

ANNUAL REPORT 2009

Translation from Estonian original

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 light fittings and electrical appliances; real estate holding; management assistance and services
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Auditor:	KPMG Baltics AS
Beginning of the reporting period:	1 st of January 2009
End of the reporting period:	31 st of December 2009
Added documents to the annual report:	<ul style="list-style-type: none">• Auditor's report• Profit allocation proposal

CONTENTS

Address by the Chairman of the Supervisory Board	3
Address by the Chairman of the Management Board	4
Organisation	5
Management report	6
Share and shareholders	29
Corporate Governance	32
Statistical summary	34
Annual financial statements	35
Statement of management responsibility	35
Statement of financial position	36
Consolidated comprehensive income	37
Consolidated cash flow statement	38
Statement of changes in owner's equity	39
Notes to the consolidated financial statement	40
1. Significant accounting policies	40
2. Accounting estimates and judgments	50
3. Financial risks management	51
4. Financial instruments	55
5. Cash and cash equivalents	55
6. Trade receivables and other receivables	56
7. Prepayments	57
8. Inventories	57
9. Investments in associates	57
10. Other long-term financial investments	58
11. Investment property	59
12. Property, plant and equipment	60
13. Operating leases	62
14. Intangible assets	63
15. Interest-bearing loans and borrowings	64
16. Loan collateral and pledged assets	66
17. Trade payables and other payables	66
18. Taxes	67
19. Provisions	67
20. Contingent liabilities	67
21. Capital and reserves	68
22. Segment reporting	70
23. Income statement line items	73
24. Income tax expense	75
25. Basic and diluted earnings per share	75
26. Cash flow statement line items	76
27. Related parties	77
28. Financial information of parent company	78
Signatures to the annual report of 2009	82
Auditor's report	83
Profit allocation proposal	84

ADDRESS BY THE CHAIRMAN OF THE SUPERVISORY BOARD**At the threshold of the new decade**

As we look back to the economically difficult and challenging year of 2009, it is safe to say that for Harju Elekter Group it was a reasonably satisfactory year after all. We could not have done so well without the huge contribution of our employees who agreed to reduce working hours and/or salaries - thus helping the company to survive the difficult times.

The year 2009 was a year for great changes that demanded fast responses and adaptation to the new situation. When a company is not willing to lose its clients and market share, it must keep up with the competition. What company could afford to say that it is not interested in technological progress? We believe in steady progress and better quality. Possibilities for changes are global. If production standards are made stricter in one country - with the aim of making the production process more environmentally friendly - it often means that plants are moved to China or India where such standards are lower. As a result more Americans, Europeans, as well as Estonians, lose their jobs. At the end of 2009, a new collective agreement between the enterprises of the group and the employees' trade union, KETA, was concluded, ensuring production will continue in Keila. The confidence of our employees in the future was also strengthened by the investments we made during 2009 - taking advantage of favourable construction prices we expanded the production areas of our companies in Estonia as well as in Lithuania and Finland.

Our successful tactics in developing the business and ensuring the stability of the Group was also recognised by the public. A journalist with Estonia's leading business newspaper, Äripäev, who analysed Warren Buffett's successful investment strategy, wrote that there are only two noted companies in Estonia that would interest the legendary investor - and those are Harju Elekter and Merko Ehitus! A few days later the newspaper stated that, of the shares listed on the Tallinn Stock Exchange, it was Harju Elekter shares that saw the biggest rise between the end of 2008 and Christmas 2009. This recognition was pleasant news and, despite the fact that the present share price perhaps reflects more accurately the actual value of the company, I believe that a share price in spring 2009 of less than 11 kroons clearly undervalued the company. There is plenty of room for our share price to grow and this will be achieved through the development of the company.

Despite the continuing difficult economic situation we are looking hopefully towards the future. We have managed to cut our operational expenses to correspond to the decreased turnover and it is safe to say that we have adjusted well to the new situation. A rapid increase in placing orders is not likely to happen in 2010 but we are relying on actively searching for new export markets and the introduction of the euro in Estonia in 2011. Together we will survive and become stronger and continue our work in developing the business.

/signature/

Endel Palla
Chairman of the Supervisory Board

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD**You reap in bad times what you sow in good**

In 2009, the continuation of the year long work in the development of the Harju Elekter Group and paying close attention to the three most important stakeholders – customers, employees and shareholders – was a touchstone for us all. Problems arising, on the one hand, from the recession in the world economy and, on the other hand, the shortcomings of the Estonian economy, which is small and depends on the ambient economic environment, were also reflected in the economic results of Harju Elekter. Nevertheless, relying on trust and co-operation, we managed to end the year with a profit. The consolidated sales revenue of the Group amounted to 632.7 million kroons amounting to 72.6% of the revenue in 2008, while the net profit amounted to 51.6% of the year before. I am pleased to say that we were flexible enough to adjust to the situation and managed to compensate for decreased income with a reduction in costs. The active search for new markets during the last few years also paid off in 2009. Due to the rapid drop in demand in the domestic market 63.2% of the products were sold outside Estonia. Wise decisions and management, as well as a more stable operation when compared to other sectors, had a positive influence on the share price on the Tallinn Stock Exchange. The price of the Harju Elekter share increased during the year by 107% amounting to 32.08 kroons.

Due to the lack of domestic demand but, on the other hand, thanks to opportunities arising from the complicated economic situation, the most important activity of the group was export marketing. Our efforts were aimed at finding new customers and markets and getting new projects and orders. To that end, we allocated our own resources as well as grants from the European Union structural funds to all our operating points in Estonia, Lithuania as well as Finland.

The most important development project in 2009 was the introduction of the new production and financial accounting software system, AX2009, by the parent company as well as its subsidiary, Harju Elekter Elektrotehnika, the largest production unit in the Group. The preparatory work that had been ongoing for many years, including analysing the system and choosing suitable software and a reliable partner, continued in 2009 until October when the software was finally introduced. The development of the system will continue for the next few years. The aim is to develop a powerful tool for companies of the Group with the help of which it will be possible to better analyse business processes and serve our customers and partners more flexibly.

I would like to thank our customers and partners who have made it possible for us to end the economic year satisfactorily. I believe that continuing co-operation will help us solve the tasks and problems we are facing this year. As the difficult year of 2009 meant considerably decreased incomes for our employees, while involving them in putting in more effort, we are truly thankful for the trust they have placed in us and for their determination and will to work.

We have always been convinced that sustainable investment in client relations as well as the motivation and loyalty principles of our workers in good times pays off in bad and 2009 proved us right. I expect the situation to become more stable in 2010 and the extra efforts we made in 2009 to show results, especially in exports.

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Andres Allikmäe
Chairman of the Board

ORGANISATION

MISSION

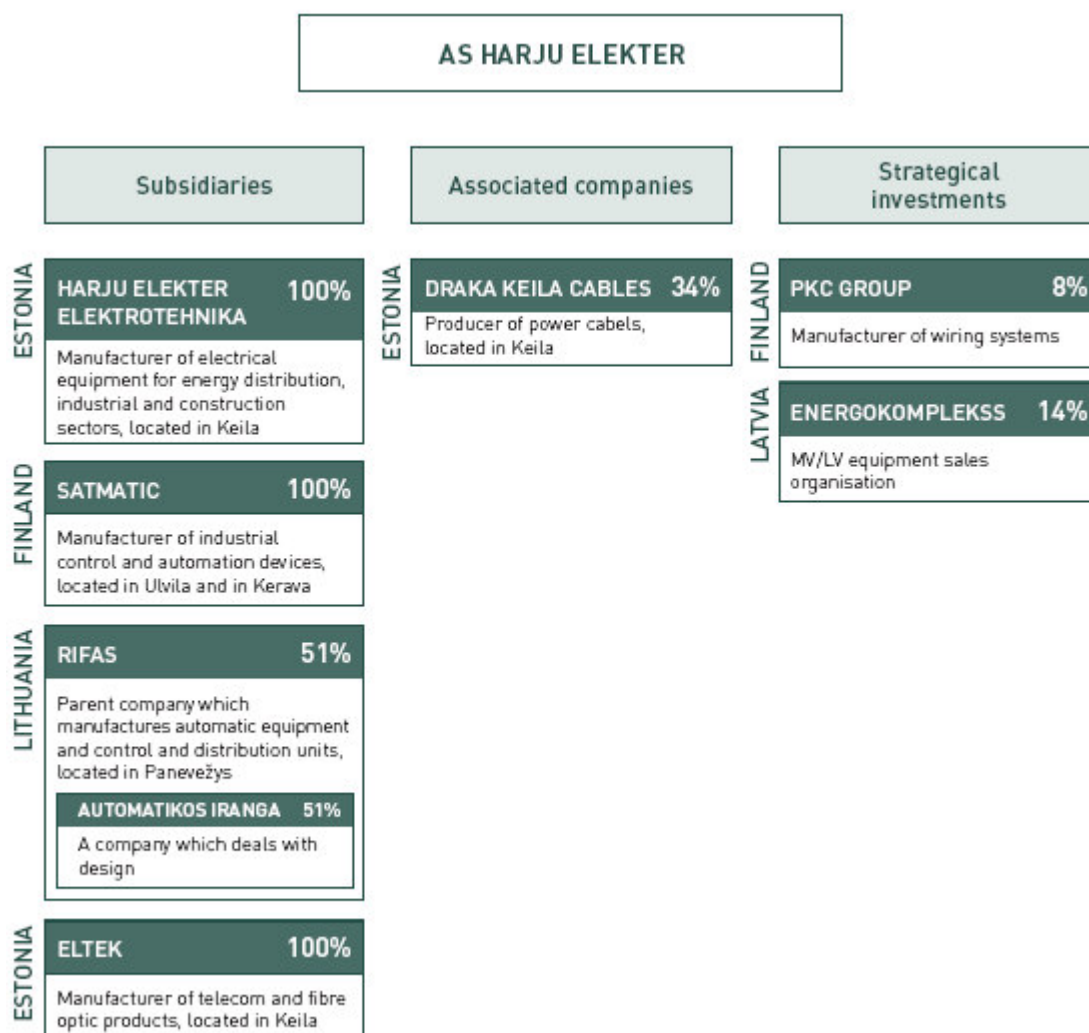
To be one of the leading manufacturers of electrical equipment and materials in the Baltic Sea region by responding to the clients' needs without delay with competence and quality and by offering added value and reliability to partners in co-operation projects.

GOAL

To be successful over a long period of time, to increase the company's capital and generate revenue for the owners, as well as the partners, and to provide motivating work, income and development opportunities for the employees.

Harju Elekter has been manufacturing electrical equipment since 1968. The group's main income comes from energy distribution equipment (substations, cable distribution and fuse boxes) and automatic control boards for the energy sector, industry and infrastructure. 63% of the products are marketed outside Estonia.

HARJU ELEKTER GROUP'S ORGANISATIONAL CHART



MANAGEMENT REPORT

OVERVIEW OF THE ECONOMIC ENVIRONMENT

World economy

For the world economy, the year 2009 turned out to be especially difficult. Heavily affected by the financial and economic crisis of the previous years, the economic climate showed the first signs of improvement in the second half of the year when stabilisation and recovery started in euro zone countries and some developing countries boasted economic growth of almost 10%. Together with the rise in financial markets the confidence of consumers and enterprises also started to rise. In order to reflate the world economy, central banks lowered the interest rates to a record low of 0.99%. Oil prices remained under 80 USD per barrel. The slight overall economic growth, however, cannot be seen as sustainable because in many developing countries it has only been possible thanks to government aid packages. The debt burden of wealthy countries has rapidly increased. Structural changes in the economy have not been sufficient as both the risk of inflation as well as deflation are still there, while problems in the financial sector might not yet be over. At the same time there are not enough growth factors in wealthy countries: excessive production capacities limit investments; consumption is low due to high unemployment; government spending possibilities are limited; and export is low due to high prices and exchange rates. Nevertheless, leading analysts expect slight growth in the world economy in the next few years.

Baltic States and Estonia

Generally speaking, the economic developments in the three Baltic States were similar: extensive drop in domestic demand and prices; rapid increase in unemployment; decrease in salaries; and a fall in the current account deficit. Uncertainty in the world economy and a decrease in foreign demand had a great influence on the economies of small countries. According to the statistics offices of the Baltic States, in 2009 the contraction in Latvia was 18%, followed by Lithuania with 16% and Estonia with 14%.

For Estonia, 2009 was the year of great changes and adjustment. During the year, added value decreased in most sectors while construction, financial intermediation and the processing industry felt it the hardest. Value added decrease in processing industry as well as wholesale and retail trade had the greatest influence on GDP. Drop in domestic demand and domestic orders as well as in foreign demand also contributed to rapid recession. Due to the unstable situation investments became almost non-existent. In spite of the rise in excise duty and value added tax producers were unable to increase prices because consumption was especially low for the whole year due to increasing unemployment, poor availability of debt finance and uncertainty in the future. While salaries decreased, unemployment increased rapidly reaching 15% and the Unemployment Insurance Fund was forced to increase the unemployment insurance rate to 4.2%. According to the Institute of Economic Research, Estonia reached the lowest point of the current economic cycle in summer 2009 as was also seen in exports, industry and the labour market. Although the second half of the year showed the first signs of recovery, analysts predict the process to be slow. On a positive note, it should be pointed out that the government made great efforts to keep the budget deficit below 3% of GDP as is demanded by the 'Maastricht criteria'. Estonia has a good chance to fulfill these criteria and access the euro zone in 2011.

Finland and Scandinavia

In 2009, the GDP of Finland which is Estonia's largest external trade partner decreased by 7.8% being the greatest drop since 1917-18. Production decreased most during the first half of the year. In the second half, the decline stopped but increase in production did not follow. By the end of the year the unemployment rate was 8.3%. Exports decreased during the year by 24%, investments by more than 13% and private consumption by 2.1%. In 2010, however, Finland is expected to show greater economic growth than the euro zone average. The preconditions for this are an increase in export orders and domestic consumer confidence.

Compared to the neighbouring countries and the rest of Europe, the economies of Sweden and Norway did rather well, suffering setbacks only at the beginning of the year. Analysts at Nordea bank expect slight economic growth in these countries in 2010 induced by growth in consumer confidence both in the world as well as in domestic markets; growth in exports; stabilisation of unemployment rates; and increases in orders placed to restore stocks.

Russia

At the beginning of the second half of 2009, Russia saw greater contraction than expected. At the end of the year, however, there were some signs of recovery. Oil prices were lower than expected, exports decreased as well as tax revenues. Potential problems in the banking sector due to loan losses, high unemployment rates and decreases in income also added to the overall uncertainty. The decrease in inflation, on the other hand, was encouraging. While domestic demand and investment activity are still low, new economic growth is expected through increases in exports of raw materials and production growth.

YEAR 2009

In February the subsidiaries of Harju Elekter, Harju Elekter Elektrotehnika and Satmatic together with their long-term cooperation partner, Siemens Oy, participated at Verkosto 2009 - the professional trade fair for electricity and information networks - in Tampere, Finland. Electricity professionals were offered two types of compact substations with sheet metal enclosures as well as a medium voltage distribution point. There was great interest in these novel products, while the air insulated medium voltage substation, produced specially for the Finnish market, proved to be the most attractive product. In April the Harju Elekter trade group also presented its range of products at the International Building Fair, Estbuild 2009, held in Tallinn.

The second quarter of 2009 saw some organisational changes, as a result of which Urmas Paisnik was named the new manager of AS Eltek as of June 1, 2009. The sales teams of the Estonian subsidiaries were also strengthened by creating new positions in both companies and hiring staff whose main task was to find new export markets and increase sales.

The rather complicated economic situation has not shaken the management's belief in the sustainability and success of the group and, therefore, it has continued to invest in increased production capacity. The expanded production areas of the Estonian subsidiaries Eltek (approximately 500 sq m) and Harju Elekter Elektrotehnika (approximately 1,500 sq m) were taken into use in the first half of the year. In autumn, the Finnish subsidiary, Satmatic, began to use the additional production area of 2,000 sq m - thus increasing the total production area to 4,330 sq m. By the end of the year, the expansion of the production premises of UAB Rifas was complete, as a result of which the production area of the Lithuanian subsidiary increased to 2,500 sq m. In September, the expansion of the Draka Keila Cables plant was commenced and, when complete, the production premises leased to the affiliated company will increase by 3,700 sq m to a total of 12,300 sq m.

In September the Finnish subsidiary of Harju Elekter, Satmatic Oy, purchased the manufacturing and sales rights of vehicle pre-heating panels for car parks from Siemens Oy - acquiring with this transaction the necessary technology, production equipment as well as know-how. Vehicle heating panels for pre-heating car engines at car parks are used mainly in Finland where the estimated annual market volume is approximately 40 thousand panels. Other Nordic countries as well as Russia are also potential markets for this product. It is definitely the product of the future as the product group is expected to expand to include charging stations for electric cars and for the development of electric supply stations of infrastructure objects in external conditions.

In October, the parent company, as well as one of its subsidiaries, Harju Elekter Elektrotehnika, introduced the new comprehensive business management software, Axapta, preceded by extensive preparatory work including making the information and product group structures compatible within the

system. In 2010, AS Eltek will be connected to the system after which the software will be introduced throughout the entire Group. As a result, the Group will have a modern tool for finding efficient cost and time planning solutions as well as better management and timing of corporate information and for more efficient analyses and involvement of client information.

The annual general meeting of shareholders approved the annual report and profit allocation of Harju Elekter, including a dividend distribution of 1 kroon per share, i.e. a total of 16.8 million kroons, resulting from the good economic results of 2008.

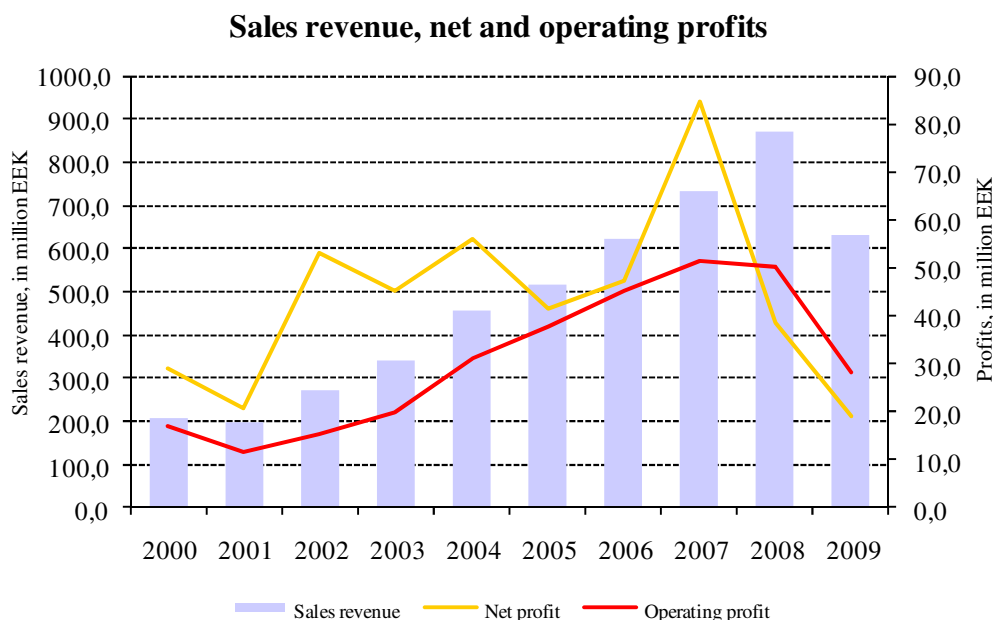
BUSINESS RESULTS

In the 2009 annual report the financial indicators of AS Harju Elekter (consolidating entity) and its subsidiaries, AS Harju Elekter Elektrotehnika, AS Eltek, Satmatic Oy and UAB Rifas (altogether referred to as the Group) have been consolidated line by line and the results of the related company, AS Draka Keila Cables, have been consolidated using the extended equity method.

AS Harju Elekter owns 8.3% of the Finnish company PKC Group Oyj. The shares of the company are listed on the Helsinki Stock Exchange and are presented in the statement of financial position at their market price. The profit/loss resulting from changes in the market price of the shares is included directly in the owners' equity. The changes in the market price of the shares can have a substantial effect on the value of the assets and the owners' equity in the Group.

Revenue, earnings and margins

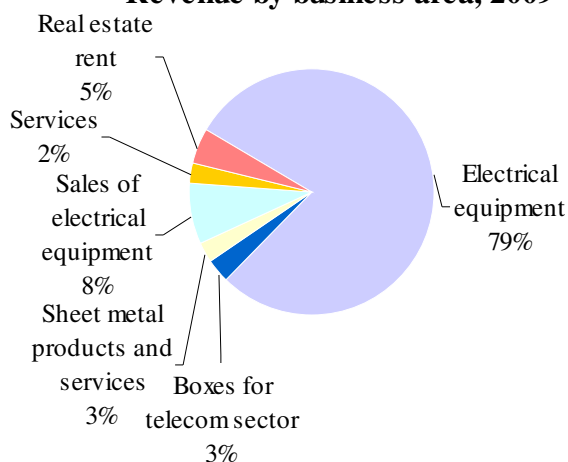
Taking into account the general economic situation the business results of the Group met expectations. The Group's operations were profitable in 2009.



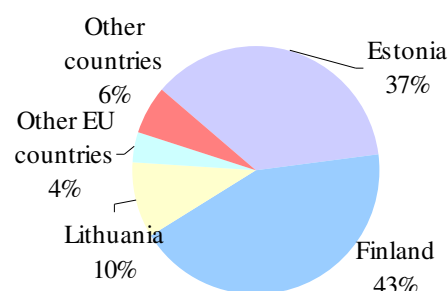
In 2009, the consolidated sales revenues of the Group were 632.7 million kroons which is 27.4% less than in 2008. The Estonian companies accounted for 47% (in 2008: 44%), the Finnish companies for 36% (in 2008: 41%) and the Lithuanian companies for 17% (in 2008: 15%) of the consolidated sales revenues. The main area of activities of the company is the production and sales of electrical distribution systems and control panels and related activities (hereinafter called "Production") which accounted for the largest part of the sales revenue, i.e. approximately 90% (in 2008: 88.3%). Real estate and other trade activities together accounted for a little more than one tenth of the sales revenue of the Group.

As for markets, once again the Group's home markets – mainly Estonia and Finland – were dominant in 2009 as 79.5% (in 2008: 82%) of the products and services were sold there while Lithuania followed with 10.5% (in 2008: 11.3%). Other European markets – Latvia, Germany, Denmark and Portugal – accounted for a total of 3.7% (in 2008: 5.4%) of sales, approximately 24 million kroons less than in the year before. In 2008, an order in the amount of 16.6 million kroons to Poland was executed. In 2009, sales to the Polish market accounted for 1.2 million kroons. Sales outside the European Union – Russia, Belarus and Norway – increased by 29.0 million kroons, compensating for the drop in the volumes of sales in other European Union countries. Altogether 6.3% (in 2008: 1.3%) of the products were sold in these markets.

Revenue by business area, 2009



Revenue by market, 2009



As a result of the drop in demand, production and sales volumes, the Group has been engaging in making savings on and optimising both operational and fixed expenses. The business expenses of the Group declined at the same rate as the sales revenue – 26.5% in the year 2009. The average decrease in the number of employees was 49 - leaving a staff of 452. Salaries, bonuses and termination payments during the twelve months amounted to 114.3 (in 2008: 132.4) million kroons. Reserves built up in 2008 for bonuses for the good working results of the last accounting year were paid out during the first quarter; and included a certain amount for termination and redundancy payments. These amounts had already been reflected in the employment costs of the previous accounting year. In 2009, labour expenses dropped by over 14%.

During the financial year, the profitability of the Group was most affected by the increase in competition, which resulted in pressure on sales prices. A worsening in some customers' payments situation, due to the non-settlement of invoiced accounts, also had an effect. In the financial year 1.3 (in 2008: 1.1) million kroons were written down and discounted.

Depreciation of fixed assets amounted to 19.9 (in 2008: 18.9) million kroons. EBITDA was 48.3 (in 2008: 69.0) million kroons and the operating profit before depreciation was 7.6%, which was 0.3 percent point less than the year before. The operating profit in 2009 amounted to 28.3 million kroons and the operating profit margin was 4.5% - compared with figures of 50.1 million kroons profit and 5.7% profit margin in 2008.

In 2009, PKC Group Oyj paid a dividend of 0.15 euros (2.35 kroons) per share, which is three times less than in 2008. In the first quarter, the Group sold 100,000 PKC Group shares, and the profit generated from this sale was 5.0 million kroons. Revenue from financial investments totalled 8.4 million kroons, which is 2.7 million kroons less than in 2008. Due to a drop in interest-bearing debt obligations during the accounting period, interest expenses decreased significantly from 2.9 million kroons in 2008 to 1.1 million kroons in 2009. In total, the profit from financial activities was 8.0 million kroons, which was 0.7 million kroons less than in 2008.

The consolidated net profit in 2009 was impacted most by the consolidated loss of 8.2 million kroons by the affiliated company which in 2008 had registered a loss of only half this amount.

As a result of the decline in taxable revenue in Finland and Lithuania and because the parent company paid less in dividends, income tax expenses on the income statement were two times lower, amounting to 6.3 million kroons.

The total net profit for 2009 was 21.7 (in 2008: 42.1 million kroons); of this amount the share of the owners of the parent company was 19.2 (in 2008: 38.6) million kroons. The profit per share amounted to 1.14 (in 2008: 2.29) kroons.

Consolidated comprehensive income

A change in the market price of saleable financial assets brought about a re-valuation (to a fair value) of the financial assets. This resulted in an unrealised profit of 83.4 million kroons, whereas during the comparable period (the year before) there was a loss of 140.9 million kroons because of which the reserve for re-valuation in equity increased (decreased in 2008). At the same time the sum of 3.4 million kroons, representing the sale of 100 shares, was transferred from the reserve to finance income in the income statement. Other comprehensive income was 80.0 (in 2008:-140.9) million kroons and the total comprehensive income for the year was 101.7 million kroons, of which the share of the owners of parent was 99.2 million kroons. In the comparable period was the comprehensive income -98.9 million kroons, of which the share of the owners of parent was -102.4 million kroons.

Statement of financial position and cash flows

As of 31 December 2009 the consolidated assets amounted to 618.1 million kroons (602.0 million kroons as of 31 December 2008) - an increase of 16.1 million kroons during the 12 month period.

As a result of a decline in production and sales volumes, the trade receivables and prepayments decreased by almost 30 million kroons and inventories have decreased by more than 40 million kroons in the 12 month period. As regards liabilities, debts to suppliers and other trade debts - these have declined by 36.5 million kroons and non-current liabilities by 60 million kroons.

In 2009 the liquidity ratio of the Group was 0.9 (in 2008: 0.8) and the solvency ratio 1.6 (in 2008: 1.6).

During the year the cost of fixed assets increased by 77.8 million kroons up to 430.4 million kroons. In 2009, the Group invested 9.2 (in 2008: 5.2) million kroons in real estate, 16.3 million kroons in tangible fixed assets (in 2008: 30.9 million kroons) and 3.8 million kroons in intangible fixed assets (in 2008: 1.1 million kroons).

Due to high interest rates, the Lithuanian subsidiary repaid the long-term loan in full in the amount of 6.2 million kroons at the beginning of the year. During the 12 months, the Group companies repaid a total of 16.3 million kroons of the long-term loan and the short-term loan in the amount of 14.9 million kroons along with the capital lease in the amount of 2.1 million kroons. Interest-bearing debt obligations declined in the balance sheet by a total of 33.2 million kroons to 25.2 million kroons.

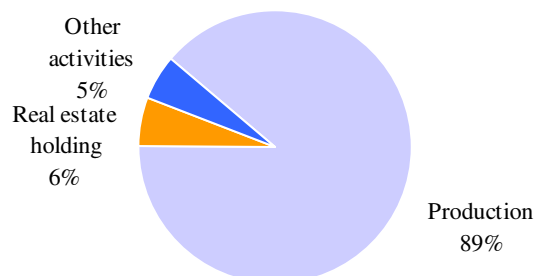
As at December 31 2009 the fixed assets constituted 69.6% (in 2008: 58.6%) and equity 81.5% (in 2008: 69.6%) of the balance sheet total.

The cash flow from operations amounted to 79.4 million kroons (45.0 million kroons in the comparable period). The cash flow from investments and financing activity was 16.3 (in 2008: 12.9) and 50.8 (in 2008: 34.9) million kroons respectively. Cash and cash equivalents increased in 2009 by 12.3 million kroons up to 35.6 million kroons and decreased by 2.8 million kroons to 23.4 million kroons during the comparable period.

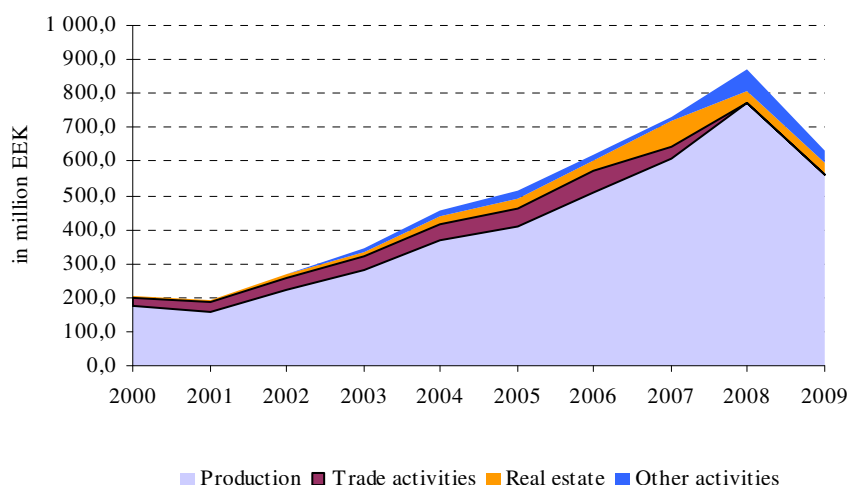
BUSINESS SEGMENTS

At 31 December 2009 the Group was active in two fields, the accompanying risks and rewards of which were very different and both fields of activity had enough weight to form a separate segment. The weight of trade was not large enough and therefore it was presented together with other fields. The operation of the Harju Elekter Group in 2009 as well in 2008 can be divided into two business segments: production and real estate and other activities.

Revenue by business segment, 2009



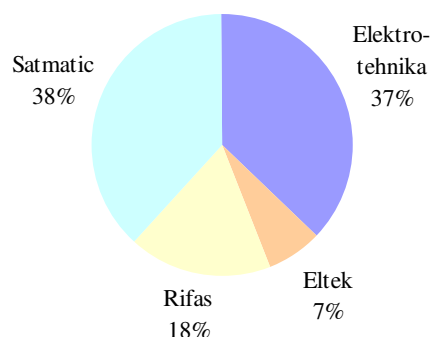
Revenue of business segments



PRODUCTION

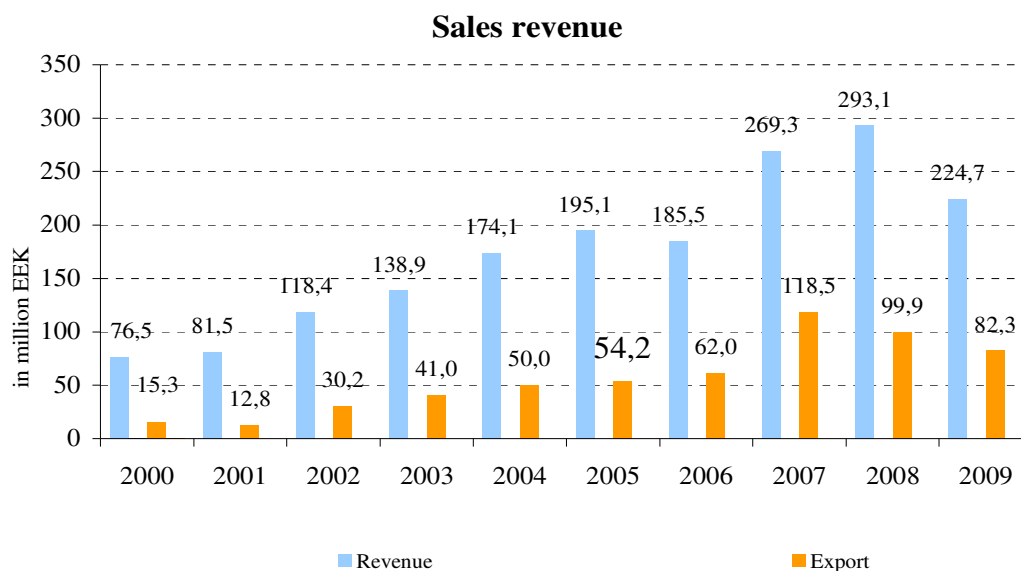
The production segment includes electrical equipment factories in Estonia (AS Harju Elekter Elektrotehnika), Finland (Satmatic Oy) and Lithuania (UAB Rifas) which produce mainly electric power distribution equipment (substations, cable distribution and fuse boxes) and automatic and control boards for the energy sector, industry and infrastructure. AS Eltek in Estonia which manufactures products for the data and telecommunication sector as well as electro-technical sector, also belongs in this segment.

Revenue by company, 2009



AS Harju Elekter Elektrotehnika

AS Harju Elekter Elektrotehnika, which is fully owned by the Group, is a leading manufacturer and distributor of MV/LV distribution units in Baltic countries. The headquarters and plant of Harju Elekter Elektrotehnika are located in Keila comprising 10,300 sq m of production, warehouse and office premises. The average number of employees is 183, 30 of them working in sales and production development.



In 2009, the sales revenue of Harju Elekter Elektrotehnika was 224.7 million kroons, 37% of which was from sales outside Estonia. When compared to the previous year, sales revenue decreased almost by a quarter caused by decrease in sales of power distribution sector products in the domestic market as well as in Finland. The biggest changes concerned the energy sector product group - as demand for cheaper products increased in domestic market in 2009. Compared to the years of economic growth, the number of new connections of structures and infrastructural objects dropped considerably which, in turn, brought along the decrease in orders for large and expensive substations. At the same time, the number of orders placed in the framework of the so-called distribution network voltage programme, the aim of which is to bring the number and length of power cuts to a minimum, increased as the replacement of old sub-stations was commenced. That is why the sales revenue was somewhat modest compared to 2008, although 479 distribution and integrated substations were sold in the domestic market which is 100 more than in 2008. Export markets – mainly in Scandinavia – saw no considerable changes in the structure of product groups although sales decreased due to the recession. Another stage in the execution of orders for prefabricated substations in Talvivaara mines in Finland was also successfully carried out. During the year, almost 568 prefabricated and distribution substations were sold with 479 of them in domestic market.

The most important development project of the year was the introduction of the new production control, stock accounting and economic software, AX2009. It was preceded by extensive preparatory work that included making the information and product group structures compatible with the system. Software has been in use at Harju Elekter Elektrotehnika since October and it has given the company a novel tool for finding cost and time effective solutions, managing and timing organisational information better and analysing and considering client information more effectively. In the first half of the year, almost 1,500 sq m of plant extension was finished and taken into use.

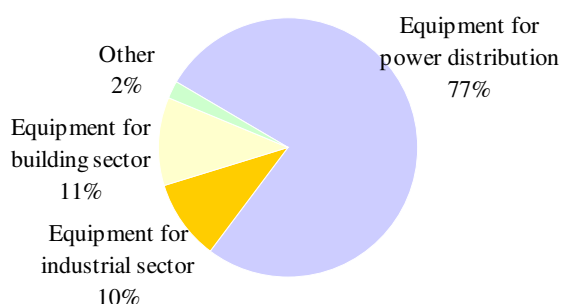
In 2009, Harju Elekter Elektrotehnika made great efforts for making use of the grants from the European Union structural funds in carrying out company's development projects. With the help from Enterprise Estonia the company was granted 3.1 million kroons for co-financing of six projects the total cost of which was 9.9 million kroons. The support projects were aimed at personnel development programmes (team work trainings, etc) and technological investment (for purchasing the Omicron testing solution and sorting and unloading equipment of automated revolver punching production line).

The aim of these development projects was to raise qualification and motivation of workers and to increase the success of the company on export markets through increasing the productive capacity, quality of products and security of provision. One of the projects to be set apart was the creation and filling of the position of a development consultant at Harju Elekter Elektrotehnika. The main task of this specialist is to increase sales on foreign markets, with the aim of increasing the share of exports in turnover to 50% in three years. For more effective sales in export markets the company participated in fairs in Sweden and Finland.

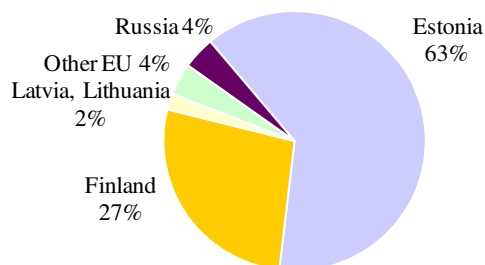
According to the principles of quality management and environmental policy Harju Elekter Elektrotehnika focused on the reduction of the relative share of steel sheet and nonferrous metal waste. The company also paid great attention to the working environment as a result of which the number of sick leave days decreased. Fire safety training was also organised for workers which consisted of a theoretical part as well as a field exercise. According to the requirements of quality standards ISO9001 and ISO14001 internal and external audits are carried out at least once a year and every three years a recertification takes place. The next recertification is scheduled to take place in 2010.

The difficult year of 2009 required us to specify everyone's tasks, review the organisation and optimise production processes, thus making the company stronger and more competitive. Earnest efforts to update and expand the product portfolio have resulted in increasing the possibilities of the company to win more sales orders. Considering the professional product portfolio, consistent investments in increasing production capacity, the competence of the employees as well as the good reputation of the company and the trust of our customers it is safe to say that in 2010 we continue to look hopefully into the future.

Product groups, 2009



Revenue by market, 2009

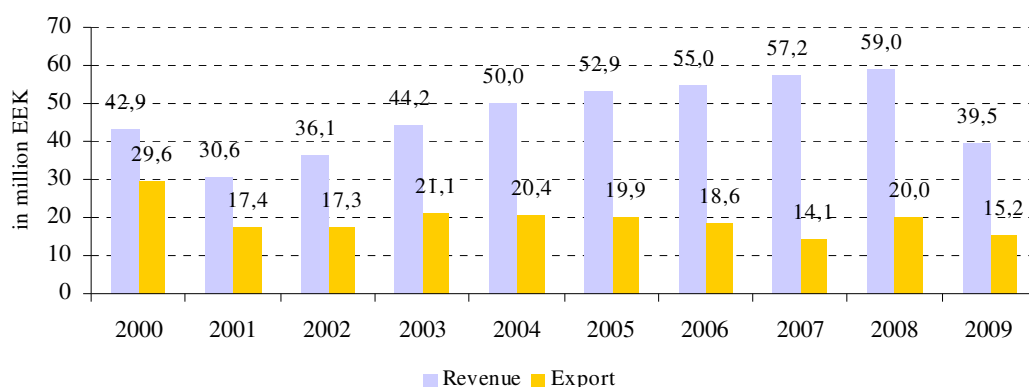


AS Eltek

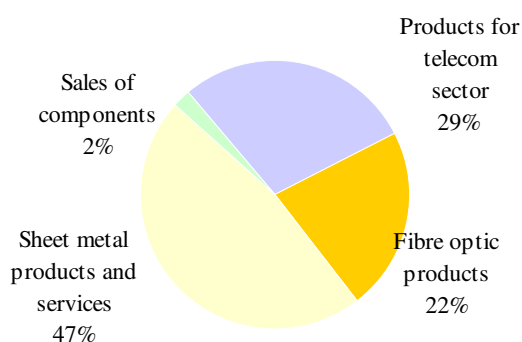
The main activities of AS Eltek, which is fully owned by the Group, include the manufacture and marketing of data and telecommunication boxes and other equipment and accessories and fibre optical cables for the telecom sector. In addition, a range of sheet metal products and semi-manufactured articles are produced for the electrical engineering sector, subcontracting works are carried out and services rendered in the area of sheet metal processing and finishing. The company also comprises a mechanical division, which executes special orders for companies in Keila Industrial Park, and holds licences for designing, installing and maintaining fire and security systems.

In 2009, sales revenues of Eltek amounted to 39.5 million kroons which is one third less than the year before. Due to the complicated economic situation and the overall crisis customers actively decreased stocks, depriving Eltek of its usual stable order capacity. At the same time price pressure and competition in shrunken market increased. As a rule, orders won were of a small capacity and with short delivery dates that required the company to reorganise the whole delivery process. The aforementioned was also reflected in the decrease in orders and sales revenue. The setback was biggest in the domestic market.

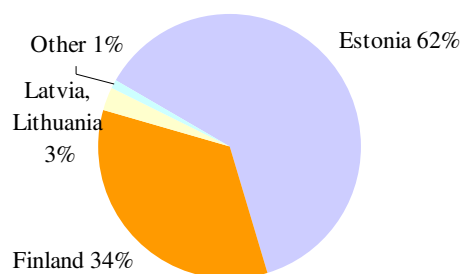
Sales revenue



Product groups, 2009



Revenue by market, 2009



In the second quarter, the company underwent some organisational changes, in the course of which Urmas Paisnik was appointed the new CEO as from June 1 and the sales team was strengthened by hiring a specialist whose main task is to find new export markets and increase sales. With the aim of saving labour costs the company introduced part-time working time and updated its wage and motivation systems. As a result of the aforementioned measures sales work became more active and the number of client inquiries increased. Good marketing resulted in finding potential partners in Finland, Sweden and Germany.

In the second half of the year Eltek started to renew its operating strategy by mapping its competencies, product groups, market segments and target markets. In the autumn, inspection and modernisation of the delivery and production processes was launched. In the course of the reorganisation of material management, rules of material management and stock accounting were changed. Control over company's assets as well as stock registers and management was improved. With support from Enterprise Estonia and in co-operation with Change Management OÜ a programme for developing the company's key areas was launched with the aim of changing attitudes and motivating for change.

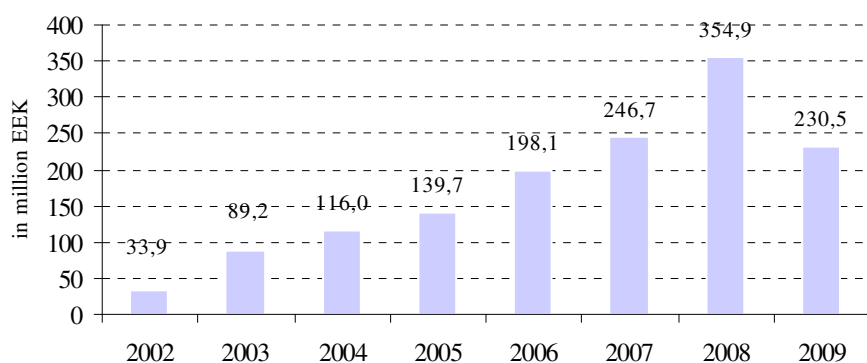
In order to guarantee adequate and modern production resources the company has made significant investments both in production technology and production premises during the recent years. In order to better service customers and improve the quality of products, a novel insulation technology was purchased in 2009, which enables the supply of panel-type details with efficient sticking-polyurethane-sealing of uniform quality with no joints. This kind of technology is being used for making industrial products, for example in the car industry, and sheet metal products, such as communication and electricity boxes, and improving quality considerably.

In 2010, the adaptation process as well as the alignment of the company's structure with changed situation continues. Thanks to the investments made during the recent years the present production capacity is ready to serve a considerably larger amount of orders and, therefore, the capability and success of the sales team is of crucial importance. The priorities for the upcoming years also include continuous monitoring and optimizing of operating expenses as well as increasing the competence and motivation of personnel.

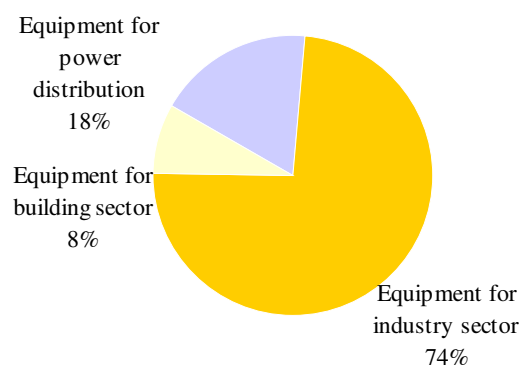
Satmatic OY

Satmatic Oy, a fully owned subsidiary of Harju Elekter, is a leading producer of automation equipment for the industrial sector and of electric power distribution and transfer equipment in Finland. The activities of the company are based on long-term client relations where great attention is paid to developing first-rate and professional solutions as well as to mutually offered added value. The product range of Satmatic covers the needs of customers from the development of products, programmes and projects to full maintenance service. The headquarters and the factory of the company are located in Ulvila near Pori. The company also has a sales representation and a factory in Kerava near Helsinki in order to better service businesses and other customers in Helsinki.

Sales revenue



Product groups, 2009



In 2009, sales revenue of the company amounted to 230.5 million kroons which is one third less than the year before. More modest sales revenues were the result of the difficult situation in the world economy as well as in the domestic market and, above all, because of the drastic drop in the Finnish export sector. Long-term clients ordering products for the industrial sector, which forms the largest share in the company's product portfolio, decreased their usual order capacity due to overall uncertainty and increased risks and placed their orders in cheaper production countries or nearer to the end-user. The decrease in exports was partly compensated for by an increase in orders for products for the energy distribution sector in the domestic market.

In autumn 2009, Satmatic Oy, purchased from Siemens Oy the rights to manufacture and sell vehicle pre-heating panels for car parks acquiring the technology for the manufacture of vehicle heating panels for car parks, including production equipment and the required know-how. Until then Satmatic had been manufacturing the heating panels as a subcontractor for Siemens. The new situation enables the company to activate its sales and marketing activities and increase the sales capacity of the product group. Vehicle heating panels for pre-heating car engines at car parks are used mainly in Finland, where the estimated annual market volume is about 40 thousand products. There is a potential market for these products also in other Nordic countries and in Russia. The product group is expected to expand to charging stations for electric cars and for the development of electric supply stations of infrastructure objects in external conditions.

In autumn 2009, the extension works of the Satmatic plant at Ulvila were finished. The city government's operator delivered the company over 2,000 sq m of new production area which now amounts to 4,330 sq m. The increased area enabled the company to bring its development department, storage facilities and subcontracting works under the same roof. It makes the operation of Satmatic more efficient and flexible by enhancing communication between different departments. The total cost of the investment was 1.6 million euros.

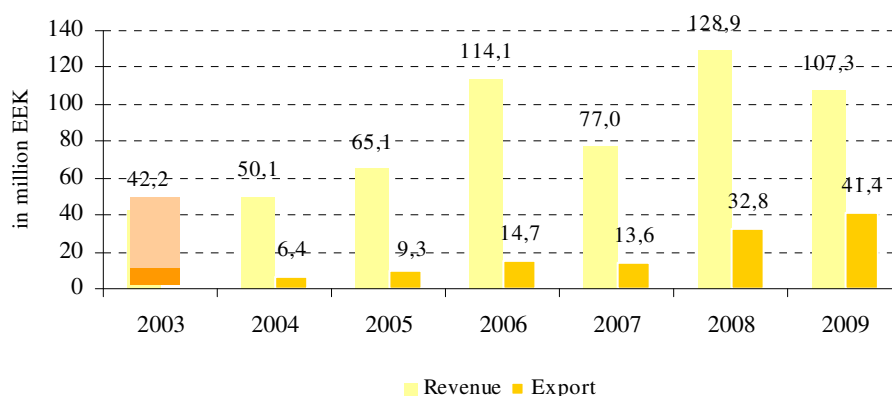
Regardless of the times, be they good or bad, when organising work and production processes the company pays great attention to environmental sustainability. The personnel of Satmatic have been trained to follow the requirements for waste handling and package circulation and to reduce energy consumption. In 2009, the company introduced an environmental management handbook and certification of the company's business processes in line with international environmental management quality standards is planned to take place in the nearest future. In 2009, Satmatic Oy successfully passed the audits for recertification of the quality management systems ISO9001:2008, carried out by Bureau Veritas Certification. The certificate will be valid until 2012. An audit for certification of electrotechnical production processes and products was carried out by SGS Fimko.

In 2010, Satmatic Oy will continue active sales and marketing efforts that, under the conditions of an economic recession, have become as important as the quality of the products supplied. The company will focus on developing project based products for the export sector and increasing the share of project based products in its product portfolio. Restoring former export levels is also of great importance. The Finnish electricity generating company, Teollisuuden Voima, named Satmatic Oy its official supplier of products in the nuclear energy sector and Siemens AG named Satmatic Oy as Sivacon's franchise partner, which will offer advantages and new opportunities for Satmatic Oy.

Rifas Grupp

Rifas is a Lithuanian subsidiary of Harju Elekter located in Panevėžys. Harju Elekter owns 51% of its shares. The main area of activities of the company is the production and marketing of industrial automation equipment and electric power distribution and transfer equipment. The Rifas Group (hereinafter "Rifas") comprises the Lithuanian manufacturing enterprise, Rifas UAB, and its subsidiary, UAB Automatikos Iranga, which specialises in design.

Sales revenue



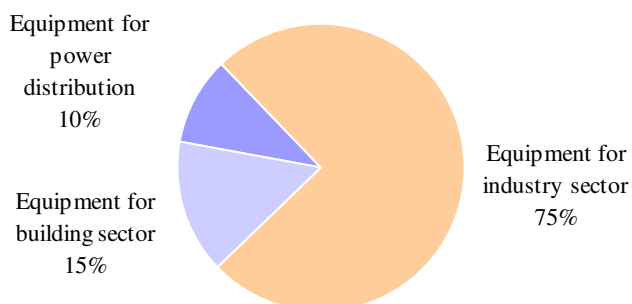
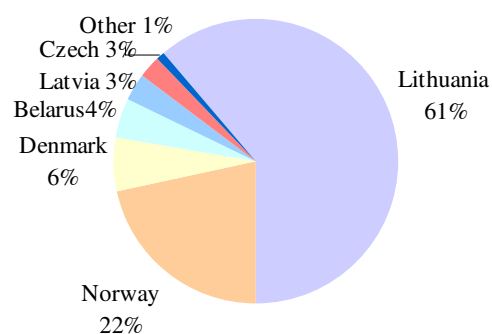
Despite the slight decrease in sales revenue of Rifas, the year 2009 was successful. Sales volume of the company amounted to 107.3 million kroons with exports forming 38.6%. Increases in export orders compensated for the decrease in the domestic market. Of foreign markets Norway and Belarus continued to play important roles while Denmark emerged as a new market.

The year was characterised by active sales work in order to win new orders and projects in existing, as well as new, markets with long-term, as well as new, customers. As the share of electrical equipment for the shipbuilding industry in sales revenues increased considerably in 2008, Rifas decided to participate in 2009 at the world's largest shipping fair, "Nor-Shipping". Rifas introduced its products, developed specially for the shipbuilding industry, and met with potential clients. Throughout the year, Rifas made efforts to make the production processes more efficient and shorten delivery dates in order to satisfy the greater expectation of clients in a situation where competition increased due to the decrease in market demands.

In 2009, Rifas continued to expand its production area. By the end of the year the extension works had been completed after which the production area of the Lithuanian subsidiary amounted to 2,500 sq m. Only a year before the spacious office building - equipped with modern installations - had been completed located next to the production area.

Because of the modernisation and optimising of production processes, the increase of production volumes and the adding and introducing of new products to the product line the company sets high expectations for its employees and, therefore, the special training programme to improve the qualifications of the personnel was continued. During the year, the European Union agreed to finance many of the company's projects, including development training of personnel in order to increase the company's export capacity, include new technologies and increase production efficiency.

In 2010, the company is planning to continue to extend its product line, locate new customers and win new projects in domestic as well as foreign markets. This will be supported by increased production capacities, active sales efforts and successfully completed projects. In order to find new markets and customers the company is planning to participate in relevant fairs in the Nordic countries. The company is also planning to increase its sales revenues from export activity by winning more large-scale foreign orders.

Product groups, 2009**Sales revenue by market, 2009**

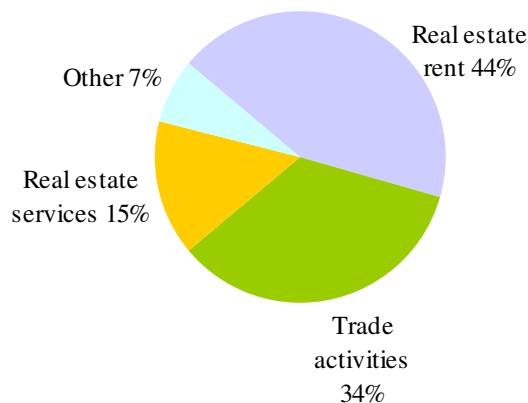
REAL ESTATE HOLDING AND OTHER ACTIVITIES

The activities of the parent company of the Group, AS Harju Elekter, include real estate development, maintenance and rental and related services and mediation of these services. Real estate has been identified as a reportable segment, i.e. **Real estate**. Lease income forms 75% of segment revenue and related services and mediation of these services 25%. Real estate revenue was 51.3 (in 2008: 49.6) million kroons, out of which sales revenue from external customers amounted to 37.6 (in 2008: 36.5) millions kroons. The increase in revenue was brought about by an increase in leased premises.

Other fields of activity of the parent company do not constitute separate reporting segments and are considered as **other activities**. Unallocated activities include the coordination of co-operation within the Group, management of subsidiaries and related companies through their supervisory and management boards, management of the finances and investments of the Group and management of development and expansion activities as well as guaranteeing the professional operation of the corporate stores. Stores located in Tallinn, Tartu and Keila sell both products of the Group and related companies and other goods necessary for electrical installation work mainly to retail customers and small and medium sized electrical installation companies. In 2009, revenue from unallocated activities was 36.7 (in 2008: 64.9) million kroons, out of which sales revenue from external customers amounted to 33.2 (in 2008: 62.5) million kroons. Changes in the real estate market have considerably influenced trading activities. As a consequence the wholesale volume of sales by the trade group to small and medium-sized electrical installation companies decreased considerably.

Totally the business activity of the Parent company gives more than 11% from the consolidated sales revenues.

Sales revenue of the Parent company, 2009

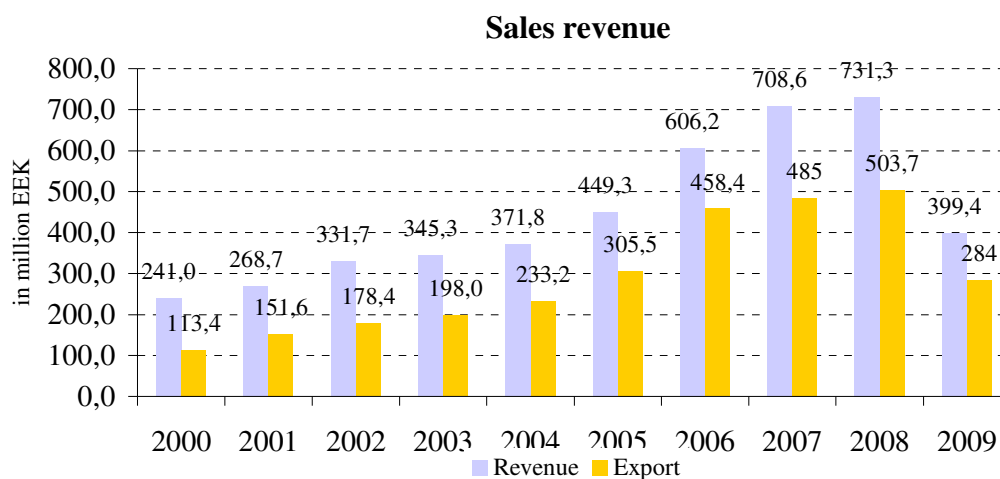


RELATED COMPANY

As at the end of 2009, the Group had a share of 34% in the related company, Draka Keila Cables. The economic results of the related company are presented in the consolidated financial statement using the equity method. Due to the rapid drop in prices of raw materials that brought about the markdown of stock reserves in the end of 2008 and in the beginning of 2009 a loss of 8.2 million kroons from related company was consolidated in 2009. Year before, a total loss of 4.1 million kroons was consolidated from the related company.

AS Draka Keila Cables

AS Draka Keila Cables is the largest cable manufacturer in the Baltic States. The company's share capital is divided between the leading manufacturer of cable based solutions in the world, Draka Holding (66%); and AS Harju Elekter (34%). The Keila factory specialises mainly in the production of aluminium power cables. In addition to its own products the company, as the representative of the Draka Group in the domestic market, markets a wide range of Draka Group products.



In 2009, the decrease in sales volumes for the construction industry in the company's main sales markets caused by the economic crisis continued and was coupled with a rapid drop in the prices of raw materials of cables. In 2009, the sales revenue of AS Draka Keila Cables was 399.4 million kroons - a decrease of 45% compared to the previous year. A more positive trend was the increase in the share of exports in total sales revenue to 71% and the growth in the market share in the construction, energy and telecom segments in Baltic States. By the end of the year, the main goals concerning improving security of supply and raising customer satisfaction were achieved. Due to the decrease in sales revenue and the reassessment of the value of the stock at the beginning of the year, the company ended the year with a loss. As a result of optimising stocks and reducing expenditure, however, the second half of the year resulted in monthly profits.

In 2009, investment in production was aimed at improving the reliability of equipment as part of the preparation works for plant expansion. Activities aimed at improving product quality and reducing overall expenditure also continued. As a result of the difficult economic situation and reorganisation activities the number of employees decreased by 35.

In 2010, the focus will be on the expansion of the plant and this will bring along new export opportunities and enable the introduction of new products and create new jobs. The utilisation rate of the existing equipment will also improve. Equipment will be tested in March and as from May the plant will be working at full capacity. After the completion of new premises in the first half of 2010, the total production area rented from Harju Elekter will increase by 3,700 sq m to a total of 12,300 sq m.

OTHER FINANCIAL INVESTMENTS

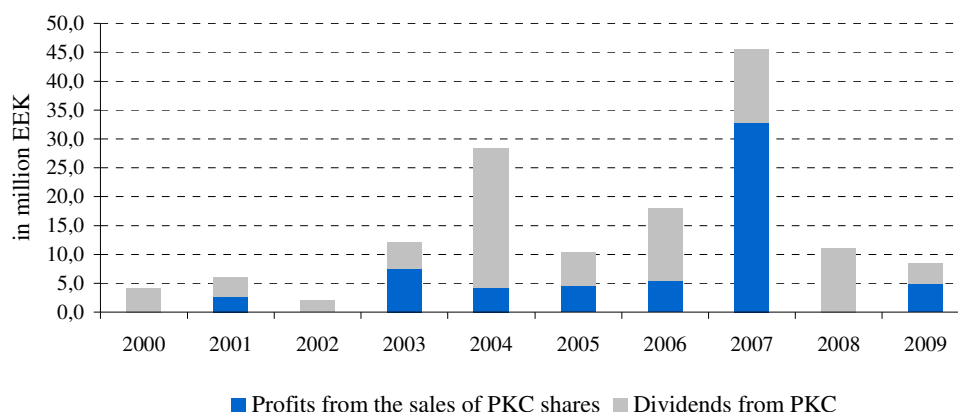
SIA Energokomplekss

SIA Energokomplekss is a sales organisation, founded in 2006. The Group increased its participation in the Latvian company SIA Energokompleks from 10% to 14%, paying 178 thousand kroons (11,000 euros) for the investment. Holding in SIA Energokomplekss makes it possible to participate together in invitations-to-tender for MV and LV equipment in Latvia.

PKC Group Oyj

PKC Group Oyj (hereinafter PKC) is a Finnish publicly traded company, which manufactures cable insulation for the automobile, telecommunication and electronics industries.

PKC Group shares are quoted on the Helsinki Stock Exchange. AS Harju Elekter is the main holder of PKC Group Oyj shares with a stake of 8.3% as at December 31, 2009. PKC Group shares are valued in the balance sheet according to market price and any change in the market price of the share may have a substantial influence on the financial indicators of the Group. The market price of the share increased during the year by 3.60 euros reaching 6.60 euros (2008:3.00 euros) on 31st of December 2009. The total profit arising from the reassessment of share values was 83.4 million kroons (5.3 million euros).



In 2009, PKC Group Oyj paid a dividend of 0.15 euros (2.35 kroons) per share compared to 0.45 euros (7.04 kroons) per share in 2008. At the beginning of the year the Group sold 100,000 shares, the nonrecurring profit for which amounted to 5.0 million kroons (0.32 million euros). The total profit earned from the financial investment was 8.4 million kroons (0.54 million euros), which was 2.7 million kroons 0.17 million euros) less than in 2008.

Share of PKC Group Oyj and OMX Helsinki in 2007-2009

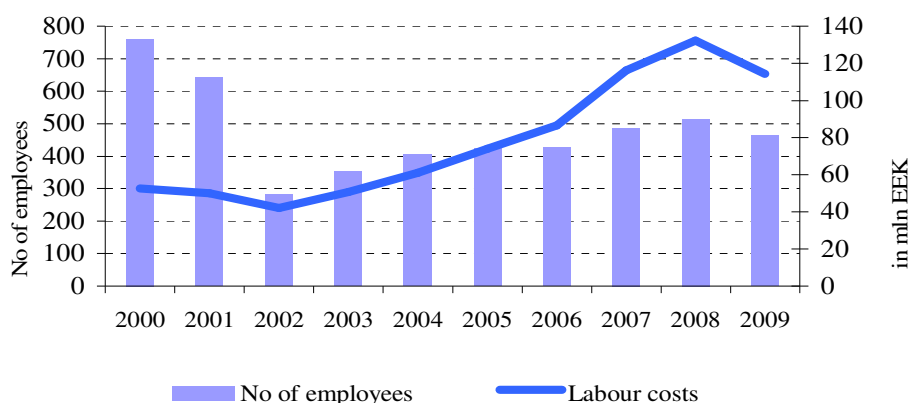


PERSONNEL

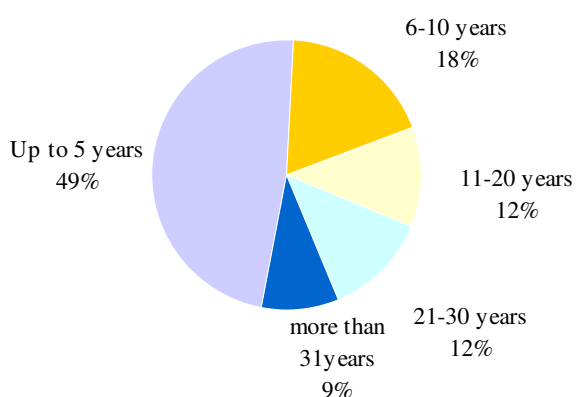
The number of employees of the Group as at the balance sheet date, December 31, 2009, was 464 (in 2008: 515). During the year 24 employees left voluntarily, 9 retired and 24 were made redundant. The majority of the Group's employees – 307 people – worked in Estonia, including 47 people who work in the parent company. At the end of the year, there were 79 people working in Finland and 78 in Lithuania. Out of the 464 employees of the Group 350 were men and 114 women. 102 employees have higher education, 218 people have secondary or vocational secondary education and 144 have basic education. In order to improve the skills and qualifications of employees joint in-service training courses have been started in co-operation with higher and vocational educational institutions.

In 2009, the average number of employees was 452 (in 2008: 501). In the reporting period, labour costs amounted to 147.2 million kroons - a decrease of more than 14%. During the year, the employees were paid wages and benefits to an amount of 114.3 (in 2008: 132.4) million kroons; 2.2 million kroons of which were paid from the reserves accumulated in the previous year. The average monthly gross wage within the Group was 21,074 kroons (in 2008: 22,003).

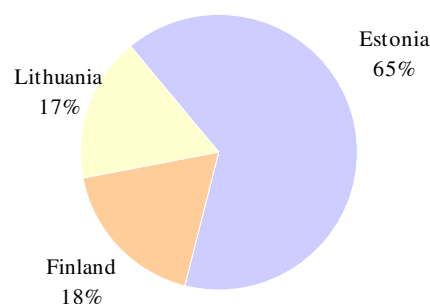
Personnel and labour costs



Length of service, 2009



Employees by country, 2009



During the years of rapid economic growth a lot of new jobs were created all over the world many of which were abolished during the year of 2009 because of the recession. The labour shortages of the years of economic boom were replaced by high unemployment figures that tripled in Estonia, reaching 15%. In Finland and Lithuania the situation was almost exactly the same. An excess supply of labour brought changes to the prolonged pressure on salaries which were replaced by a reduction in wages, short-time working and holidays without pay. In order to cut expenses the Group focused on optimising and making the operation more efficient. Due to the decrease in orders and organisational changes some employees were made redundant.

The present labour situation, however, will soon turn around and we will be facing another problem where labour shortage is caused by the ageing of the population and more people leaving the country (mainly Estonia and Lithuania). Due to the changes in occupational structure the relative importance of employees with a higher level of education will increase as new technologies demand skilled workers. Risks in this area involve finding qualified employees at a 'non-attractive' wage level.

Harju Elekter Group is characterised by its solid organisational culture. The high percentage of long-term employees motivates newcomers to preserve and develop this culture. Every other employee has worked in the Group for over five years and Harju Elekter is a stable employer which appreciates the loyalty of its workers.

The average age of the Group's employees is 42 years. To find new competent employees, Harju Elekter co-operates with universities and vocational schools which in summer use the companies of the Group either as their basis for vocational training or in the framework of in-service training or retraining programmes. Harju Elekter is a golden sponsor of Tallinn Technical University. Currently nine young engineers have found their way into the Group through the scholarship programme run by the Development Fund of TTU and Harju Elekter. Also Harju Elekter carries out several co-operation programmes with the Tallinn Vocational Education Centre, Tallinn Polytechnic School, and Satakunta Vocational High School in Finland.

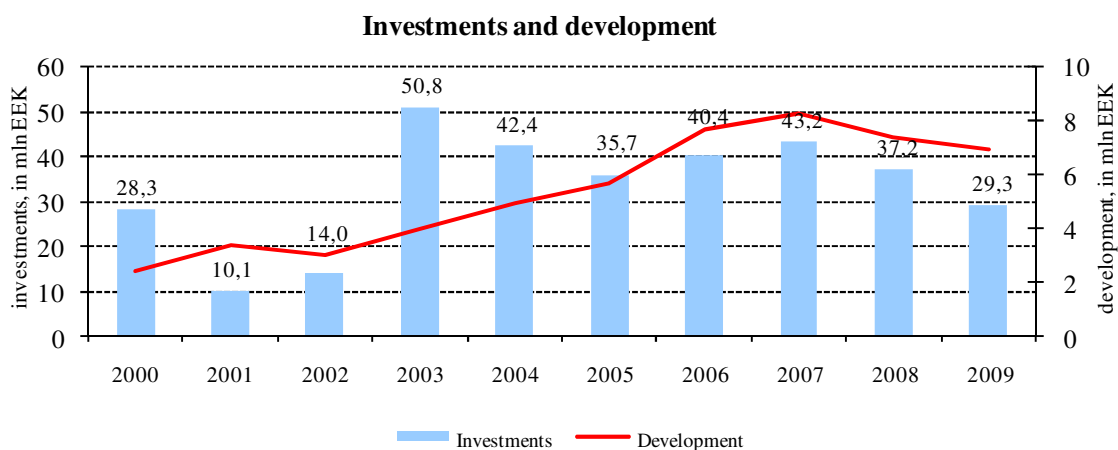
To motivate its staff, the Group uses a bonus system linked to operating profit. The scheme involves all employees. Bonuses dependent on profit motivate employees to always consider the outcome of their work for the company as a whole. The cross company as well as cross-border employee exchange programmes will be further developed, which will enable employees to work in the different companies belonging within the Group, promoting the rapid development of knowledge and skills within the Group and offering rotation opportunities.

Harju Elekter is a responsible and caring employer offering its employees contemporary working and recreation conditions. The Group is involved in constructive co-operation with the Keila Industrial Park trade union, one of the main outcomes of which is collective labour agreement. The stability, social guarantees and motivation scheme offered by Harju Elekter promote trust between the company and its employees and prevent the disruption of work.

INVESTMENTS AND DEVELOPMENT

In 2009, the Group invested a total of 29.3 million kroons, which is 21.2% less than in 2008. Investments in real estate made up 9.2 (in 2008: 5.2), in tangible assets 16.3 (in 2008: 30.9) and intangible assets 3.8 (in 2008: 1.1) million kroons.

The investments can be divided into two: the first part is to support and ensure the further development of the Group and the second part of the investment is made in order to ensure the production premises and technologies are of the highest quality and meet contemporary requirements.



The year of 2009 was characterised by two somewhat contradicting tendencies: the complicated and rapidly changing economic situation on the one hand and the favourable situation for investing and increasing production capacity on the other. Well capitalised enterprises did not hesitate and took advantage of this situation. During the year, new production areas were taken into use in Estonia (2,000 sq m), Finland (2,000 sq m of rented area) as well as Lithuania (1,150 sq m). The acquisition cost of the production premises was 8.9 million kroons, of which the investment in 2009 amounted to 1.9 million kroons and unfinished construction to 7.0 million kroons.

In September, the expansion of the Draka Keila Cables plant commenced and on completion the production premises leased to the affiliated company will increase in 2010 by 3,700 sq m amounting to 12,300 sq m. As at December 31, 2009 the cost of the unfinished construction was 8.6 million kroons.

In order to improve the quality of its metal products and other items, to use working time more efficiently and reduce material waste the subsidiary, Eltek, purchased special equipment for making polyurethane (PUR) sealing. In 2009, the Group spent 4.2 (in 2008: 14.1) million kroons on machinery and vehicles.

In 2009, the most important development project of the Group was the introduction of the comprehensive business management software, AX2009, in both the parent company and its subsidiary, Harju Elekter Elektrotehnika. Additional investments were made for the renovation of the server room and for purchasing servers and production feedback terminals as well as software licenses. Total investment in information technology equipment amounted to 1.5 million kroons. Investment in intangible assets amounted to 3.8 million kroons, the majority of which (3.6 million kroons) was spent on software licenses and development work.

As from October 2009, the new AX2009 business management software has been in use in the parent company as well as AS Harju Elekter Elektrotehnika. It was preceded by extensive comparative analyses of the different economic software programmes and finding the suitable consultation company. In addition, the preparatory work included making the information and product group structures compatible with the system. Grants from European Union structural funds were used for training personnel to work with the new system. During 2010, the system will be introduced in AS Eltek and then throughout the whole Group. The aim is to take full advantage of a future tool for finding proper cost and time effective solutions, for better management and timing of information circulating within the Group and for a better analysis and use of the information received from customers.

With support from Enterprise Estonia the Group's Estonian companies can use grants from European Union structural funds in the amount of 3.15 million kroons for development projects in 2007-2013. 200,000 kroons of this is used already. The projects were aimed at developing key areas of the companies, drawing up strategies and carrying out development programmes for personnel (team work training, etc). One of the projects to be set apart was the creation and filling of the position of a development consultant at Harju Elekter Elektrotehnika. The main task of this specialist is to increase sales in foreign markets, with the aim of increasing the share of exports in turnover to 50% within three years. With assigned technology grants the production capability of Harju Elekter Elektrotehnika was enhanced through improving technology which resulted in improved quality and security of supply necessary for successful export activities as well as shorter production cycles.

According to the development principles of the Group, Harju Elekter aims at continuous modernising and development of new products to meet the needs of its customers and to improve production technology. The development costs, at cost price, of the Group amounted to a total of 6.9 (in 2008: 7.4) million kroons accounting for 1.1% of the Group's sales volume. In 2009 the Estonian, as well as Lithuanian, companies within the Group managed to use EU grants in their development activities.

The main product development resources of the Group are concentrated in the subsidiary Harju Elekter Elektrotehnika. In 2009, development engineers introduced a supplementary solution (type DM1-W) for the medium voltage secondary distribution system, SM6. In 2010, it is planned to construct a prototype of an additional device – draw-out switchgear – and get it certified. To meet the needs of the market, the medium voltage primary distribution unit, NEX, was improved as a result of which the unit can be

operated from a distance. Based on the feedback from clients, a simpler and more competitive model of a one-ended substation was worked out as a result of a series of tests. Due to the growing demand three new types of distribution boards for buildings were developed. A transformer station developed specially for export markets and Nordic consumers got a positive feedback from customers. In co-operation with architects and designers the company developed environmentally suitable solutions for substations regarding colour, finishing materials and design.

The Finnish subsidiary continued to develop an electronic data processing system to make the handling of orders quicker and simpler. Today, most of the customers and co-operation partners have already accessed the system.

The organisation of production in all companies of the Group complies with the international quality and environmental management standards, ISO9001 and ISO14001.

QUALITY MANAGEMENT AND ENVIRONMENTAL POLICY

A high quality business and management model is one of the assets of the Harju Elekter Group. The objective is to develop business processes, practices and systems based on the principle of continuous improvement and in accordance with the customers' needs and expectations. Quality development is a continuous process where every employee has a central role to play. The Group particularly emphasises the handling of customer feedback so that the necessary information reaches the relevant employees with minimum delay and that corrective and preventive action can be effectively implemented.

In 2009, Harju Elekter Elektrotehnika focused on the reduction of the relative share of steel sheet and nonferrous metal waste. The company also paid great attention to the working environment as a result of which the number of sick leave days decreased. Fire safety training was also organised for workers consisting of a theoretical part as well as a field exercise. Improvements to the quality of internal information also continued.

Eltek introduced a novel insulation technology by purchasing special equipment for making polyurethane (PUR) insulations. This kind of technology helps to make better use of working hours and reduces waste. The entire production process has been audited and complies with the requirements of the quality and environmental management standards.

The production processes of Harju Elekter do not have a significant negative impact on the environment. Nevertheless, the companies of the Group monitor and measure their environmental impact according to the environmental policy, organise hazardous waste collection and transfers to waste handling companies. Taking care of the environment is part of the daily routine of all the Group's companies. The companies of the Group follow a system developed for the collection of packages and packaging waste and for the recovery of packaging waste in accordance with the requirements of the Packaging Act. The Group is a contractual partner of the non-profit association, Estonian Pack Cycling. The stores of the Harju Elekter commerce group organise the collection, recycling and disposal of unusable electronic devices (boilers) in accordance with the Waste Act.

In 2009, a recertification of the quality and environmental management systems was carried out in the subsidiary, Satmatic Oy, which successfully passed the audits for recertification of the quality management systems ISO 9001:2008, carried out by the Bureau Veritas Certification. The certificate will be valid until 2012. An audit for certification of electrotechnical production processes and products was carried out by SGS Fimko. The Lithuanian subsidiary, UAB Rifas, and the related company, AS Draka Keila Cables, also passed recertifications successfully. Scheduled audits were carried out within the rest of the companies of the Group. The next recertifications are scheduled to take place in AS Eltek and AS Harju Elekter Elektrotehnika in 2010.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Harju Elekter Elektrotehnika	ISO9001 ISO14 001				()			(up to 1/2010)		
Eltek			ISO9001 ISO14 001			()			(up to 1/2011)	
Rifas				ISO9001 LST EN ISO 9001:2001			()	()		(up to 12/2012)
Satmatic				ISO9001			()	()		(up to 10/2012)
Draka Keila Cables	ISO9001 ISO14001			()			()			(up to 3/2012)

() - resertification

RISK MANAGEMENT

In its business activities the Group is guided by the principle that reasonable and weighted risks should be taken in such a way that, as a result of a transaction, the company is guaranteed an optimal income-risk ratio and, in the case of negative events, the loss from a transaction is minimal.

To prevent the risks associated with the Group's further growth, internal control procedures have been developed and are monitored by an internal auditor, who regularly reports to the Supervisory and Management Boards.

In order to diminish risks deriving from the operation, the insurance of assets is used among other things. Fixed and current assets for production, as well as production premises, are insured by Harju Elekter. Additionally, personnel and product liability risks connected with business activities are also insured.

As regards **financial risks**, the Group follows the following principles:

- *Currency risk*: the Group is not exposed to major currency risks, as cross-border transactions are, as a rule, carried out in euros.
- *Price risk* - The Group is exposed to equity securities price risk because of investments held by the Group and classified as financial assets. Fluctuations in the market value of the PKC Group Oyj shares, may have a significant impact on the value of the assets of AS Harju Elekter.
- *Interest risks*: proceed from long-term loans. The interest rate risk is mainly due to the possible changes in euribor (Euro Interbank Offered Rate) because some of the Group's loans are connected to euribor. The risk increases if interest rates rise. In order to manage these risks the Group follows the principle that part of the loan agreements are concluded at a fixed rate of interest.
- Regulations have been developed to manage *credit risks* – i.e. the risk that customers or transaction partners fail to fulfil their obligations. In order to prevent these risks, the customer's background and solvency are examined before concluding the transaction. Payment discipline is continuously monitored. This has made it possible to keep losses deriving from credit risks to under 0.1-0.2 % from sales revenue.
- *Liquidity risk*: Liquidity risk is managed by different financial instruments such as loans and financial leases should the Group is unable to cover necessary costs and investments because of a deficit in the cash flow.

As regards **risks associated with raw materials**, the Group follows the following principles:

- As regards ferrous metals, long-term contracts are concluded with major suppliers; the companies belonging within the Group have also carried out joint procurements to get a better price;
- For the purchase of electrical components, contracts covering the entire Group have been concluded with major suppliers and joint procurements are carried out to get a better price.

The management of the Group considers **personnel risks** to be the following:

- *Risks associated with the professional skills of personnel*: the Group needs employees with specific specialised training. To that end, the Group co-operates with vocational schools (e.g.

Tallinn Construction School, Tallinn Centre of Industrial Education) and institutions of higher education (e.g. Tallinn Technical University (TTU), Tallinn Polytechnic School, Satakunta Vocational High School). Training days and tours to the company's factories are organised to introduce the company as a future employer. In order to ensure a constant supply of engineers, the company has launched scholarship programmes in collaboration with the Development Fund of TTU for the undergraduate and graduate students of TTU. In addition, training activities are constantly organised within the company;

- *Risks associated with the geographical location of personnel:* the Group's head office and the Estonian factories are located in Keila. There are also factories in Ulvila and Kerava, Finland and Panevėžys, Lithuania. The foreign subsidiaries deal with their personnel issues on their own. The personnel services of the Estonian companies are concentrated at the Group level where daily administration as well as constant recruitment is carried out.
- *Personnel turnover:* the labour shortages characteristic of the years of rapid economic growth was replaced in 2009 by high unemployment figures which in Estonia reached 15%. In Finland and Lithuania the situation was almost the same. In 2009, the percentage of personnel turnover in the Estonian companies of the Group was 5.5% (in 2008: 13.9%). People leaving during the 2009 financial year of their own accord numbered 24, due to retirement (9) and as a result of redundancy (24). Personnel turnover is kept under control by the continuing work done with employees in keeping them well informed and up-to-date concerning the company's objectives and by guaranteeing the quality of information management within the Group. In addition, the Group has developed a clear and attractive wage and bonus system as well as employee motivation programmes which are continually complemented. As an international group, employees have the opportunity to enhance their knowledge and skills and/or work in the Group's factories in different countries on a rotation basis.

SOCIAL RESPONSIBILITY AND CHARITY

The environment around us creates, as well as limits, our opportunities to act. During its 40 years of operation Harju Elekter has become one of the largest companies in the region and we feel we have to take responsibility for the general development of society as well as the wellbeing of the local community. Over the years four major areas of sponsorship have evolved within the Group.

Bearing of social responsibility

Harju Elekter as a local large-scale enterprise is conscious of a certain responsibility for the general development of the region and the well-being of the local community focusing mainly on children and youth by supporting their educational efforts and spending their leisure time in good surroundings. Therefore, the Group has concluded long-term sponsorship agreements with the Keila Gymnasium and kindergartens, as well as the basketball and football clubs in Keila.

Supporting the education of engineers in Estonia

The company works in close co-operation with Estonian educational institutions in order to promote and develop the educating of engineers. Harju Elekter is a golden sponsor of Tallinn Technical University granting every year up to three scholarships for Bachelor's as well as Master's degree students in the field of electricity and mechanics. The Group also carries out several co-operation programmes with the Tallinn Vocational Education Centre, Tallinn Polytechnic School and the Tallinn Construction School.

Supporting and inspiring young sportsmen

The company has, above all, supported youth sports - focusing on long-term and constant sponsorship and taking into account the popularity of the sports. For several years the company has sponsored the young skiers and athletes of Nordic countries combined with the Estonian Ski Association. As from the season 2008/2009 the company has also supported the young skiers, Algo Kärp and Vahur Teppan. The youth projects of the Estonian Ski Association are also aimed at the future focusing on the Winter Olympics in Sochi in 2014.

Promoting recreational sport among the employees

In co-operation with the Harju KEK Athletic Club we do everything we can to facilitate an active and sporting lifestyle for our employees. Healthy workers, full of energy, represent a priceless value to the company.

The total amount of different support programmes in 2009 amounted to 218.2 (2008: 355.5) thousand kroons.

CORPORATE TARGET FOR 2010

Harju Elekter considers that forceful entry into new foreign markets, as well as increasing sales in existing markets, is the main factor in the growth of sales revenues. The main efforts are being focused on finding new markets, projects, customers and co-operation partners in Nordic countries and the EU as a whole. In the following years all the resources of the Group will be directed to making sales work more efficient. The main tasks of the export manager will be to find and develop new markets and guarantee our active presence there. At the same time the Group is looking for attractive companies which could be associated with the Harju Elekter Group - providing our interests coincide.

The use and implementation of up-to-date compatible information systems is the basis for the cooperation between the different companies of the Group. In October 2009, the new production management and accounting software, AX2009, was introduced in the parent company and Harju Elekter Elektrotehnika and in 2010, it is planned to introduce the new system in Eltek and then throughout the whole Group. The aim is to take full advantage of a future tool for finding proper cost and time effective solutions, for better management and timing of the information circulating within the Group as well as for a better analysis and use of the information received from customers.

The success of the company is ensured by product development which takes into account the needs and demands of customers, a wide range of professional products and sales of our own products. This is strongly facilitated by following and supporting the development plans and guidelines of the sector, customers and co-operation partners. Modern consumers are more and more oriented at energy efficient metering and monitoring possibilities and product solutions based on green energy or other alternative energies. The targets and tasks of product development for the next few years have been drawn up bearing in mind these developments.

The Group directs more and more resources into the development of products meant for end customers, in which lie long-term success and greater profitability. The growing reputation of the Harju Elekter trade mark and the quality of the products offer enhanced opportunities to achieve that. As regards the range of products and services the future aim is to offer a comprehensive service, starting with the development and production of the product and ending with the provision of guarantees and maintenance services. As far as project based works are concerned co-operation and mutual understanding is of vital importance.

The expansion from product centred sales to the area of developing software programmes for controlling technological processes and power supply will continue. The goal is to offer clients comprehensive solutions which include electrical equipment, as well as programmes for their control.

The Group has made targeted efforts at increasing know-how by concluding license agreements and investing in the personnel which is mainly channelled through in-service training and an improvement in the qualifications of the staff. In order to survive these difficult times closer co-operation between the companies of the Group at every level is crucial for making right decisions and taking the correct measures.

SUPERVISORY BOARD, MANAGEMENT BOARD AND AUDITORS

According to the Articles of Association of Harju Elekter the annual general meeting of shareholders elects and appoints the Supervisory Board of the company. The annual general meeting of AS Harju Elekter in 2007 appointed the five members Supervisory Board for the next five years. In 2009, there were no changes to the Supervisory Board of AS Harju Elekter. The Supervisory Board continues with the following membership: Endel Palla (Chairman and R&D manager of AS Harju Elekter) and members Ain Kabal (Chairman of Kabal&Partners OÜ), Lembit Kirsme (Chairman of OÜ Kirschmann), Madis Talgre (Chairman of the Management Board, AS Harju KEK) and Andres Toome (consultant). As a rule, meetings of the Supervisory Board are attended by all its members. During the reporting year the only exception was the member of the Supervisory Board, Lembit Kirsme, who did not attend for medical reasons. The Supervisory Board elects the Chairman of the Management Board and appoints, on the basis of his proposal, members of the Management Board.

In 2009, there were no changes to the Management Board which continues with the following membership: Andres Allikmäe as a Chairman and members Karin Padjus (Financial Director) and Lembit Libe (Chief Economist). All members of the Management Board belong to the executive management of the company. The Chairman of the Board receives remuneration in accordance with his contract of service; members of the Management Board receive no special remuneration. The 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.

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.

The amount of remuneration and salaries paid to the members of the Supervisory and Management Boards of AS Harju Elekter in 2009 amounted to a total of 3.4 (in 2008: 4.2) million kroons. The Group does not give the members of the Management Board any benefits related to pension. The Chairman of the Management Board has a contract of service specifying social guarantees in case of resignation.

According to the decision of the general meeting of the shareholders (23.04.2009) the audits of AS Harju Elekter for the years 2009–2011 are carried out by KPMG Baltics AS. Audits in subsidiaries outside of Estonia are carried out by UAB Baltijos Auditas in Lithuania and Pyydönniemi Ky in Finland.

MANAGEMENT'S CONFIRMATION TO THE MANAGEMENT REPORT

The Management Board acknowledges its responsibility and confirms, to the best of its knowledge, that the Management Report as set out on pages 6 to 28 is an integral part of the Annual Report of AS Harju Elekter Group for 2009 and gives a true and fair view of the trends and results of operations, main risks and doubts of AS Harju Elekter and its subsidiaries as a Group:

Andres Allikmäe	Chairman of the Management Board	/signature/	19th of March 2010
Lembit Libe	Member of the Management Board	/signature/	19 th of March 2010
Karin Padjus	Member of the Management Board	/signature/	19 th of March 2010

SHARE AND SHAREHOLDERS

The shares of Harju Elekter were first listed on the Tallinn Stock Exchange on September 30, 1997. Tallinn Stock Exchange is part of the largest exchange company in the world, the NASDAQ OMX Group, which was formed in 2008 after the merger of the Baltic and Nordic stock exchange group OMX and the NASDAQ Stock Market. It delivers trading, exchange technology and public company services across six continents, with over 3,900 listed companies.

The share capital of Harju Elekter is 168 million kroons which is divided into 16.8 million ordinary shares. The symbol of a Harju Elekter share in NASDAQ OMX is HAE1T. ISIN: EE3100004250. The nominal value of a share is 10 kroons. All shares are freely negotiable on the stock exchange and each share confers an equal right to vote and to receive a dividend. All the shareholders of the company are equal and there are no separate restrictions or agreements concerning the right to vote. According to the information available to Harju Elekter the agreements concluded with the shareholders do not include any restrictions related to the transfer of shares; neither do they include any specific power of audit.

Key share data

	2005	2006	2007	2008	2009
Number of shares (in thousand)	16,800	16,800	16,800	16,800	16,800
Closing price (EEK)	64.15	64.93	53.20	15.49	32.08
Market value (in thousand EEK)	1,077.72	1,090.24	893.76	260.23	544.13
Earnings per share, EPS (EEK)	2.48	2.84	5.03	2.29	1.14
P/E	25.87	23.06	10.58	6.76	25.60
Dividend per share (EEK)	1.60	1.80	2.00	1.00	0.80
Dividend yield (%)	2.49	2.77	3.76	6.46	2.49
Dividend payout ratio (%)	64.53	63.95	39.78	43.58	69.91

Share price and trading

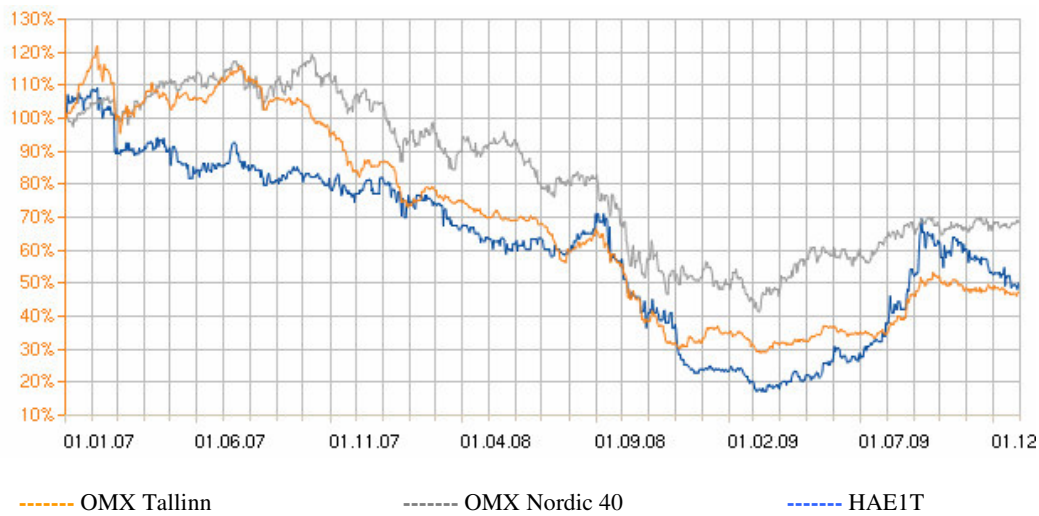
In 2009, the number of transactions on the Tallinn Stock Exchange increased although the total turnover was the lowest in recent years. During the year, 84,757 transactions in securities were recorded with a total turnover of 266.6 million euros (4.17 billion kroons). In terms of the number of transactions the result was second best in the last decade. The decreased daily turnover and large number of transactions revealed that the average transaction amounted to less than 3,200 euros or 50,000 kroons. According to the Estonian CSD, in 2009 the number of stock exchange investors remained stable. Securities traded on the Tallinn Stock Exchange covered more than 22,000 securities accounts.

In 2009, the share price of Harju Elekter increased by 107.0% amounting to 32.08 kroons; and at the end of the year the market value of the Group was 544.13 million kroons. The Tallinn Stock Exchange index, OMX Tallinn, increased during the same period by 47.2%. During the year, trading activity in Harju Elekter shares decreased – the number of shares traded fell from 4.6 million in 2008 to 1.6 million in 2009. At the same time, the number of shareholders increased by approx. 15% amounting to 1,184.

	2005	2006	2007	2008	2009
Highest price (EEK)	85.80	69.47	71.97	53.98	46.78
Lowest price (EEK)	48.82	51.63	47.25	14.86	10.48
Closing price (EEK)	64.15	64.93	53.20	15.49	32.08
Change (%)	+35.17	+1.22	-18.1	-70.9	+107.0
Traded shares	2,064,396	4,549,191	5,787,606	4,634,592	1,559,830
Turnover (in million EEK)	278.96	277.51	335.42	178.25	33.51

For more information: <http://www.nasdaqomxbaltic.com/market/>

A comparison of Harju Elekter share indexes 2007–2009

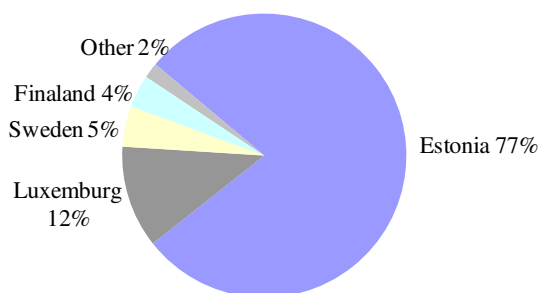


Shareholders

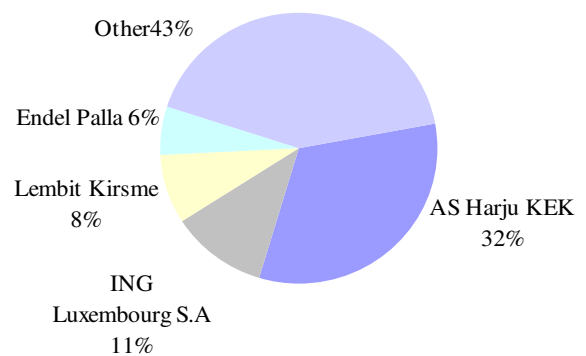
At the end of 2009, Harju Elekter had 1,184 shareholders. The number of shareholders increased during the year by 151.

The largest shareholder of AS Harju Elekter is AS Harju KEK, a company based on local capital which as at December 31, 2009 held 32.1% of Harju Elekter’s share capital. Members of the supervisory and management board and persons or companies associated with them hold 17.7% 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, 2009



Shareholders (> 5%), 2009



Shareholder structure by size of holding at 31 December 2009

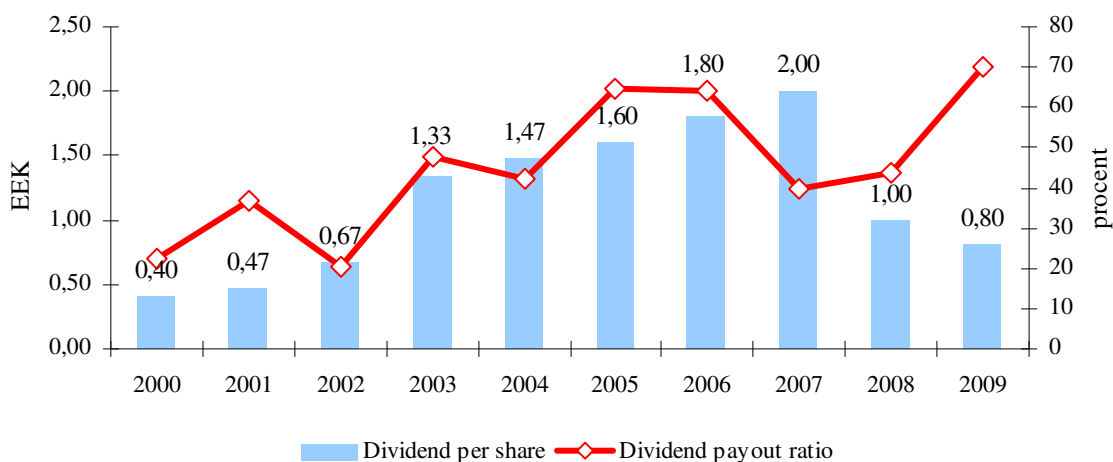
<u>Holding</u>	<u>of shareholders</u>	<u>% of all shareholders</u>	<u>% of votes held</u>
> 10.0%	2	0.2%	43.4%
1.0 - 10.0%	10	0.8%	28.9%
0.1 - 1.0 %	50	4.2%	15.0%
< 0.1%	1122	94.8%	12.7%
Total	1184	100%	100%

Dividends

According to the dividend policy of the Group one third of the financial year's net profit is paid out as dividends. In addition the Group has an established practice of paying out dividends on gains from other financial investments. The actual ratio will be determined based on the Group's cash flows, development prospects and funding needs.

As a result of strong capitalisation, satisfactory economic results, and a positive growth perspective the Management Board proposes to pay a dividend of EEK 0.80 per share, totally 13.44 (2008: 16.80) million kroons for the financial year 2009. This is 70% (2008: 44%) from total net profit.

Dividends history



For dividend history and ratios, please refer to the Key share data table.

CORPORATE GOVERNANCE

As a company Harju Elekter follows the Articles of Association of the company, the relevant legislation of the countries in which it operates and the requirements of the Tallinn Stock Exchange. Amending the Articles of Association and approving new ones, changing the amount of share capital, removal of members from the Supervisory Board and the termination of the activities of the company, making decisions on the division, merging and transformation of the company with the precondition that at least 2/3 of the shareholders represented at the general meeting approve such decisions are within the competence of the general meeting of the shareholders. The everyday business activities of the Group are managed by members of the Management Board of the parent company according to their areas of responsibility and those members of the Supervisory Board who are involved in the everyday work of the company. Outside of Estonia compliance with good corporate governance is ensured by the local managements of the companies. The administration of all the members of the Group is characterised by a lengthy experience of over 10 years.

Bearing in mind that the top management of the company is relatively small in number the need for forming special committees or any other additional management bodies has not yet occurred. The necessary procedures are regulated by rules. Meetings of the Management and Supervisory Board take place according to the agreed regularity and need. For better risk management of the Group an internal audit system has been established which regularly reports to the management of the Group.

As a publicly traded company AS Harju Elekter follows the principles of openness and equal treatment of investors. The information requested by the rules and regulations of the stock exchange is published regularly on the due dates. Harju Elekter therefore follows the principle of not publishing estimates but communicates and comments only information concerning events which have actually happened.

In order to keep investors and the public informed Harju Elekter administers a home page which includes all stock exchange notices, business reports and an overview of the company's background, products and other important issues. All subsidiaries of the Group also have home pages.

CGC report 2009

Pursuant to the Corporate Governance Code (CGC) that was established by the Tallinn Stock Exchange and the Financial Supervision Authority and which entered into force on 1 January 2006, AS Harju Elekter has drawn up a CGC report where the company's management board confirms compliance to CGC requirements or explains reasons for non-compliance. When drawing up the annual report, AS Harju Elekter mostly follows CGC guidelines. However, Harju Elekter does not follow some clauses of the CGC, mainly due to the peculiarity of the company's business area. The abovementioned clauses and explanations of non-compliance are presented below.

2.2.1 "The Chairman of the Supervisory Board concludes a contract of service with the member of the Management Board on the fulfillment of his or her duties."

The Management Board of the company includes employees who are responsible for the company's strategic areas: the chairman of the Management Board – the director general, members of the Management Board: the finance manager and the head economist. The member of the Management Board contract has been concluded with the chairman of the Management Board. Contracts of employment have been concluded with other members of the Management Board. Pursuant to the company's statutes and the regulation on the division of tasks of the Management Board and organisation, the tasks, responsibilities and liability of the Management Board have been set out.

2.2.7 "The basic salary, performance pay, severance pay, other payable benefits and reward systems of each member of the Management Board, as well as their significant characteristics are presented in a clear and unambiguous form on the issuer's website and in the CGC report. The presented data are considered clear and unambiguous if they directly express the extent of the expenses to the issuer or the extent of the likely expenses as of the day of disclosure."

The pay of a member of the Management Board is only given to the chairman of the management board; other members of the management board receive remuneration according to their position and contract of employment. The rate of pay of a member of the Management Board and the severance pay,

as well as the conditions of payment are set out in the contract of service and shall not be disclosed to the public under an agreement between the parties. The rate of the severance pay and payment conditions of other members of the Management Board arise from the Employment Contracts Act.

Performance pay is paid to the members of the Management Board on an equal basis with the parent company's administrative personnel and its total rate is 4.0% of the group's operating profit. The performance pay is distributed according to the basic salary and work performance and the performance pay of the members of the Management Board is approved by the chairman of the Supervisory Board. 90% of the performance pay is paid by quarter; the remaining 10% is paid after the results of the financial year have been determined.

Members of the Management Board are paid an annual bonus of 0.3% of the consolidated net profit in total. The annual bonus is approved by the chairman of the Supervisory Board and is paid after the group's annual statement has been audited.

Additional remuneration for the length of employment is paid to all permanent employees on the basis of their length of employment, including permanent employment in the Harju Elekter Group. The rate of additional remuneration is up to 10% of the basic salary.

3.2.5 “The rate of the member of the Supervisory Board pay and the payment procedure established by the general meeting shall be presented in the issuer’s CGC report, separately pointing out the basic salary and additional remuneration (including severance pay and other payable benefits).”

The shareholders' general meeting of Harju Elekter has the competence to elect and approve the membership of the Supervisory Board and the term of its appointment. The shareholders' general meeting which was held on 26.04.2007 appointed the membership of the Supervisory Board for the following 5 years, setting 8,000 kroons a month as the pay rate for a member of the Supervisory Board and 25,000 kroons a month for the Chairman of the Supervisory Board, while the Chairman of the Supervisory Board working as the company's R&D manager shall be subject to the reward system used in AS Harju Elekter. No severance pay is allotted to members of the Supervisory Board.

5.3 “Among other things, the issuer’s general strategic trends approved by the Supervisory Board are available for shareholders on the issuer’s website.”

The company's Management Board believes that strategy is a business secret and should not be made public. However, the general trends and significant topics have been included in the Management Board's management report published as a mandatory annex to the annual report.

5.6 “The issuer discloses the times and places of meetings with analysts and of presentations and press conferences for analysts and investors or institutional investors on the issuer’s website. The issuer enables shareholders to participate in these events and makes presentations available on its website. The issuer shall not hold meetings with analysts or presentations for investors immediately before the dates of disclosure of financial reporting.”

The company's activities are always based on the principle of fair treatment of shareholders. Mandatory, significant and price sensitive information is first disclosed in the system of the Tallinn Stock Exchange and then on the company's website. In addition, each shareholder has the right to request additional information from the company if necessary and to arrange meetings. The company's Management Board does not consider it important to keep a time and agenda schedule of meetings with different shareholders. This rule applies to all meetings, including those immediately preceding the disclosure of financial reporting.

6.2. “Electing the auditor and auditing the annual accounts.”

The general meeting of the shareholders of Harju Elekter of 23.04.2009 elected an auditor for the company for the period 2009–2011; the elected auditor is the auditing company KPMG Baltics AS. Information on the auditor is available at the company's website on the Internet. The auditor will receive remuneration according to a contract and the amount of the remuneration will not be disclosed under an agreement between the parties. Pursuant to the guidelines of the Financial Supervision Authority from 24.09.2003 – “On the rotation of the auditors of certain subjects of state financial supervision” – the company arranges rotation of the auditor, ensuring the independence of the auditor by changing the executive auditor at least once in every five years.

STATISTICAL SUMMARY

1 EUR=15.6466 EEK (EEK' 000)	2009	2008	2007	2006	2005
Statement of comprehensive income					
Net sales	632.7	871.6	732.0	622.1	513.9
Operating profit	28.3	50.1	51.5	45.2	37.5
Net profit (belonging to the owners of the parent company)	19.2	38.6	84.5	47.3	41.7
Statement of financial position					
Total current assets	187.7	249.4	241.0	169.4	163.6
Total fixed assets	430.4	352.6	479.3	588.4	532.8
Total assets	618.1	602.0	720.3	757.7	696.4
Owners equity (belonging to the owners of the parent company)	480.5	397.2	533.2	605.6	552.2
Equity ratio (%)	77.7	66.0	74.0	79.9	79.3
Rates of growth (%)					
Growth in net sales	-27.4	19.1	17.7	21.1	13.3
Operating profit growth	-43.4	-2.8	14.0	20.5	20.2
Net profit growth	-50.1	-54.3	78.6	13.6	-25.9
Assets growth	2.7	-16.4	-4.9	8.8	8.7
Owner's equity growth (belonging to the owners of the parent company)	21.0	-25.5	-12.0	9.7	6.0
Performance indicators (%)					
Return of sales	4.5	5.7	7.0	7.3	7.3
Net profit margin	3.4	4.4	11.5	7.6	8.1
Return of assets (ROA)	3.2	5.8	11.4	6.5	6.2
Return of equity (ROE)	4.4	8.3	14.8	8.2	7.8
Shares (EEK)					
Average number of shares (1000 pc)	16,800	16,800	16,800	16,800	16,401
Shareholder's equity per share	26.12	23.64	33.89	34.46	31.94
The closing price	32.08	15.49	53.2	64.93	64.15
EPS	1.14	2.29	5.03	2.81	2.48
P/E	25.6	6.76	10.58	23.06	25.87
Dividend per share	¹ 0.80	1.00	2.00	1.80	1.60
Liquidity ratio					
Current ratio	1.6	1.6	1.6	1.6	1.7
Quick ratio	0.9	0.8	0.8	0.9	0.9
Personnel and remuneration					
Number of employees at the end of the period	464	515	486	427	425
Average number of employees	452	501	442	439	412
Wages and salaries (million kroons)	114.3	132.4	116.2	86.6	73.9

Return of sales	= Operating profit/Net sales *100
Net profit margin	= Net profit/Net sales *100
Shareholder's equity per share	= Average owner's equity/Average number of shares
Return of assets (ROA)	= Net profit/Average total assets *100
Return of equity (ROE)	= Net profit/Average owner's equity *100
Equity ratio	= Owner's equity (belonging to the owners of the parent company)/Assets*100
Current ratio	= Current assets/Current liabilities
Quick ratio	= Liquid assets/Current liabilities

¹ Proposal of the Management Board

ANNUAL FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management board hereby takes responsibility for the preparation of the consolidated financial statements of AS Harju Elekter (hereinafter referred to as “the Parent”) and its subsidiaries (hereinafter together referred to as “the Group”) for 2009, as set out on pages 35 to 81, and confirms that:

- the policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements give a true and fair view of the financial position of the Group and of the results of its operations and its cash flows;
- all significant events that occurred before the date on which the consolidated financial statements were authorised for issue (19 March 2010) have been properly recognised and disclosed; and
- AS Harju Elekter and its subsidiaries are going concerns.

Andres Allikmäe	Chairman of the Management Board	/signature/	„ 19th „March 2010
Lembit Libe	Member of the Management Board	/signature/	„ 19th „March 2010
Karin Padjus	Member of the Management Board	/signature/	„ 19th „March 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December	Note	EEK '000 2009	2008	€'000 2009	2008
Current assets					
Cash and cash equivalents	5	35,640	23,379	2,278	1,494
Trade receivables and other receivables	6	70,238	99,449	4,489	6,356
Prepayments	7	2,499	3,217	160	205
Including income tax	18	0	47	0	3
Inventories	8	79,352	123,351	5,071	7,884
Total current assets		187,729	249,396	11,998	15,939
Non-current assets					
Investments in associate	9	9,681	17,907	619	1,144
Other long-term financial investments	10	153,172	74,323	9,789	4,750
Investment property	11	137,176	133,737	8,768	8,547
Property, plant and equipment	12	124,575	123,423	7,962	7,889
Intangible assets	14	5,815	3,201	371	205
Total non-current assets		430,419	352,591	27,509	22,535
TOTAL ASSETS		618,148	601,987	39,507	38,474
Current liabilities					
Interest-bearing loans and borrowings	15	18,166	41,958	1,161	2,682
Trade payables and other payables	17	75,890	112,395	4,850	7,183
Tax liabilities	18	10,367	11,216	663	717
Inclusive income tax	18	620	1,551	39	99
Short-term provisions	19	1,157	1,294	74	83
Deferred income		1,564	0	100	0
Total current liabilities		107,144	166,863	6,848	10,665
Non-current liabilities	15	7,016	16,381	448	1,046
Total liabilities		114,160	183,244	7,296	11,711
Equity					
Share capital	21	168,000	168,000	10,737	10,737
Share premium		6,000	6,000	384	384
Reserves	21	149,760	69,746	9,571	4,457
Retained earnings		156,770	153,445	10,020	9,808
Total equity attributable to equity holders of the parent		480,530	397,191	30,712	25,386
Minority interest		23,458	21,552	1,499	1,377
Total equity		503,988	418,743	32,211	26,763
TOTAL LIABILITIES AND EQUITY		618,148	601,987	39,507	38,474

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	EEK '000 2009	2008	€'000 2009	2008
Revenue	22,23	632,675	871,610	40,435	55,706
Cost of sales	23	-528,071	-733,467	-33,750	-46,877
Gross profit		104,604	138,143	6,685	8,829
Distribution costs	23	-30,731	-38,785	-1,964	-2,479
Administrative expenses	23	-46,047	-48,758	-2,943	-3,117
Other income	23	1,077	324	69	21
Other expenses	23	-590	-860	-38	-55
Operating profit		28,313	50,064	1,809	3,199
Finance income	23	9,160	11,689	585	747
Finance costs	23	-1,204	-2,995	-77	-191
Share of profit of associates	9	-8,226	-4,068	-525	-260
Profit before tax		28,043	54,690	1,792	3,495
Income tax expense	24	-6,356	-12,629	-406	-807
Profit attributable to:		21,687	42,061	1,386	2,688
Owners of the Parent		19,226	38,551	1,229	2,464
Minority interest		2,461	3,510	157	224
Other comprehensive income		80,014	-140,913	5,114	-9,006
Net change in fair value of available-for-sale financial assets	10,21	83,365	-140,913	5,328	-9,006
Realised gain from sale of financial assets (-)	10	-3,351	0	-214	0
Total comprehensive income attributable to:		101,701	-98,852	6,500	-6,318
Equity holders of the parent		99,240	-102,362	6,343	-6,542
Minority interest		2,461	3,510	157	224
Earnings per share					
Basic earnings per share (EEK, EUR)	25	1.14	2.29	0.07	0.15
Diluted earnings per share (EEK, EUR)	25	1.14	2.29	0.07	0.15

See accompanying notes to the consolidated statement of comprehensive income

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	Note	EEK '000 2009	2008	€'000 2009	2008
Cash flows from operating activities					
Operating profit		28,313	50,064	1,809	3,199
<u>Adjustments for:</u>					
Depreciation and amortisation	11,12, 14,23	19,941	18,904	1,275	1,208
Gain on sale of property, plant and equipment	23	-111	-13	-7	-1
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		43,999	5,288	2,812	338
Change in payables related to operating activity		-35,127	-109	-2,245	-7
Corporate income tax paid	26	-7,240	-11,080	-463	-708
Interest paid	26	-1,130	-2,780	-72	-178
Net cash from operating activities		79,391	44,952	5,074	2,873
Cash flows from investing activities					
Acquisition of investment property	11,26	-7,209	-5,237	-461	-335
Acquisition of property, plant and equipment	12,26	-17,886	-18,225	-1,143	-1,165
Acquisition of intangible assets	14	-3,844	-1,108	-246	-71
Acquisition of financial assets		-178	0	-11	0
Proceeds from sale of property, plant and equipment		2,313	13	148	1
Proceeds from sale of other financial investments	10	6,318	0	404	0
Loans given		0	-35	0	-2
Repayment of loans given		0	35	0	2
Interest received	26	746	528	48	34
Dividends received	23	3,474	11,125	222	711
Net cash used in investing activities		-16,266	-12,904	-1,039	-825
Cash flows from financing activities					
Proceeds from borrowings	15	0	14,345	0	917
Repayment of borrowings	15	-31,239	-11,364	-1,997	-726
Payment of finance lease principal	15	-2,181	-3,856	-139	-247
Dividends paid		-17,355	-34,000	-1,109	-2,173
Net cash used in financing activities		-50,775	-34,875	-3,245	-2,229
Net cash flows		12,350	-2,827	790	-181
Cash and cash equivalents at beginning of period	5	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	23	-89	-51	-6	-3
Cash and cash equivalents at end of period	5	35,640	23,379	2,278	1,494

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent							
EEK '000	Share capital	Share premium	Reserves	Retained earnings	Total	Minority interest	TOTAL
At 31.12.2007	168,000	6,000	207,259	151,894	533,153	18,442	551,595
Comprehensive income 2008	0	0	-140,913	38,551	-102,362	3,510	-98,852
Dividends	0	0	0	-33,600	-33,600	-400	-34,000
Amount transferred to reserves	0	0	3,400	-3,400	0	0	0
At 31.12.2008	168,000	6,000	69,746	153,445	397,191	21,552	418,743
Comprehensive income 2009	0	0	80,014	19,226	99,240	2,461	101,701
Share-based payment transactions	0	0	0	899	899	0	899
Dividends	0	0	0	-16,800	-16,800	-555	-17,355
At 31.12.2009	168,000	6,000	149,760	156,770	480,530	23,458	503,988
EUR'000							
At 31.12.2007	10,737	384	13,246	9,708	34,075	1,179	35,254
Comprehensive income 2008	0	0	-9,006	2,464	-6,542	224	-6,318
Dividends	0	0	0	-2,147	-2,147	-26	-2,173
Amount transferred to reserves	0	0	217	-217	0	0	0
At 31.12.2008	10,737	384	4,457	9,808	25,386	1,377	26,763
Comprehensive income 2009	0	0	5,114	1,229	6,343	157	6,500
Share-based payment transactions	0	0	0	57	57	0	57
Dividends	0	0	0	-1,074	-1,074	-35	-1,109
At 31.12.2009	10,737	384	9,571	10,020	30,712	1,499	32,211

Further information on share capital and reserves can be found in Note 21.
See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

AS Harju Elekter is a company registered in Estonia. These consolidated financial statements for the year ended 31 December 2009 comprise AS Harju Elekter (the “parent company”) and its subsidiaries AS Eltek (Estonia 100%), AS Harju Elekter Elektrotehnika (Estonia 100%), Satmatic Oy (Finland 100%) and Rifas UAB (Lithuania 51%) (together referred to as the “Group”) and the Group’s interest in associate AS Draka Keila Cables (Estonia 34%). AS Harju Elekter has been listed on the Tallinn Stock Exchange since 30 September 1997; 32.14 percent of its shares are held by AS Harju KEK a company registered in Estonia.

The Management Board approved and signed the consolidated financial statements for the year ended 31 December 2009, on 19 March 2010. According to the Commercial Code of the Republic of Estonia the annual report, comprising the consolidated financial statements, which are drawn up by the Management Board and approved by the Supervisory Board, are authorised by the annual general meeting of shareholders.

The main activity of the Group is the production and sales of equipment for power distribution and controls for the energy, construction and industrial sectors. The activities of the Group are described in detail in Note 22 “Information on segments”.

1 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles are applied on the basis of the principle of consistency and comparability. The content of the changes in methodology and their influence has been explained in each of the relevant notes. If the presentation or the method of classification of the entries in the financial statements has been changed the comparable indicators of the previous period have been reclassified accordingly.

1.1. Basis of preparation

Due to the entry into force of amendments to IAS 1 Presentation of Financial Statements on January 1, 2009 in this Annual Financial Statement the income statement has been replaced by the consolidated comprehensive income statement that effectively combines the income statement and all non-owner changes in equity in a single statement. In connection with the submission of a single statement of comprehensive income the presentation of the statement of changes in equity has been changed and, instead of the statement of financial position, the term 'the statement of financial position' has been used. However, the change in the presentation of the basic statements and the introduction of the new terms does not affect either the presentation of translations and the balance nor the application of the relevant accounting policies.

IFRS 8 Operating Segments introduces the 'management approach' to segment reporting and requires a segment disclosure based on the components of the entity that management monitors in making decisions about operating matters. Due to the entry into force of the standard on January 1, 2009 the following operational segments i.e. operating areas are reported on instead of the previous geographical and business segments: production and real estate and other activities. The operational segments are determined on the basis of the use of internal reports by the management of the Group when it evaluates the performance of the segment and makes decisions on the distribution of resources.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements of Group are prepared under the historical cost convention, except that available-for-sale investments are stated at their fair value.

1 Significant accounting policies (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from the estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is and future periods, which the revision affects. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

1.2. New International Accounting Standards and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC)

By the time these statements are published several new international accounting standards and their revisions, as well as interpretations, will have been adopted. The Group must follow these amendments in its statements for periods starting on 1 January 2010 or later. According to the management these amendments will not affect the Group's financial statements substantially, except the revised IAS 27 Consolidated and Separate Financial Statements.

In the revised Standard IAS 27 the term 'minority interest' has been replaced by 'non-controlling interest' and is defined as 'the equity in a subsidiary not attributable, directly or indirectly, to the parent company'. The revised Standard also amends the accounting procedure for a non-controlling interest, the loss of control of a subsidiary and the allocation of profit or loss and other comprehensive income factors between the controlling and non-controlling interest. The Group has not yet completed its analysis of the impact of the revised Standard.

1.3. Basis of consolidation

The consolidated financial statement is drawn up every year on the basis of financial statements of AS Harju Elekter and its subsidiaries for the financial year ending on 31 December. The financial statements of the subsidiaries are prepared for the same period as the consolidated financial statement, applying uniform accounting policies. If a subsidiary applies different accounting policies compared to the consolidated financial statement, the financial statements of the subsidiary are adjusted accordingly for the same transactions carried out in the same conditions.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally as so obtain benefits from its activities, accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

1 Significant accounting policies (continued)

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions and minority interests

The share of the net profit of subsidiaries that do not belong directly or indirectly to the Group is shown as a minority share in the consolidated statement of comprehensive income. The share of the equity of the subsidiaries belonging to shareholders outside of the Group is presented in the consolidated statement of financial position as a minority share on a separate line within the composition of the owner's equity.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated statement of comprehensive income.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the comprehensive income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. If the accounting policies of associates are different from the Group, the financial statements of associates have been amended to ensure consistency with the policies adopted by the Group.

1.4. Foreign currency translation

(a) Functional and presentation currency

For accounting purposes the companies of the Group use the currency applicable to their economic environment. Estonian companies of the Group use the Estonian kroon (EEK), Finnish companies use the euro (EUR) and Lithuanian companies the Lithuanian litas (LTL). The Estonian kroon and the Lithuanian litas are pegged to the euro at a rate of EEK 15.6466 to € 1 and LTL 3.4528 to € 1, respectively.

The consolidated financial statements are presented in thousands of Estonian kroons, which is the Parent company's functional and presentation currency and all the figures have been rounded to the nearest thousand, unless indicated otherwise. In accordance with Tallinn Stock Exchange Rules, the annual financial statements are also presented in euros. As the Estonian kroon is pegged to the euro (see previous paragraph) 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.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets

1 Significant accounting policies (continued)

and liabilities denominated in foreign currencies are recognised in the comprehensive income statement.

(c) Financial statements of foreign Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency. The assets and liabilities of foreign operations are translated to Estonian kroons at foreign exchange rates ruling at the reporting date.

The revenues and expenses of foreign Group companies are translated to Estonian kroons using Eesti Pank's fixed exchange rates: the financial statements of the Finnish company are translated using the Estonian kroon exchange rate against euro (€ 1 = EEK 15.6466) and the financial statements of the Lithuanian company are translated using the Estonian kroon exchange rate against the Lithuanian litta (LTL 1 = EEK 4.53157). Since the Estonian kroon and Lithuanian litta are pegged to the euro, the presentation practice does not give rise to foreign exchange translation differences.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the comprehensive income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.5. Financial assets

The group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the statement of financial position.

- *Cash and cash equivalents* includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, except bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. The cash flow statement is prepared using the indirect method.
- *Trade receivables* are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The difference between carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate is recognised as an impairment loss in the comprehensive income statement within 'distribution costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the comprehensive income statement.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated in this category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

1 Significant accounting policies (continued)

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs.

The Group's investments in equity securities are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity in the fair value reserve, except for impairment losses. The fair value of available-for-sale financial assets is their quoted bid price at the reporting date. When available-for-sale financial assets are derecognised, any cumulative gain or loss previously recognised directly in equity is recognised in profit or loss in the comprehensive income statement.

Other financial assets that do not have an active market and whose fair value cannot be measured reliably are presented using the amortised cost method.

Impairment testing of trade receivables is described in Note 1.10.

1.6. Inventories

Inventories are stated at the lower of cost and net realisable value. As a rule, the Group determines the cost of inventories using the weighted average cost formula. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.7. Investment property

Investment property is property held by the owner or by the lessee under a finance lease to earn rentals or for capital appreciation or both. After recognition, investment property is measured using the cost model, i.e. the property is stated at cost less any accumulated depreciation and impairment losses.

Investment property is depreciated using the same depreciation rates and useful lives as those assigned to similar items of property, plant and equipment (see below).

1.8. Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Borrowing costs related to the acquisition, construction or production of qualifying assets are recognised in profit or loss as incurred.

Where an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are recognised as separate items of property, plant and equipment and assigned depreciation rates that correspond to their useful lives.

(b) Subsequent costs

Parts of some items of property, plant and equipment require replacement or renovation at regular intervals. The costs of such replacements and renovations are recognised in the carrying amount of an item of property, plant and equipment if it is probable that future economic benefits associated with parts of the item will flow to the Group, and the cost of the part of the item can be measured reliably. The carrying amount of a part that is replaced is derecognised. Under the recognition principle provided in the previous paragraph, the costs of the day-to-day servicing of an item of property, plant and equipment are not recognised in the carrying amount of the item. Instead, the costs are expensed as incurred.

1 Significant accounting policies (continued)

(c) Depreciation

Depreciation is charged to the comprehensive income statement on a straight-line basis over the estimated useful life of each item and significant part of an item of property, plant and equipment. Land and construction in progress are not depreciated. Group companies use, in all material respects, uniform depreciation rates. The following estimated useful lives are applied:

Asset Group	Useful life
Buildings and structures	10 - 33 years
Production plant and equipment	6 ² / ₃ - 10 years
Other machinery and equipment	4 - 6 ² / ₃ years
Vehicles	5 - 6 ² / ₃ years
Other equipment and fixtures	3 - 6 ² / ₃ years

Estimated useful lives, residual values and deprecation methods are reviewed annually. The effect of any resulting changes is recognised in the current and subsequent periods.

1.9. Intangible assets

Intangible assets (except goodwill) are amortised on a straight-line basis over the estimated useful life. Impairment of intangible assets is evaluated, if any such indication exists, similarly to the evaluation of impairment of tangible assets.

(a) Research and development

Expenditure on development is expenditure made upon the application of research findings when developing new products and services. Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the comprehensive income statement as an expense as incurred.

Expenditure on development activities whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the comprehensive income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses. Expenditure on development is written off on a straight-line basis over the estimated useful life but not exceeding 5 years.

(b) Other intangible assets

Other intangible assets are expenditure on licenses and software. Acquired licences are shown at historical cost. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses. Other intangible assets are written off on a straight-line basis over the estimated useful life but not exceeding 5 years.

1.10. Impairment

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the comprehensive income statement.

1 Significant accounting policies (continued)

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (Group of units) and then, to reduce the carrying amount of the other assets in the unit (Group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The recoverable amount of the receivables carried at adjusted cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a receivable carried at adjusted cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment no longer exists and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11. Leases

A lease that transfers all significant risks and rewards of ownership to the lessee is recognised as a finance lease. Other leases are treated as operating leases.

(a) The Group as a lessor

Assets leased out under finance leases are recognised as a receivable at an amount equal to the net investment in the lease. Lease payments receivable are divided into principal repayments and finance income. Finance income is recognised over the lease term on the basis of the effective interest.

Assets leased out under operating leases are presented in the statement of financial position according to the nature of the asset, similarly to other items of property, plant and equipment which are carried in the statement of financial position. Operating lease payments are recognised as income on a straight-line basis over the lease term.

(b) The Group as a lessee

Assets and liabilities connected with finance leases are initially recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments at the inception of the lease and depreciated over the shorter of the lease term and its useful life. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

1 Significant accounting policies (continued)

The finance charge is allocated to the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.12. Financial liabilities

Liabilities that are due to be settled within more than one year of the statement of financial position date are classified as non-current liabilities. Liabilities that are due to be settled within twelve months of the statement of financial position date are classified as current liabilities.

(a) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the comprehensive income statement over the period of the borrowings using the effective interest method.

(b) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.13. Income tax

(a) Corporate income tax

According to the Estonian Income Tax Act that took effect on 1 January 2000, income tax is not levied on profits earned but dividends distributed. The income tax calculated on dividends is recognised as a liability and an expense when the dividend is declared. The income tax payable on dividends is recognised as an expense in the period in which the dividends are declared irrespective of the period for which they are declared or in which they are distributed.

No provision is established for income tax payable on a dividend distribution before the dividend has been declared but information on the contingent liability is disclosed in the Notes to the consolidated financial statements.

The consolidated statement of comprehensive income include the Lithuanian and Finnish subsidiaries' current corporate income tax expense (calculated on profits earned), deferred income tax and the dividend tax expense of the Estonian Group companies.

(b) Deferred tax

Under the current Estonian Income Tax Act, there are no differences between the tax bases and carrying amounts of the assets and liabilities of the Estonian Group companies which could give rise to deferred tax assets or liabilities. The profits of the Finnish and Lithuanian Group companies are adjusted for temporary differences and taxed in accordance with the laws of their domicile. (see below).

(c) For the Group's foreign subsidiaries

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the comprehensive income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

1 Significant accounting policies (continued)

- the initial recognition of goodwill,
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit,
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.14. Employee benefits

(a) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

(c) Share-based payments

The Group has share-based payment plans that are settled by equity instruments (Note 21.6.). The fair value of services received from employees is presented as costs. On each reporting day the company adjusts its estimates on the amount of shares expected to be subscribed. The company shows the effect of the adjustments (in cases where they were made) to the initial estimations in the statement of comprehensive income by making the relevant corrections in the owner's equity.

The sums received from the issue of shares minus direct transaction costs are shown within the owner's equity under the items of share capital (in nominal value) and share premium.

1.15. Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discounting rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1 Significant accounting policies (continued)

1.16. Contingent liabilities

Significant commitments and other obligations which may transform into a liability subject to the occurrence of some uncertain future events are disclosed in the notes to the consolidated financial statements as contingent liabilities. Contingent liabilities are not recognised on the statement of financial position.

1.17. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

1.18. Segment reporting

Operational segments i.e. operating areas are the parts of the company that participate in commercial activities and on which the company can earn profit or incur cost. Separate financial data is available on them and their operating profit is regularly reviewed by the management in order to make decisions on operating matters, on allocating resources for segments and to evaluate the performance of segments.

Segment reporting is in compliance with the internal reporting submitted to the management making decisions on operating matters. The operational segments are determined on the basis of the use of internal reports by the management of the Group when it evaluates the performance of the segment and makes decisions on the distribution of resources.

1.19. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

(a) Sales of goods – wholesale and retail

The Group manufactures and sells electrical distribution systems and control panels and manifold sheet metal products. Sales of goods are recognised when a Group entity has delivered products to the buyer, the buyer has full discretion over the products, and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery does not occur until, all significant risks and rewards of ownership have been transferred to the buyer and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Sales are recorded based on the price specified in the sales contracts.

The Group operates a chain of retail outlets for electrical appliances. Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(b) Sales of services

Revenue from the rendering of services is recognised when the service has been rendered or, if the service is rendered over an extended period, by reference to the stage of completion of the transaction at the reporting date.

1 Significant accounting policies (continued)

(c) Rental income

Rentals earned on investment property are recognised in the comprehensive income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(d) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.20. Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by dividing the profit or loss attributable to equity holders of the parent company by the weighted average number of shares outstanding during the period, considering the effects of all dilutive potential shares.

1.21. Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

1.22. Related parties

For the purposes of these consolidated financial statements, related parties include:

- AS Harju KEK which owns 32.14 percent of the shares of AS Harju Elekter;
- members of the parent company's management and supervisory boards;
- close family members of the above,
- companies controlled by members of the management and supervisory boards; and
- associated companies.

1.23. The non-consolidated financial statements of the Parent

In accordance with the Estonian Accounting Act, the notes to the consolidated financial statements have to include the non-consolidated financial statements (i.e. statement of financial position, statement of comprehensive income, cash flow statement and statement of changes in equity, collectively referred to as primary financial statements) of the Parent. The non-consolidated primary financial statements of AS Harju Elekter are disclosed in Note 28 "Financial information of the Parent". These statements have been prepared using the same accounting methods and measurement bases that were used on the preparation of the consolidated financial statements, except for investments in subsidiaries and associates which are stated at cost in the non-consolidated primary statements of the Parent.

2 Accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2 Accounting estimates and judgments (continued)

The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are estimations of useful lives of investment property, property, plant and equipment, recognitions and estimates in respect of provisions, and statement of contingent liabilities

(a) Trade receivables valuation (Note 6)

Upon valuation of trade receivables, the management relies on its best knowledge taking into consideration historical experience. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

(b) Inventory valuation (Note 8)

Upon valuation of inventories, the management relies on its best knowledge taking into consideration historical experience, general background information and potential assumptions and conditions of future events. In determining the impairment of inventories, the sales potential as well as the net realisable value of finished goods and merchandise purchased for resale are, upon valuation of raw and other materials, their potential as a source of finished goods and generating income is considered; upon valuation of work in progress, their stage of completion that can reliably be measured is considered.

(c) Useful lives of investment property, property, plant and equipment (Note 1.7, 1.8, 11, 12)

Management has estimated the useful lives of property, plant and equipment based on the volume and conditions of production, historical experience in this area and the perspectives in the future. The depreciable cost is increased if the useful life of the property turns out to be shorter than initially estimated. Technically obsolete assets are either written down or written off.

(d) Contingent liabilities (Note 1.16, 20)

In estimating the probability of realisation of contingent liabilities the management considers historical experience, general information about the economical and social environment and the assumptions and conditions of the possible events in the future based on the best knowledge of the situation.

(e) Provisions (Note 19)

According to its sales contracts the Group gives a two-year warranty to products sold by undertaking, during that period, to either repair or replace low quality or flawed products free of charge. Following last year's experience the warranty reserve

(f) Uncertainty of the economic environment

The ongoing global financial crisis that hit the world in 2007 has drained liquidity in the economy making it increasingly difficult to raise funds in the capital markets. Moreover, in Estonia the slump has spread to the real economy with all the ensuing consequences that have exerted and may continue to exert an adverse impact on the company's operations. In preparing these financial statements management relied on its assessment of how the Estonian and the global economic environment may impact the company's financial performance and financial position. Owing to the instability of the market situation, the effect of further developments in the economic environment may differ materially from management's current assessment.

3 Financial risks management

3.1. Financial risk factors

In its everyday activities the Group faces different risks. The management of risk is an important and inseparable part of the operational activities of the company. The capability of the company to identify, measure and control different risks is an important input into the profitability of the whole Group. The management of the Group has defined the risk as a possible negative deviation from the expected financial result. The main risk factors are the market risk (incl. the currency risk, price risk and interest risk), the credit risk, the liquidity risk and operational risks as well as the capital risk. According to the estimates of the Management Board of the parent company all risks have increased because of the global economic and financial crisis.

The risk management of the Group is based on the requirements established by the Tallinn Stock Exchange, the Financial Inspectorate and other regulatory bodies and compliance with the generally recognized accounting standards and good practices, as well as the company's internal regulations and risk policies. Risk management on the general level includes the identification, assessment and control of risks. The Management Board of the parent company has the main role of managing risks and approving risk procedures. The Supervisory Board of the parent company monitors the measures taken by the Management Board to reduce the risks.

3.2 Market risk

(a) Currency risk

The Group operates in Estonia (currency EEK), Finland (currency €), and Lithuania (currency LTL). Both Estonian kroon and Lithuanian lit are pegged to the euro.

To hedge currency risks, the Group concludes all major foreign contracts in euro. The Group does not have material receivables or payables denominated in foreign currencies that are not pegged to euro (see Note 6). All existing long-term loan and finance lease contracts (see Note 15) have been made in euro or the functional currency of the relevant Group company. Therefore, they are treated as liabilities without currency risk.

Trade and other payables are recognised at amortised cost. Items that fall due more than 12 months from the reporting date are recognised as long-term liabilities.

Based on the above, the Group is not materially exposed to currency risks and does not use separate instruments to hedge currency risks. Information on foreign exchange gains and losses has been disclosed in Note 23.

	Note	EEK		EUR		LTL		TOTAL	
		EEK	EUR	EEK	EUR	EEK	EUR	EEK	EUR
(in thousands)									
Cash and cash equivalents	5	19,551	1,250	6,658	425	9,431	603	35,640	2,278
Trade receivable	6	23,247	1,486	32,663	2,087	14,328	916	70,238	4,489
Available-for-sale financial assets	10	0	0	153,172	9,789	0	0	153,172	9,789
TOTAL		42,798	2,736	192,493	12,301	23,759	1,519	259,050	16,556
Current liabilities	15	0	0	17,988	1,150	178	11	18,166	1,161
Advances from customers	17	3,201	205	3,103	198	3,363	215	9,667	618
Trade payables	17	19,282	1,232	13,190	843	11,324	724	43,796	2,799
Interest payables	17	0	0	5	0	0	0	5	0
Non-current liabilities	15	0	0	6,902	441	114	7	7,016	448
TOTAL		22,483	1,437	41,188	2,632	14,979	957	78,650	5,026
Opened currency position		20,315	1,299	151,305	9,669	8,780	562	180,400	11,530

3 Financial risks management (continued)

(b) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified as financial assets. Fluctuations in the market value of the PKC Group Oyj shares, which are recognised as other long-term financial investments, may have a significant impact on the value of the assets of AS Harju Elekter. The market price of a share increased in 2009 by 3.60 Euros (56.33 kroons) and decreased in 2008 by 5.70 Euros (89.19 kroons). In 2009 the value of investment increased by 83.4 million kroons (5.3 million Euros) and in 2008 decreased by 140.9 million kroons (9.0 million Euros) within a year.

Profit and loss from reassessment is shown in the statement of comprehensive income. The information concerning the shares of PKC Group Oyj is presented in Note 10.

(c) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Above all, the Group's exposure to interest rate risk depends on changes in EURIBOR (Euro Interbank Offered Rate) because most of loans taken by the Group (see Note 15) are linked to EURIBOR. The long-term loans and borrowings of the Group as at 31 December 2009 incurred a floating interest rate which was based on the 3 months Euribor; while the short-term loans were based on the 1 month Euribor.

Interest rate risks are managed by concluding loan agreements with a fixed interest rate. On December 31, 2009 the long-term loan balance with a fixed interest rate was 2.5 million kroons (160 thousand euros) and, therefore, the fixing of an interest rate does not substantially affect the fair value of the long-term loans of the Group. In 2009 the weighted average effective interest rate of long-term bank loans was 3.6% and the fixed interest rate was 4.3% (Note 15).

The interest rate risk also depends on the economic situation in the country of location of a company belonging within the Group, as well as on changes in the average interest rates of banks. In 2008 the average interest rate of the long-term loan taken by the Group's Lithuanian company was 7.9% which increased the average effective interest rate of the Group by 0.6 percentage point. In order to eliminate risks the whole loan amounting to 6.15 million kroons (393 thousand Euros) was redeemed in 2009.

At 31 December 2009, if floating interest rates on borrowings had been one percentage point higher with all other variables held constant, post-tax profit for the year would have been 65.7 thousand kroons or 4.2 thousand euros (2008: 250.6 thousand kroons or 16.0 thousand euros) lower.

3.3. Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a party is unable to discharge an obligation under financial instruments.

Exposure to credit risk is monitored on an ongoing basis. Customers are set individual risk limits based on internal or external ratings. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or major credit cards. There are certain conditions in place where the recovery of debts is commenced through the court.

The maximum amount exposed to credit risk is the value of accounts receivables, less mark downs and deposits with banks and financial institutions. At the reporting date, the credit risk was 102 million kroons (6 million euros), compared to 122 million kroons (8 million euros) at 31 December 2008.

3 Financial risks management (continued)

According to management assessment, the Group does not have any major credit risks that would exceed the allowance sum already recognised.

3.4. Liquidity risk

Liquidity risk is a risk covering the inability of the Group to cover its necessary costs and investments due to a cash-flow deficit. The Management Board continually monitors cash flow estimates using the availability and sufficiency of financial recourses to meet the commitments undertaken and to fund the strategic objectives of the Group.

Liquidity risk is managed with different financial instruments such as loans and finance leases. At the end of the reporting period the Group had funding available to the amount of EEK 35.6 million (€ 2.3 million) and debt obligations to the amount of EEK 25.2 million (€ 1.6 million) (Note 15).

3.5. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

According to the established practice the Group supervises its capital by observing the debt and equity ratio. The debt ratio is calculated as the ratio between the net debt and the total capital. The net debt is obtained when cash and cash equivalents are separated from the total debt (shown in the statement of comprehensive income as short-term and long-term interest bearing liabilities). The total capital is reflected in the consolidated statement of the financial position as the sum of the equity and net debt.

The equity ratio is obtained when equity is divided by the total volume of assets.

Equity ratio of the Group:	EEK '000		EUR'000	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Interest-bearing loans and borrowings (Note 15)	25,182	58,339	1,609	3,728
Cash and cash equivalents (Note 5)	-35,640	-23,379	-2,278	-1,494
Net debt	60,822	81,718	3,887	5,222
Equity	503,988	418,743	32,211	26,763
Total capital	564,810	500,461	36,098	31,985
Debt to capital ratio	11%	16%	11%	16%
Total assets	618,148	601,987	39,507	38,474
Equity ratio	82%	70%	82%	70%

3.3. Fair value estimation

The fair values of cash, receivables, payables and short-term loans and borrowings do not differ significantly from their carrying amounts because these amounts will be settled within 12 months of the statement of financial position date. The fair values of long-term loans and borrowings do not differ significantly from their carrying amounts because their interest rates are regularly reprised to market rates.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date.

4 Financial instruments

4.1. Financial instruments by categories

At 31 December	Note	EEK '000		€'000	
		2009	2008	2009	2008
Assets as per statement of financial position					
Cash and cash equivalents	5	35,640	23,379	2,278	1,494
Trade receivables and other receivables	6	70,238	99,449	4,489	6,356
Available-for-sale financial assets	10	153,172	74,323	9,789	4,750
Total		259,050	197,151	16,556	12,600
Liabilities as per statement of financial position					
Borrowings	15	25,182	58,339	1,609	3,728
Trade payables and other payables	17	75,890	112,395	4,850	7,183
Total		101,072	170,734	6,459	10,911

4.2. Credit quality of financial assets

Trade receivables (net) analysed by due date	EEK '000		€'000	
	2009	2008	2009	2008
At 31 December				
Not due:	49,107	63,920	3,138	4,085
Up to 3 months past due	9,700	13,810	620	883
3-6 months past due	4,272	16,055	273	1,026
Over 6 months past due	2,797	3,633	179	232
Total	65,876	97,418	4,210	6,226

5 Cash and cash equivalents

At 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Cash and cash equivalents				
Cash in hand	63	92	4	6
Bank balances	24,577	23,287	1,571	1,488
Call deposits	11,000	0	703	0
Cash and cash equivalents in the statement of cash flows	35,640	23,379	2,278	1,494

Cash and bank analysed by currency

At 31 December	EEK '000		€'000	
	2008	2007	2008	2007
Estonian kroon (EEK)	19,551	10,478	1,250	670
Euro (EUR)	6,658	9,316	425	595
Lithuanian lit (LTL)	9,431	3,585	603	229
Total	35,640	23,379	2,278	1,494

Effective deposit average interest rates for the accounting year were 5.0% (5% in 2008).

6 Trade and other receivables

At 31 December	Note	EEK '000		€'000	
		2009	2008	2009	2008
Trade receivables					
Trade receivables		67,750	98,158	4,330	6,273
Provision for impairment of trade receivables		-1,874	-740	-120	-47
Trade receivables - net		65,876	97,418	4,210	6,226
Receivables from associates	27	2,663	1,970	170	126
Miscellaneous receivables		1,555	25	100	1
Interest receivable		1	36	0	3
Other accrued income		143	0	9	0
Total receivables		70,238	99,449	4,489	6,356

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

At 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Estonian kroon (EEK)	23,247	22,151	1,486	1,416
Euro (EUR)	32,663	56,310	2,087	3,599
Lithuanian lit (LTL)	14,328	20,988	916	1,341
Total	70,238	99,449	4,489	6,356

As of 31 December 2009, trade receivables of 65,876 thousand kroons, 4,210 thousand euros (2008: 97,418 thousand kroons, 6,226 thousand euros) were recognised at the amortised cost.

As of 31 December, trade receivables of 1,874 thousand kroons (120 thousand euros) and as of 31 December 2008 740 thousand kroons (47 thousand euros) were past due and fully expensed. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired.

Movements on the group provision for impairment of trade receivables are as follows:

For the year ended 31 December	EEK '000		€'000	
	2009	2008	2009	2008
At 1 January	-740	-97	-47	-6
Recovery of doubtful items	0	204	0	13
Items expensed as doubtful	-1,264	-1,082	-81	-69
Doubtful items written off as irrecoverable	130	235	8	15
At 31 December	-1,874	-740	-120	-47

The creation and release of provision for impaired receivables have been included in 'other distribution costs' in the comprehensive income statement (note 23). The other classes within trade and other receivables do not contain impaired assets.

7 Prepayments

At 31 December	Note	EEK '000		€'000	
		2009	2008	2009	2008
Prepaid taxes	18	805	1,991	52	127
Prepaid expenses		1,694	1,226	108	78
Total prepayments		2,499	3,217	160	205

8 Inventories

At 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Raw and other materials	32,081	49,565	2,050	3,168
Work in progress	30,326	49,719	1,938	3,178
Finished goods	10,922	15,399	698	984
Merchandise purchased for resale	5,597	8,220	358	525
Prepayments to suppliers	426	448	27	29
Total	79,352	123,351	5,071	7,884
- items carried at net realisable value	435	1,182	28	76
Write-down of inventories to net realisable value	318	389	20	25

9 Investments in associate

Company's name	Activity	Location	
Draka Keila Cables AS	Manufacture and wholesale of cable	Estonia	
<i>Draka Keila Cables AS share</i>		2009	2008
Number of the shares		884	884
Ownership (%)		34.0	34.0
Par value of a share (EEK)		10,000	10,000
Par value of a share (EUR)		639	639
		EEK '000	€'000
		2009	2008
Cost at 31 December		8,840	8,840
Carrying amount at 01 January		17,907	21,975
Loss(-) under the equity method		-8,226	-4,068
Carrying amount at 31 December		9,681	17,907
Associate's equity at end of period		28,521	52,729
Investor's share in equity		9,697	17,928
Unrealised gains from transactions with associate		-16	-21

The shares of the associates are not listed at the stock exchange.

9 Investments in associates (continued)

<i>Financial summary</i>	EEK '000		€'000	
	2009	2008	2009	2008
Assets at 31 December	192,757	230,817	12,319	14,752
Liabilities at 31 December	164,235	178,088	10,496	11,382
Revenue for the year ended 31 December	399,432	731,272	46,737	46,737
Profit for the year ended 31 December	-24,208	-12,097	-1,547	-773

10 Other long-term financial investments

At 31 December	Note	EEK '000		€'000	
		2009	2008	2009	2008
Available-for-sale financial assets		152,836	74,165	9,768	4,740
Other shares		336	158	21	10
Total		153,172	74,323	9,789	4,750

1. Available-for-sale financial assets

Carrying amount at 01 January		74,165	215,078	4,740	13,746
Sale of shares		-6,318	0	-404	0
Realised gain from sale		1,624	0	104	0
Changes in the fair value reserve	21	83,365	-140,913	5,328	-9,006
Carrying amount at 31 December		152,836,	74,165	9,768	4,740

2. Other shares

Carrying amount at 01 January		158	158	10	10
Additions		178	0	11	0
Carrying amount at 31 December		336	158	21	10
Total carrying amount at 31 December		153,172	74,323	9,789	4,750

<i>PKC Group OYj share</i>		2009	2008
Number of the shares (1000)		1.480	1.580
Ownership (%)		8.32	8.89
Market price at 31 December (EEK)		103.27	46.94
Market price at 31 December (€)		6.60	3.00

PKC Group Oyj shares are listed on the Helsinki Stock Exchange and have been classified as available-for-sale financial assets and are therefore stated on the statement of financial position at their fair value (Note 1.5.b). The fair value of shares is their market value. Gains and losses arising from changes in the fair value of financial assets are recognised directly in equity as a revaluation reserve (Note 21). Changes in the market value of shares may significantly influence the value of the Group's assets and equity. Information on PKC shares pledged as loan collateral has been disclosed in Note 16. For the financial year the PKC Group Oyj paid dividends to the amount of 0.15 euros per share (0.45 euros in 2008). Other shares are stated in the statement of financial position at acquisition cost.

11 Investment property

	Note	EEK '000			€'000		
		Land	Buildings	Total	Land	Buildings	Total
At 31 December 2007							
Cost		8,885	152,022	160,907	568	9,716	10,284
Accumulated depreciation		0	-27,068	-27,068	0	-1,730	-1,730
Carrying amount 31.12.2007		8,885	124,954	133,839	568	7,986	8,554
For the year ended 31 December							
Additions		0	5,237	5,237	0	335	335
Depreciation charge		0	-4,720	-4,720	0	-302	-302
Transfer from property, plant and equipment	12	0	-619	-619	0	-40	-40
Total for the period		0	-102	-102	0	-7	-7
At 31 December 2008							
Cost		8,885	156,248	165,133	568	9,986	10,554
Accumulated depreciation		0	-31,396	-31,396	0	-2,007	-2,007
Carrying amount 31.12.2007		8,885	124,852	133,737	568	7,979	8,547
For the year ended 31 December							
Additions		0	9,226	9,226	0	590	590
Depreciation charge		0	-5,787	-5,787	0	-369	-369
Total for the period		0	3,439	3,439	0	221	221
At 31 December 2009							
Cost		8,885	156,855	165,740	568	10,025	10,593
Accumulated depreciation		0	-37,183	-37,183	0	-2,376	-2,376
Carrying amount 31.12.2009		8,885	119,672	128,557	568	7,649	8,217
Construction in progress		0	8,619	8,619	0	551	551
At 31 December 2009		8,885	128,291	137,176	568	8,200	8,768

The Group's investment properties comprise production and office buildings in Keila and Haapsalu (Estonia) where transactions with similar properties are irregular. Due to this and the large number of the properties, determination of the fair value of the investment properties would be costly and might not produce reliable results. Therefore, the Group has not performed such valuations and has not commissioned them from independent experts. According to management estimates, the fair value of the Group's investment properties falls between EEK 150 million and EEK 170 million (between € 9.6 and 10.9 million).

In 2009, the direct maintenance and repair expenses of investment property totalled EEK 3.4 million (€ 0.22 million) compared to EEK 3.4 million (€ 0.22 million) in the reference period. Information on rental income from investment property has been disclosed in Note 13.

12 Property, plant and equipment

12.1. Statement of changes in property, plant and equipment

EEK '000	Note	Land	Buildings	Plant and equipment	Other items	Total
At 31 December 2007						
Cost		3,257	59,777	92,122	9,258	164,414
Accumulated depreciation		0	-9,628	-51,118	-5,926	-66,672
Carrying amount		3,257	50,149	41,004	3,332	97,742
Construction in progress		0	7,061	145	0	7,206
At 31 December 2007		3,257	57,210	41,149	3,332	104,948
For the year ended 31 December						
Additions		0	15,361	14,122	1,381	30,864
Depreciation charge		0	-3,028	-8,728	-1,252	-13,008
Transfer to investment property	11	0	619	0	0	619
Total for the period		0	12,952	5,394	129	18,475
At 31 December 2008						
Cost		3,257	64,567	106,000	9,836	183,660
Accumulated depreciation		0	-13,049	-59,575	-6,375	-78,999
Carrying amount		3,257	51,518	46,425	3,461	104,661
Construction in progress		0	18,644	118	0	18,762
At 31 December 2008		3,257	70,162	46,543	3,461	123,423
For the year ended 31 December						
Additions		0	8,925	4,229	3,125	16,279
Disposals		0	-1,901	-291	-11	-2,203
Depreciation charge for the year		0	-2,891	-8,781	-1,252	-12,924
Total for the period		0	4,133	-4,843	1,862	1,152
At 31 December 2009						
Cost		3,257	87,954	108,477	12,589	212,277
Accumulated depreciation		0	-13,659	-67,130	-7,266	-88,055
Carrying amount		3,257	74,295	41,347	5,323	124,222
Construction in progress		0	0	353	0	353
At 31 December 2009		3,257	74,295	41,700	5,323	124,575

12 Property, plant and equipment (continued)

€'000	Note	Land	Buildings	Plant and equipment	Other items	Total
At 31 December 2007						
Cost		208	3,820	5,888	592	10,508
Accumulated depreciation		0	-615	-3,267	-379	-4,261
Carrying amount		208	3,205	2,621	213	6,247
Construction in progress		0	451	9	0	460
At 31 December 2007		208	3,656	2,630	213	6,707
For the year ended 31 December						
Additions		0	982	903	88	1,973
Depreciation charge		0	-193	-558	-80	-831
Transfer to investment property	11	0	40	0	0	40
Total for the period		0	829	345	8	1,182
At 31 December 2008						
Cost		208	4,127	6,775	628	11,738
Accumulated depreciation		0	-834	-3,808	-407	-5,049
Carrying amount		208	3,293	2,967	221	6,689
Construction in progress		0	1,192	8	0	1,200
At 31 December 2008		208	4,485	2,975	221	7,889
For the year ended 31 December						
Additions		0	570	270	200	1,040
Disposals		0	-121	-19	-1	-141
Depreciation charge for the year		0	-185	-561	-80	-826
Total for the period		0	264	-310	119	73
At 31 December 2009						
Cost		208	5,621	6,933	805	13,567
Accumulated depreciation		0	-872	-4,291	-465	-5,628
Carrying amount		208	4,749	2,642	340	7,939
Construction in progress		0	0	23	0	23
At 31 December 2009		208	4,749	2,665	340	7,962

At 31 December 2009, the total cost of the Group's fully depreciated items of property, plant and equipment that were still in use was EEK 17,667 (€ 1,129) thousand and as at 31 December 2008 EEK 15,340 (€ 980) thousand.

12 Property, plant and equipment (continued)

12.2. Assets acquired with finance lease

	EEK'000			€'000		
	Cost	Depreciation	Carrying amount	Cost	Depreciation	Carrying amount
At 31 December 2007	5,327	-1,231	4,096	341	-79	262
Additions	10,890	0	10,890	696	0	696
Depreciation	0	-685	-685	0	-44	-44
Lease discontinued	-741	286	-455	-47	18	-29
At 31 December 2008	15,476	-1,630	13,846	990	-105	885
Additions	263	0	263	17	0	17
Depreciation	0	-1,465	-1,465	0	-94	-94
Lease discontinued	-2,641	1,439	-1,202	-170	93	-77
At 31 December 2009	13,098	-1,656	11,442	837	-106	731

Information on finance lease liabilities and lease terms has been disclosed in Note 15.

12.3. Assets leased out under operating leases

	EEK '000		€'000	
	2009	2008	2009	2008
At 31 December				
Plant and equipment				
Cost of items leased out	301	1,169	19	75
Accumulated depreciation	-38	-1,169	-2	-75
Carrying amount at end of period	263	0	17	0

13 Operating leases

	Note	EEK '000		€'000	
		2009	2008	2009	2008
For the year ended 31 December					
Lease income					
- on investment property		29,796	28,971	1,904	1,851
- on plant and equipment		125	171	8	11
TOTAL	23	29,921	29,142	1,912	1,862
Lease expense					
Office, commercial and production premises		1,873	2,225	120	142
Vehicles		817	869	52	56
Other		885	513	57	33
TOTAL		3,575	3,607	229	231

In the comprehensive income statement, lease income is recognised in revenue; the expenses and depreciation related to assets that have been leased out are recognised in the cost of sales.

13 Operating leases (continued)

Future lease payments under non-cancellable operating leases are based on contract periods.

For the year ended 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Lease income				
< 1 year	28,615	30,215	1,829	1,931
1-5 years	82,315	57,076	5,261	3,648
Total lease income	110,930	87,291	7,090	5,579
Lease expenses				
< 1 year	353	1,046	23	67
1-5 years	673	393	43	25
Total lease expenses	1,026	1,439	66	92

14 Intangible assets

	EEK '000			€'000		
	Expenditure on development	Other	TOTAL	Expenditure on development	Other	TOTAL
At 31 December 2007						
Cost	1,550	6,374	7,924	99	407	506
Accumulated depreciation	-778	-3,877	-4,655	-50	-247	-297
Carrying amount 31.12.2007	772	2,497	3,269	49	160	209
For the year ended 31 December						
Additions	306	802	1,108	20	51	71
Depreciation charge for the year	-219	-957	-1,176	-14	-61	-75
Total	87	-155	-68	6	-10	-4
At 31 December 2008						
Cost	1,825	7,175	9,000	117	459	576
Accumulated depreciation	-966	-4,833	-5,799	-62	-309	-371
Carrying amount 31.12.2008	859	2,342	3,201	55	150	205
For the year ended 31 December						
Additions	81	3,763	3,844	5	241	246
Depreciation charge for the year	-230	-1,000	-1,230	-15	-65	-80
Total	-149	2,763	2,614	-10	176	166
At 31 December 2009						
Cost	1,906	10,928	12,834	122	698	820
Accumulated depreciation	-1,196	-5,823	-7,019	-77	-372	-449
Carrying amount 31.12.2009	710	5,105	5,815	45	326	371

Expenditure on development is direct costs related to the production and testing of products. Other intangible assets comprise primarily product manufacturing and software licences.

14 Intangible assets (continued)

As at 31 December 2009, the total cost of the Group's fully depreciated intangible assets still in use was EEK 2,058 thousand (€ 132 thousand), compared to EEK 1,152 thousand (€ 74 thousand) at 31 December 2008.

15 Interest-bearing loans and borrowings

15.1. At 31 December

	EEK '000		€'000	
	2009	2008	2009	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 interest-bearing loans and borrowings	25,182	58,339	1,609	3,728
Loans and borrowings at the beginning of the year	58,339	48,324	3,728	3,088
Changes during the period 1.01. – 31.12				
Changes in short-term loans	-14,902	11,340	-953	725
Received long-term loans	0	3,005	0	192
Long-term loan repaid	-16,337	-11,364	-1,044	-726
New finance lease liabilities	263	10,890	17	696
Payment of finance lease principal	-2,181	-3,856	-139	-247
Loans and borrowings at the end of the year	25,182	58,339	1,609	3,728

15.2. Short-term bank loan terms

At 31 December

Base currency	Overdraft limit in base currency		Interest rate	EEK'000		€'000		
	2009	2008		2009	2008	2009	2008	
EUR	600,000	600,000	1k euribor+0,5%	+0,5%	2,981	8,118	190	519
EUR	1,200,000	1,200,000	1k euribor+0,4%	+0,4%	5,462	13,893	349	888
EUR	33,000	33,000	Nordea basic rate +1,75%	0	205	0	13	0
EUR	500,000	500,000	1k euribor+0,4%	+0,5%	4,299	5,838	275	373
Total short-term bank loans					12,947	27,849	827	1,780

15 Interest-bearing loans and borrowings (continued)**15.3. Long-term bank loans and terms**

At 31 December	EEK'000		€'000	
	2009	2008	2009	2008
Total loan payable; terms; maturity date				
EUR 850,000; 3 m euribor+0.48%; 2010	782	3,912	50	250
EUR 1,530,000; 3 m euribor+0.80% (2008+0.80%); 2010	1,408	7,041	90	450
EUR 447,382; fixed 4.32%; 2011	2,506	3,928	160	251
LTL 1,565,385; 6m vilibor	0	6,152	0	393
Total	4,696	21,033	300	1,344
including by due dates				
< 1 year	3,682	12,067	235	771
1 - 2 years	1,014	5,565	65	356
2 - 5 years	0	3,401	0	217
Interest expense for the year ended 31 December	350	1,568	22	100

According to management assessment, the fair value of loans at the reporting date does not differ significantly from their book value. In 2009 the weighted average effective interest rate of long-term bank loans was 3.6% compared to 5.9 % in the reference period.

The loans are secured with financial assets (Note 16).

15.4. Finance lease liabilities

<i>Present value of lease payments</i>	EEK '000			€'000		
	Initial value	Settle-ment	Present value	Initial value	Settle-ment	Present value
At 31 December 2007	5,124	-2,701	2,423	328	-173	155
Acquisition	10,890	0	10,890	696	0	696
Payment of finance lease	0	-3,856	-3,856	0	-247	-247
Lease discontinued	-667	667	0	-43	43	0
At 31 December 2008	15,347	-5,890	9,457	981	-377	604
Acquisition	263	0	263	17	0	17
Payment of finance lease	0	-2,181	-2,181	0	-139	-139
Lease discontinued	-5,589	5,589	0	-357	357	0
At 31 December 2009	10,021	-2,482	7,539	641	-159	482

The base currency of lease contracts is mainly the euro. The 31 December 2009 finance lease liabilities, the base currency of which is Lithuanian litas, amounted to 292 thousand kroons (19 thousand euros), compared to 503 thousand kroons (32 thousand euros) at 31 December 2008.

At 31 December 2009 interest rates of finance lease contracts were 1.5–5.9% (at 31 December 2008 4.1–6.0%).

In 2009 the weighted average effective interest rate of finance lease was 3.2 % compared to 5.5 % in the reference period.

15 Interest-bearing loans and borrowings (continued)**15.5. Finance lease liabilities by due dates**

	EEK '000				€'000			
	<1 year	1-5 years	> 5 years	Total	<1 year	1-5 years	> 5 years	Total
At 31 December 2008								
Minimum amount of lease payments	2,502	7,508	1,140	11,150	160	480	73	713
Future financing cost	-460	-1,204	-29	-1,693	-30	-77	-2	-109
Present value of lease payments	2,042	6,304	1,111	9,457	130	403	71	604
At 31 December 2009								
Min sum of lease payments	1,632	6,216	0	7,848	104	398	0	502
Future financing cost	-95	-214	0	-309	-6	-14	0	-20
Present value of lease payments	1,537	6,002	0	7,539	98	384	0	482

Lease payments are made monthly.

16 Loan collateral and pledged assets

At 31 December 2009	Number	Balance of investment loan		Overdraft limit	
Pledged assets	'000	EEK '000	€'000	EEK '000	€'000
PKC Group Oyj equity securities	1,216	4,696	300	17,211	1,100

At 31 December 2009, the carrying amount of pledged securities amounted to EEK 125.6 million (€ 8.0 million). The Group pledges the shares in favour of the bank as security for due and punctual fulfilling of all obligations towards the bank undertaken in the loan agreement. According to the pledge agreement Group undertakes to promptly pledge additional shares, if the market value of the pledged shares is not at least 50% more of the outstanding principal of the loan. Further information on PKC Group Oyj shares can be found in Note 10.

17 Trade and other payables

At 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Trade payables				
Payable for goods and services	41,721	70,802	2,667	4,525
Payable for property, plant and equipment	58	1,928	3	123
Payable for investment property	2,017	0	129	0
Total	43,796	72,730	2,799	4,648
Accrued expenses				
Payables to employees	18,250	23,955	1,166	1,531
Interest payable	5	20	0	13
Other	2,498	3,163	160	190
Total	20,753	27,138	1,326	1,734
Advances from customers	9,667	12,220	618	781
Payables to associates	56	264	3	17
Miscellaneous payables	1,618	43	104	3
Total	75,890	112,395	4,850	7,183

18 Taxes

At 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Prepayment				
Value-added tax	805	1,944	52	124
Income tax	0	47	0	3
Total	805	1,991	52	127
Liability				
Value-added tax	2,815	1,937	180	124
Income tax	620	1,551	39	99
Personal income tax	2,298	2,694	147	172
Social security tax	4,099	4,101	262	262
Other taxes	535	933	35	60
Total	10,367	11,216	663	717

19 Provisions

2008	Warranty provision		Other provisions		Total	
	EEK '000	€'000	EEK '000	€'000	EEK '000	€'000
At 31 December 2007	1,087	70	334	21	1,421	91
Provisions made during the year	1,294	83	0	0	1,294	83
Provisions used during the year	-1,087	-70	-334	-21	-1,421	-91
At 31 December 2008	1,294	83	0	0	1,294	83
2009						
Provisions made during the year	1,302	83	248	16	1,550	99
Provisions used during the year	-1,439	-92	-248	-16	-1,687	-108
At 31 December 2009	1,157	74	0	0	1,157	74

The warranty provision is established to cover contingent warranty repair expenses. AS Harju Elekter grants the products sold by Group a two-year warranty period during which it has to repair or replace free of charge substandard and defective products.

20 Contingent liabilities**20.1. Corporate Income tax**

At 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Consolidated retained earnings	156,770	153,445	10,020	9,808
Max sum of dividends payable to owners	123,848	121,222	7,916	7,748
Income tax payable on dividends	32,922	32,223	2,104	2,060

The maximum contingent income tax liability has been calculated under the assumption that the net dividend and the maximum contingent income tax liability cannot exceed the distributable profits as of 31 December 2009.

20 Contingent liabilities (continued)

Contingent income tax liability has been calculated based on the tax rate enacted before 1 January 2009 (for 2008 before 1 January 2008). If the profit allocation proposal to distribute a dividend of EEK 13.4 million (€ 859 thousand) will be approved by the general meeting the income tax liability in the amount of EEK 3.6 million (€ 228 thousand) will be payable.

21 Capital and reserves

21.1. Share capital and share premium

At 31 December	EEK		€	
	2009	2008	2009	2008
Share capital ('000)	168,000	168,000	10,737	10,737
Par value of a share	10	10	0.64	0.64
Number of shares issued ('000) (fully paid)	16,800	16,800	16,800	16,800
Share premium	6,000	6,000	384	384

Authorised share capital according to the Articles of Association is 20 million shares of EEK 10 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings and to residual assets.

21.2. Dividend per share

Based on the results for 2008, shareholders were distributed a dividend of EEK 16.8 million (€ 1.07 million), i.e. EEK 1.00 (€ 0.0648) per share. The dividends were paid out on 19 May 2009.

According to the profit allocation proposal, for 2009 a dividend of EEK 13.4 million (€ 859 thousand), i.e. EEK 0.80 (€ 0.0511) per share will be distributed. The dividend will be recognised when the profit allocation proposal has been approved by the general meeting.

21.3. Shareholders holding over 5 percent of the votes determined by shares

	2009	2008
AS Harju KEK	32.14%	32.15%
ING Luxembourg S.A	11.31%	11.31%
Lembit Kirsme	8.33%	8.33%
Endel Palla	5.95%	5.66%
Others	42.27%	42.55%

21 Capital and reserves (continued)

21.4. Members of the management and supervisory boards of AS Harju Elekter

	Number of shares	Direct ownership	Indirect ownership
Supervisory board			
Palla, Endel	1,000,100	5.95%	0.33%
Kirsme, Lembit	1,400,000	8.33%	0.72%
Talgre, Madis	21,000	0.13%	0.00%
Kabal, Ain	3,660	0.02%	0.00%
Toome, Andres	0	0.00%	0.06%
Total	2,424,760	14.43%	1.11%
Management board			
Allikmäe, Andres	186,800	1.11%	0.00%
Padjus, Karin	110,193	0.66%	0.25%
Libe, Lembit	17,760	0.11%	0.00%
Total	314,753	1.88%	0.25%

The number of shares held by shareholders and the ownership interests were determined on 31 December 2008 at 11:59 p.m.

In accordance with Tallinn Stock Exchange Rules, an issuer is obliged to disclose in the annual report information on the number of the issuer's shares belonging to members of its management and supervisory boards (direct interest) and people connected to them (indirect interest) as at the end of the reporting period. Voting stock belonging to a company controlled by a shareholder is also treated as indirect interest. People connected to shareholders include their spouses, minor children and people sharing the household with them.

21.5. Reserves

	EEK '000		€'000	
At 31 December	2009	2008	2009	2008
Capital reserve	16,800	16,800	1,073	1,073
Fair value reserve	132,960	52,946	8,498	3,384
Total	149,760	69,746	9,571	4,457

(b) Changes in the fair value reserve

	EEK '000		€'000	
For the year	2009	2008	2009	2008
At 01 January	52,946	193,859	3,384	12,390
Gains on the restatement of financial assets	83,365	-140,913	5,328	-9,006
Realised gain from sale of financial assets	-3,351	0	-214	0
At 31 December	132,960	52,946	8,498	3,384

Harju Elekter has a 8.32 (2008: 8.89) percent interest in PKC Group Oyj, a Finnish company. (Note 10). The investment has been classified as available-for sale. Financial assets available-for-sale are stated on the statement of financial position at their fair value. Gains and losses arising from changes to the fair value are recognised directly as equity. When the financial assets available-for-sale are sold, the related cumulative gain or loss previously recognised in the fair value reserve will be recognised in the profit or loss statement for the period. In 2009, 100,000 shares in PKC Group Oyj were sold, in 2008 any shares were not sold.

If all the shares in PKC Oyj were sold, the fair value reserve would transform into profit.

21.6. Share-based payments

The Annual General Meeting of the shareholders held on April 23, 2009 decided to organize the issue of shares to both employees of the Group and to members of the managing bodies of the companies related to the Group by issuing up to 600 thousand new nominal shares. The issue will take place from 01.06 to 15.06.2012. The subscription right of this issue of shares is guaranteed to those employees who have concluded the relevant preliminary contract and have an employment or service contract concluded with the Group valid until the last day of the period of subscription for the shares. During the period for the conclusion of preliminary contracts, from 8 June to 19 June 2009, subscription rights for 578.4 thousand shares was registered. The established subscription price of shares for the period from 4 May to 29 May 2009 is the average daily stock exchange price of the share of AS Harju Elekter on the Tallinn Stock Exchange in Euros (EUR) plus ten percent (+10 %). Thus the issue price of the share amounted to 1.10 Euros (17.21 kroons). The regular meeting of the shareholders will make the decision on organizing the issue of shares in 2012 provided that the market price of the share exceeds the issue price.

IFRS 2 principles are used to present the subscription rights. In the second half of 2009 899 thousand kroons (57 thousand Euros) was shown as the cost of labour and the increase in retained earnings within the equity.

In order to assess the services provided (labour input) of employees for shares the Group used the fair value of subscription at the time of conclusion of a preliminary contract. The value determined by an independent expert was 0.55 Euros (8.61 kroons) per subscription right for one share. The Black-Scholes evaluation model was used to determine the fair value of the share. In order to determine the price the weighted average market price of a share, the estimated volatility of the share and the duration of the period between the conclusion of a preliminary contract and the estimated moment of subscription for shares were taken into account.

22 Segment reporting

The Management Board of the parent company of the Group, AS Harju Elekter, is the highest decision maker in operational matters. The Management Board of the parent company reviews internal reports of the Group in order to evaluate the performance of the company and make decisions on the distribution of resources. The Management Board determines the business segments on the basis of these reports.

Two segments – production and real estate – are distinguished in the consolidated financial statements.

“Manufacturing” – The manufacture and sale of power distribution and control systems as well as data and communications systems and fibre optic cables and various sheet metal products and subcontracting in the area of sheet metal works; research and development; services related to manufacturing and intermediary sale of components.

“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.

The Group evaluates the performance of operating segments on the basis of revenue and operating profit. The Management Board also uses the EBITDA margin in its external reports. On the basis of the assessment given by the management of the parent company translations between segments are carried out in conventional market conditions that do not differ substantially from the conditions for

22 Segment reporting (continued)

transactions with third parties. The assets of the production segment include the direct assets of the segment and the assets attributed to it. The assets of the real estate segment and other activities consist mainly of trade receivables, inventories and non-current assets related to these activities. The Group's indivisible assets consist of the cash of the parent company, various receivables, prepayments and other financial investments.

The liabilities of the production segment include the direct liabilities of the segment and the liabilities attributed to it. The liabilities of the real estate segment and other activities consist mainly of payables for goods, services and property related to these activities, advances from customers and prepayments from profits of future periods. The Group's indivisible liabilities consist of the Group's interest-bearing loans and borrowings, tax liabilities and accrued expenses.

EEK'000	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
2008					
Revenue from external customers	772,622	36,536	62,452	0	871,610
Inter-segment revenue	5,327	13,095	2,401	-20,823	0
Total revenue	777,949	49,631	64,853	-20,823	871,610
Operating profit	37,222	17,365	-4,571	48	50,064
Segment assets	363,585	137,994	24,459	-202	525,836
Group's indivisible assets					76,151
Total assets					601,987
Segment liabilities	155,602	852	5,686	-1,556	160,584
Group's indivisible liabilities					22,660
Total liabilities					183,244
Capital expenditure	29,829	5,387	1,993	0	37,209
Depreciation charge for the year (note 11,12,13)	12,510	4,721	1,707	-34	18,904
2009					
Revenue from external customers	561,806	37,634	33,235	0	632,675
Inter-segment revenue	2,764	13,665	3,472	-19,901	0
Total revenue	564,570	51,299	36,707	-19,901	632,675
Operating profit	12,399	17,287	-1,401	28	28,313
Segment assets	299,245	146,538	17,978	-1,029	462,732
Group's indivisible assets					155,416
Total assets					618,148
Segment liabilities	98,079	2,892	5,493	-3,016	103,448
Group's indivisible liabilities					10,712
Total liabilities					114,160
Capital expenditure	15,260	9,226	4,863	0	29,349
Depreciation charge for the year (note 11,12,13)	12,477	5,787	1,701	-24	19,941

22 Segment reporting (continued)

€'000	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
2008					
Revenue from external customers	49,380	2,335	3,991	0	55,706
Inter-segment revenue	340	837	153	-1,330	0
Total revenue	49,720	3,172	4,144	-1,330	55,706
Operating profit	2,379	1,110	-293	3	3,199
Segment assets	23,237	8,819	1,564	-13	33,607
Group's indivisible assets					4,867
Total assets					38,474
Segment liabilities	9,945	54	363	-99	10,263
Group's indivisible liabilities					1,448
Total liabilities					11,711
Capital expenditure	1,907	344	128	0	2,379
Depreciation charge for the year (note 11,12,13)	800	302	108	-2	1,208
2009					
Revenue from external customers	35,906	2,405	2,124	0	40,435
Inter-segment revenue	177	873	222	-1,272	0
Total revenue	36,083	3,278	2,346	-1,272	40,435
Operating profit	793	1,105	-91	2	1,809
Segment assets	19,125	9,366	1,149	-66	29,574
Group's indivisible assets					9,933
Total assets					39,507
Segment liabilities	6,268	185	351	-193	6,611
Group's indivisible liabilities					685
Total liabilities					7,296
Capital expenditure	975	590	311	0	1,876
Depreciation charge for the year (note 11,12,13)	797	371	109	-2	1,275

Capital expenditure includes investment properties (note 11), property, plant and equipment (note 12) and intangible assets (note 14) acquisitions.

23 Income statement line items

For the year ended 31 December	Note	EEK '000		€'000	
		2009	2008	2009	2008
Revenue					
<i>Revenue by business area</i>					
Electrical equipment		498,937	678,526	31,888	43,366
Sheet metal products and services		19,577	35,020	1,251	2,238
Boxes for telecom sector and services		17,738	24,300	1,134	1,553
Intermediary sale of electrical products and components		49,950	88,355	3,192	5,647
Commerce and mediation of services		9,206	8,507	588	544
Rental income	13	29,921	29,142	1,912	1,862
Other services		7,346	7,760	470	496
Total		632,675	871,610	40,435	55,706
<i>Revenue by markets</i>					
Estonia		232,741	324,065	14,875	20,712
Finland		270,055	390,683	17,260	24,969
Lithuania		66,475	98,746	4,249	6,311
Other EU countries		23,443	47,095	1,498	3,010
Non-EU countries		39,961	11,021	2,553	704
Total		632,675	871,610	40,435	55,706
Cost of sales					
Goods and materials		-360,463	-533,832	-23,038	-34,118
Services		-22,897	-48,107	-1,463	-3,075
Personnel expenses (see below)		-98,278	-119,707	-6,281	-7,651
Depreciation and amortisation		-16,461	-15,551	-1,052	-994
Other		-6,102	-9,034	-390	-577
Change in work in progress and finished goods inventories		-23,870	-7,236	-1,526	-462
Total		-528,071	-733,467	-33,750	-46,877
Distribution costs					
Services purchased		-5,088	-7,343	-325	-469
Personnel expenses (see below)		-18,851	-22,615	-1,205	-1,446
Depreciation and amortisation		-664	-897	-42	-57
Other		-6,128	-7,930	-392	-507
Total		-30,731	-38,785	-1,964	-2,479
Administrative expenses					
Services purchased		-5,863	-5,911	-374	-378
Personnel expenses (see below)		-30,116	-29,838	-1,925	-1,907
Depreciation and amortisation		-2,816	-2,456	-181	-157
Other		-7,252	-10,553	-463	-675
Total		-46,047	-48,758	-2,943	-3,117
Incl. development costs		-6,944	-7,434	-444	-475

23 Income statement line items (continued)

For the year ended 31 December	Note	EEK '000		€'000	
		2009	2008	2009	2008
<i>Personnel expenses allocated to cost of sales, distribution and administrative expenses:</i>					
Salaries and other remuneration		-114,270	-132,402	-7,303	-8,462
Social and other taxes on salaries and other remuneration		-34,287	-38,423	-2,191	-2,456
Share-based payment transactions		-899	0	-57	0
Accruals		2,211	-1,335	140	-86
Total		-147,245	-172,160	-9,411	-11,004
Other income					
Gains on sale of property, plant and equipment		124	13	8	1
Interest on arrears and penalty payments received		679	25	43	2
Foreign exchange gain		0	2	0	0
Other		274	284	18	18
Total		1,077	324	69	21
Other expenses					
Losses on disposal of property, plant and equipment		-13	0	-1	0
Interest on arrears, penalty payments and similar items paid		-38	-114	-3	-7
Losses from foreign exchange differences		-3	0	0	0
Gifts and donations made		-437	-469	-28	-30
Other		-99	-277	-6	-18
Total		-590	-860	-38	-55
Finance income					
Interest income		711	564	45	36
Dividend income		3,474	11,125	222	711
Income from sale of financial assets		4,975	0	318	0
Total		9,160	11,689	585	747
Finance costs					
Interest expense		-1,115	-2,944	-71	-188
Net loss from foreign exchange differences		-89	-51	-6	-3
Total		-1,204	-2,995	-77	-191

24 Income tax expense

Theoretical income tax incurred on the Group's profit differs from the actual income tax expense for the reasons stated in the following table.

EEK '000	Estonia		Finland		Lithuania		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Profit (loss) before income tax	16,871	35,551	4,317	10,772	6,855	8,367	28,043	54,690
Income tax rate	0%	0%	26%	26%	20%	15%		
Theoretical income tax expense	0	0	-1,123	-2,801	-1,371	-1,255	-2,494	-4,056
Income tax expense on dividends	-3,688	-8,465	0	0	0	0	-3,688	-8,465
Effect of non-taxable income	0	0	9	0	92	77	101	77
Effect of non-taxable expenses	0	0	-89	-113	-186	-72	-275	-185
Income tax expense	-3,688	-8,465	-1,203	-2,914	-1,465	-1,250	-6,356	-12,629

€'000	Estonia		Finland		Lithuania		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
Profit (loss) before income tax	1,078	2,272	276	688	438	535	1,792	3,495
Income tax rate	0%	0%	26%	26%	20%	15%		
Theoretical income tax expense	0	0	-72	-179	-87	-80	-159	-259
Income tax expense on dividends	-236	-541	0	0	0	0	-236	-541
Effect of non-taxable income	0	0	1	0	6	5	7	5
Effect of non-taxable expenses	0	0	-6	-7	-12	-5	-18	-12
Income tax expense	-236	-541	-77	-186	-93	-80	-406	-807

There are no deferred income tax liabilities in the Lithuanian and Finnish subsidiaries.

25 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit 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 31.12.2009 the Group had 578.4 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 23 April 2009 the price of a share was established at the level of 1.10 Euros (17.21 kroons). As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 0.55 Euros (8.61 kroons). Thus the subscription price per each share within the meaning of IFRS 2 is 1.65 Euros (25.82 kroons) and the potential shares become dilutive only after their average market price of the period exceed 1.65 Euros (25.82 kroons). The average market price of the share was 32.78 kroons (2.10 Euros). The issue of shares would account for 14.9 million kroons (954 thousand Euros). In order to obtain the same amount 455.6 thousand (14.9/32.78) new shares at the average market price would be issued. The difference between the number of dilutive potential shares and the number of shares issued at the market price which is 122.8 shares (578.4-455.6) could be interpreted as shares granted free of charge and the average number of shares has been adjusted by that number.

25 Basic and diluted earnings per share (continued)

	Unit	EEK '000		€'000	
		2009	2008	2009	2008
Profit attributable to equity holders of the parent	'000	19,226	38,551	1,229	2,464
Average number of shares during the period	'000	16,800	16,800	16,800	16,800
Basic earnings per share		1.14	2.29	0.07	0.15
Adjusted number of shares during the period	'000	16,867	16,800	16,867	16,800
Diluted earnings per share		1.14	2.29	0.07	0.15

26 Cash flow statement line items

For the year ended 31 December	Note	EEK '000		€'000	
		2009	2008	2009	2008
Corporate income tax paid					
Income tax expense	24	-6,356	-12,629	-406	-807
Prepayment decrease (+)/ increase (-) liability decrease (-)/ increase (+)	18	-884	1,549	-57	99
Corporate income tax paid		-7,240	-11,080	-463	-708
Interest paid					
Interest expense	23	-1,115	-2,944	-71	-188
Liability decrease (-)/ increase (+) incurred by purchase	17	-15	164	-1	10
Interest paid		-1,130	-2,780	-72	-178
Paid for investment property					
Additions of investment property	11	-9,226	-5,237	-590	-335
Liability decrease (-)/ increase (+) incurred by purchase	17	2,017	0	129	0
Acquisition of investment property		-7,209	-5,237	-461	-335
Paid for property plant and equipment					
Additions of property plant and equipment	12	-16,279	-30,864	-1,040	-1,973
Acquired with finance lease	12	263	10,890	17	696
Liability decrease (-)/ increase (+) incurred by purchase	17	-1,870	1,749	-120	112
Acquisition of property plant and equipment		-17,886	-18,225	-1,143	-1,165
Proceeds from sale of property plant and equipment					
Book value of disposed property plant and equipment	12	2,203	0	141	0
Profit on disposal of property plant and equipment		110	13	7	1
Proceeds from sale of property plant and equipment		2,313	13	148	1
Interest received					
Interest income	23	711	564	45	36
Interest receivable decrease (+)/ increase (-)	6	35	-36	3	-2
Interest received		746	528	48	34

27 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 percent of the shares of AS Harju Elekter.

Transactions with related parties

For the year ended 31 December	EEK '000		€'000	
	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
<i>Inclusive:</i>				
- 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
<i>Inclusive:</i>				
- 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				
Receivables with associates: goods and services	2,663	1,970	170	126
Payables with associates: goods and services	56	264	3	17

Remunerations and compensations

Remuneration to management and supervisory boards				
- salaries bonuses additional remuneration	3,649	4,196	233	268
- fringe benefits	96	69	6	4
Total	3,745	4,265	239	272
Share-based payment transactions				
- to management of associates	16	0	1	0
- to management of Harju KEK	62	0	4	0
- to management and supervisory board of Harju Elekter	124	0	8	0
Total	202	0	13	0

Further information on share-based payment transactions can be found in Note 21.6.

The Group does not give the members of the Management Board any benefits related to pension. Chairman of the Management Board has the right to receive severance pay. No other transactions with members of the Group's governing bodies and people connected to them were carried out.

28 Financial information of parent company

STATEMENT OF FINANCIAL POSITION

At 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Cash and cash equivalents	1,397	1,225	89	78
Trade receivables	5,413	6,912	346	442
Receivables from related parties	5,601	3,449	358	220
Other receivables and prepayments	866	627	55	40
Inventories	4,843	7,706	310	493
Total current assets	18,120	19,919	1,158	1,273
Investments in subsidiaries	44,459	44,459	2,841	2,841
Investments in associates	8,840	8,840	565	565
Other investments	153,172	74,323	9,790	4,750
Investment property	181,000	168,524	11,568	10,771
Property plant and equipment	6,808	15,324	435	980
Intangible assets	4,531	1,395	290	89
Total non-current assets	398,810	312,865	25,489	19,996
TOTAL ASSETS	416,930	332,784	26,647	21,269
Liabilities				
Loans	6,490	14,601	415	933
Trade payables	6,783	6,478	433	414
Payables to related parties	24	0	2	0
Tax liabilities	1,155	1,466	74	94
Other payables and advances received	4,645	4,463	297	285
Total current liabilities	19,097	27,008	1,221	1,726
Non-current portion of loans	0	2,191	0	140
Total liabilities	19,097	29,199	1,221	1,866
Equity				
Share capital	168,000	168,000	10,737	10,737
Share premium	6,000	6,000	383	383
Reserves	149,760	69,746	9,571	4,457
Retained earnings	74,073	59,839	4,735	3,826
Total equity	397,833	303,585	25,426	19,403
TOTAL LIABILITIES AND EQUITY	416,930	332,784	26,647	21,269

28 Financial information of parent company (continued)**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 December	EEK '000		€'000	
	2009	2008	2009	2008
Revenue inclusive:				
Revenue	88,006	114,953	5,624	7,347
Cost of sales	-50,307	-74,483	-3,215	-4,760
Gross profit	37,699	40,470	2,409	2,587
Other income	292	125	19	8
Distribution expenses	-5,909	-10,385	-378	-664
Administrative expenses	-15,460	-16,806	-988	-1,074
Other expenses	-407	-610	-26	-39
Operating profit	16,215	12,794	1,036	818
Income from subsidiaries	8,715	6,755	557	432
Income from available-for-sale financial assets				
-Dividend income	3,474	11,125	222	711
-Income from sale	4,975	0	318	0
Interest income	69	629	4	40
Interest expense	-256	-1,194	-16	-76
Foreign exchange loss	-9	-12	-1	-1
Profit before tax	33,183	30,097	2,120	1,924
Corporate income tax expense	-2,149	-7,136	-137	-456
Profit for the period	31,034	22,961	1,983	1,468
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	80,014	-140,913	5,114	-9,006
Total comprehensive income for the period	111,048	-117,952	7,097	-7,538

28 Financial information of parent company (continued)**STATEMENT OF CASH FLOWS**

	EEK '000		€'000	
	2009	2008	2009	2008
Cash flows from operating activities				
Operating profit	16,215	12,794	1,036	818
Adjustments for				
Depreciation amortisation and impairment losses	8,869	8,269	567	528
Gain / loss on sale of property plant and equipment	-7	11	0	1
Change in receivables related to operating activity	-893	2,783	-57	178
Change in inventories	2,862	1,742	183	111
Change in payables related to operating activity	-10	-4,097	-1	-262
Corporate income tax paid	-2,149	-7,136	-137	-456
Interest paid	-271	-1,024	-17	-66
Net cash from operating activities	24,616	13,342	1,574	852
Cash flows from investing activities				
Acquisition of property plant and equipment and intangible assets	-15,959	-15,129	-1,020	-967
Proceeds from sale of property plant and equipment	225	744	14	48
Acquisition of financial assets	-178	0	-11	0
Proceeds from sale of financial assets	6,318	0	404	0
Loans given	0	-35	0	-2
Repayment of loans given	0	11,753	0	751
Interest received	72	665	4	42
Dividends received	12,188	17,880	779	1,143
Net cash used in / from investing activities	2,666	15,878	170	1,015
Cash flows from financing activities				
Loans received	0	5,838	0	373
Repayment of loans received	-10,301	-8,762	-658	-560
Dividends paid	-16,800	-33,600	-1,074	-2,147
Net cash used in financing activities	-27,101	-36,524	-1,732	-2,334
Net cash flows	181	-7,304	12	-467
Cash and cash equivalents at beginning of period	1,225	8,541	78	546
Net increase	181	-7,304	12	-467
Effect of exchange rate fluctuations on cash held	-9	-12	-1	-1
Cash and cash equivalents at end of period	1,397	1,225	89	78

28 Financial information of parent company (continued)**STATEMENT OF CHANGES IN EQUITY**

EEK '000	Share capital	Share premium	Capital reserve	Fair value reserve	Retained earnings	TOTAL
At 31.12.2007	168,000	6,000	13,400	193,859	73,878	455,137
Comprehensive income 2008	0	0	0	-140,913	22,961	-117,952
Dividends	0	0	0	0	-33,600	-33,600
Amount transferred to reserves	0	0	3,400	0	-3,400	0
At 31.12.2008	168,000	6,000	16,800	52,946	59,839	303,585
Comprehensive income 2009	0	0	0	80,014	31,034	111,048
Dividends	0	0	0	0	-16,800	-16,800
At 31.12.2009	168,000	6,000	16,800	132,960	74,073	397,833
EUR'000						
At 31.12.2007	10,737	383	856	12,390	4,722	29,088
Comprehensive income 2008	0	0	0	-9,006	1,468	-7,538
Dividends	0	0	0	0	-2,147	-2,147
Amount transferred to reserves	0	0	217	0	-217	0
At 31.12.2008	10,737	383	1,073	3,384	3,826	19,403
Comprehensive income 2009	0	0	0	5,114	1,983	7,097
Dividends	0	0	0	0	-1,074	-1,074
At 31.12.2009	10,737	383	1,073	8,498	4,735	25,426
			EEK'000		€'000	
			2009	2008	2009	2008
Unconsolidated equity at 31. December			397,833	303,585	25,426	19,403
Interests under control and significant influence:						
-carrying amount			-53,299	-53,299	-3,406	-3,406
-carrying amount under the equity method			135,996	146,905	8,692	9,389
Restated unconsolidated equity at 31 December			480,530	397,191	30,712	25,386

SIGNATURES TO THE ANNUAL REPORT OF 2009

The management board has prepared the activity report and the annual financial statements of AS Harju Elekter and the Group for 2009.

Andres Allikmäe Chairman of the Management Board /signature/ 19th March 2010

Lembit Libe Member of the Management Board /signature/ 19th March 2010

Karin Padjus Member of the Management Board /signature/ 19th March 2010

Supervisory board:

The supervisory board has reviewed the annual report prepared by the management board (pp. 6-81) including an activity report and annual financial statements and has approved its presentation to the general meeting of the shareholders.

Endel Palla Chairman of the Supervisory /signature/ 6th April 2009

Ain Kabal Member of the Supervisory Board /signature/ 6th April 2009

Madis Talgre Member of the Supervisory Board /signature/ 6th April 2009

Andres Toome Member of the Supervisory Board /signature/ 6th April 2009



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INDEPENDENT AUDITOR'S REPORT

Translation of the Estonian original

To the Shareholders of AS Harju Elekter

We have audited the accompanying financial statements of AS Harju Elekter ("the Company"), which comprise the statement of financial position as at 31 December 2009, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 35 to 81.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control systems. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Tallinn, 5th April 2010

KPMG Baltics AS

/signature/

Andris Jegers
Authorized Public Accountant

/signature/

Indrek Alliksaar
Authorized Public Accountant

PROFIT ALLOCATION PROPOSAL

Profits attributable to equity holders of AS Harju Elekter:

	EEK '000	€ '000
Retained earnings of preceding periods	137,544	8,791
Profit for 2009	19,226	1,229
Total distributable profits at 31 December 2009	156,770	10,020

The management board proposes that profits be allocated as follows:

Dividend distribution (EEK 0.80 / € 0.051 per share)	13,440	859
Retained earnings after allocations	143,330	9,161

Andres Allikmäe Chairman of the Management Board /signature/ 19th March 2010

Lembit Libe Member of the Management Board /signature/ 19th March 2010

Karin Padjus Member of the Management Board /signature/ 19th March 2010