
| Finland | 1,230 | 1,721 | 3,071 | 5,068 | 0 | 0 | -665 | -714 | 3,636 | 6,075 |
| Lithuania | 19 | 42 | 0 | 0 | 1,143 | 1,038 | -5 | -12 | 1,157 | 1,068 |
| Other EU countries | 326 | 126 | 2 | 34 | 64 | 498 | 0 | 0 | 392 | 658 |
| Other | 0 | 0 | 0 | 0 | 821 | 265 | 0 | 0 | 821 | 265 |
| **Total** | **5,709** | **6,902** | **3,075** | **5,102** | **2,042** | **1,805** | **-702** | **-731** | **10,124** | **13,078** |

## Note 5 Net financing income/costs

| | EEK'000 | | €'000 | |
|---|---|---|---|---|
| For the period 1 January - 31 December | **2009** | **2008** | **2009** | **2008** |
| Interest income | 711 | 565 | 45 | 36 |
| Interest expense | -1,115 | -2,945 | -71 | -188 |
| Dividend income | 3,474 | 11,125 | 222 | 711 |
| Net loss from foreign exchange differences | -89 | -51 | -6 | -3 |
| *Marketable investments:* | | | | |
| Income from sale of investments | 4,975 | 0 | 318 | 0 |
| **TOTAL** | **7,956** | **8,694** | **508** | **556** |

## 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.

In the calculation of *diluted earnings per share*, potentially issuable shares are taken into account. As of the balance sheet date 31.12.2009, the Group had 578,400 potentially issuable ordinary shares. In accordance with a resolution of the general meeting of shareholders, the price per share was fixed at a level of EUR 1.10 (EEK 17.21). In the case of share-based benefits, which are subject to the requirements of IFRS 2, the subscription price of shares also covers the cost of services to be provided by the employees in the future for the share-based benefits. The value of the option assessed by an independent expert is EUR 0.55 (EEK 8.61). Hence, pursuant to IFRS 2 the subscription price per share is EUR 1.65 (EEK 25.82) and potential shares become diluted only after their average market price during the period exceeds EUR 1.65 (EEK 25.82). In 2009, the average market price per share was EEK 21.48 (EUR 1.37). Hence, the potential shares did not have any diluting effect in 2009. Therefore, in 2009, the diluted earnings per share equal the basic earnings per share.

In Q4, the average market price per share was EEK 36.15 (EUR 2.31). As a result of the issue of shares, EEK 14.9 million (EUR 954,000) would be received. In order to receive the same amount, 413,000 (14.9/36.15) new shares should be issued at an average market price. The difference between the number of shares covered by option and the number of shares issued at a market price – 165,300 shares (578,400-413,100) could be regarded as shares granted free of charge and it has increased the average number of the shares in the quarter respectively.

| | EEK | | EUR | |
|---|---|---|---|---|
| For the period 1 January - 31 December | **2009** | **2008** | **2009** | **2008** |
| Profit attributable to equity holders of the parent ('000) | 20,373 | 38,551 | 1,302 | 2,464 |
| Average number of shares outstanding ('000) | 16,800 | 16,800 | 16,800 | 16,800 |
| Basic and diluted earnings per share | 1.21 | 2.29 | 0.08 | 0.15 |
| For the period 1 October - 31 December | | | | |
| Profit attributable to equity holders of the parent ('000) | 4,977 | 1,115 | 319 | 72 |
| Average number of shares outstanding ('000) | 16,800 | 16,800 | 16,800 | 16,800 |
| Basic earnings per share | 0.30 | 0.07 | 0.02 | 0.00 |
| Corrected average number of shares outstanding ('000) | 16,965 | 16,800 | 16,965 | 16,800 |
| Diluted earnings per share | 0.29 | 0.07 | 0.02 | 0.00 |

**Note 7 Transactions with related parties**

The related party of AS Harju Elekter includes associated company AS Draka Keila Cables; members of the management and supervisory boards and their close family members; and AS Harju KEK which owns 32.14% of the shares of AS Harju Elekter.

Group has purchased goods and services from and sold goods and services to related parties as follows:

| | EEK '000 | | €'000 | |
|---|---|---|---|---|
| For the period 1 January - 31 December | **2009** | **2008** | **2009** | **2008** |
| **Purchase of goods and services from related parties:** | | | | |
| - from associates | 4,928 | 9,853 | 315 | 630 |
| - from Harju KEK | 1,089 | 761 | 70 | 49 |
| TOTAL | **6,017** | **10,614** | **385** | **679** |
| *Inclusive:* | | | | |
| - goods and materials for manufacturing | 4,915 | 9,854 | 314 | 630 |
| - lease of property, plant and equipment | 1,062 | 700 | 68 | 45 |
| - other | 40 | 60 | 3 | 4 |
| **Sale of goods and services to related parties:** | | | | |
| - to associates | 10,883 | 10,586 | 696 | 677 |
| - to Harju KEK | 0 | 85 | 0 | 5 |
| TOTAL | **10,883** | **10,671** | **696** | **682** |
| *Inclusive:* | | | | |
| - goods and materials for manufacturing | 233 | 364 | 15 | 23 |
| - lease of property, plant and equipment | 7,227 | 6,292 | 462 | 403 |
| - management services | 2,713 | 2,713 | 174 | 173 |
| - other | 710 | 1,302 | 45 | 83 |
| **Balances with related parties at 31 December** | | | | |
| Receivables with associates: goods and services | 2,663 | 1,970 | 170 | 126 |
| Payables with associates: goods and services | 56 | 264 | 3 | 17 |

# 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/ 2009, 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.

| | | | |
|---|---|---|---|
| Andres Allikmäe | Chairman of the Board | /signature/ | „25. “ February 2010 |
| Lembit Libe | Member of the Board | /signature/ | „25. “ February 2010 |
| Karin Padjus | Member of the Board | /signature/ | „25. “ February 2010 |