

AS Harju Elekter
CONSOLIDATED

Interim report 1-9/ 2001
Unaudited

(Translation of the Estonian original)

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Corporate profile and contact data

Main business areas of Harju Elekter Group are designing, production and marketing of various electrical engineering and telecommunication systems. Almost half of the production is sold on foreign markets.

The Group consists of the parent company AS Harju Elekter and the 100%-owned subsidiary company AS ELTEK. AS Harju Elekter has holdings in associated companies AS Keila Kaabel (41.2%) and AS Saajos Balti (33.3%).

The parent company AS Harju Elekter is quoted on Tallinn Stock Exchange since September 30, 1997.

Business name:	Harju Elekter AS
Commercial registry code:	10029524
Address:	Paldiski mnt.31 76 606 Keila, Estonia
Beginning of the financial year:	1 st of January 2001
End of the financial year:	31 st of December 2001
Beginning of the reporting period:	1 st of January 2001
End of the reporting period:	30 th of September 2001
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CEO:	Mr.Andres Allikmäe
Auditor:	KPMG Estonia

Signatures of the Management Board to the Interim report 1-9/2001

Management Board of AS Harju Elekter has prepared the consolidated report for 1-9/2001 as presented on pp. 5-18.

The Interim Report consists of the consolidated balance sheet, income statement, cash flow statement, statements of owners' equity, notes to the interim report 1-9/2001 and explanatory note.

Approval of the Interim Report 1-9/2001 as of september 30, 2001 by the Management Board members:

Mr. Andres Allikmäe
Chairman of the Management Board

Mr. Ülo Merisalu
Member of the Management Board

Mrs. Karin Padjus
Member of the Management Board

Mr. Lembit Libe
Member of the Management Board

Done in Keila, on 02.11. 2001

EXPLANATORY NOTE

The financial results of AS Harju Elekter (parent company), its subsidiaries and related companies are presented in the consolidated interim report 1-9/ 2001 as follows:

	<u>Participation on 30.09.01</u>	<u>Participation on 30.09.00</u>
AS Eltek	100 %	100 %
AS Keila Kaabel	41.2 %	41.2 %
AS Saajos Balti	33.3 %	33.3 %

Main events

Quarter I

- In the contest organised at the 5th international trade fair Enerex 2001 the HEKA 1VM outdoor substation in sheet metal enclosure manufactured by Electrical Equipment Factory of Harju Elekter was named the best electrical product made in Estonia.
- Electrical equipment factory delivered its first consignment to the Finnish shipbuilding market;
- AS Harju Elekter and a consultation company concluded an agreement on the certification of the environmental management system ISO 14001 in the Group of undertakings and the application of the system was launched;
- Pursuant to the signed agreement, application of a quality management system that is in accordance with ISO 9001 standards was launched in the subsidiary Eltek.

Quarter II

- On May 11, 2001 the general meeting of the subsidiary company decided to increase the share capital of AS Eltek to 4 million kroons, out of which amount 2 million to be raised through the capitalisation issue and 1 million through additional contributions into the share capital. The resolution on the entry of the amendments in the Commercial Register was made on 04.07.01
- Cables harnesses factory has renewed its ISO 9002 certificate for the next term. In June the certification agency SGS-Fimko conducted an audit and verified the conformity of the production processes used at the factory with the ISO 9002 standard requirements.

Quarter III

- The Estonian Association of Electrical Contractors conferred to the electrical installations plant the Acknowledged Electrical Contractor award. The award was presented August 31;
- In Q3, the joint project of the electrical installations plant and a Finnish company was launched, owing to which the deliveries of the series censors to the Finnish construction market increased several times compared to Q2 of this year;
- The car wiring plant launched production of a wire series (proto-series) for the test models of the next generation of Scania's trucks;
- Eltek Ltd. launched production of fiber-optic connection cables and accessories. It is a new technology and new skills for the group of undertakings and a growth industry with great potential;

- The subsidiary company AS Eltek will continue the scheduled work for the introduction of the ISO 9001 quality management system;
- Planned activities for the certification of the ISO 14001 environmental management system in the Group are continued.

Sales and Revenues

The consolidated net sales of Harju Elekter in the January-September period totalled 135.6 (2000 9M: 146.1) million kroons, which is 92.8% of the level of the previous year. Thereby, the volume of the parent company remained almost at the level of the first 9 months of 2000, amounting to 98.7% thereof.

The sales revenue of the electrical engineering segment was 115.1 million kroons (2000 9M: 115.2). The sales revenue of the telecommunications segment, which decreased by 10.4 million kroons in comparison with the same indicator of the previous year, made the net sales of the Group decrease (Note 4 "Business segments").

A significant backslide on the export markets was caused by the overall declining demand in the vehicle and electronics industries worldwide. Production of cable harnesses and wiring systems decreased by 21% and the production and sales of telecommunications services decreased by 57%. Total exports were 28% smaller than in the same period in the previous year. The exports of the 2001 9M were 55.0 (2000 9M: 76.1) million kroons, i.e. 40.6% (2000 9M: 52.1%) of the consolidated net sales, remaining at the level of H1 at the end of the reporting period (40.6%). Orders from new customers have reduced the decrease of the export volume. In Q3, deliveries of electrical distribution equipment to the Finnish market increased by over 2.5 million kroons compared to Q2 of the reporting year. The new markets added in 2001 were the Netherlands, the USA and Russia.

Contrary to the decrease of exports and sales of cable harnesses and telecommunications products, the sales in the domestic market increased by 15%, an increase took place in the production and sales of electrical equipment (+5.2%) and sheet metal (+17.5%) compared with the same period of the previous year. Strong growth continued in the commerce and intermediation activities (+34.1%).

Profit

The Group's operating profit for the 9 months was 9.5 (2000 9M: 13.5) million kroons. The main reason for the decrease of the operating profit is, despite the relatively stable activity and other business revenues/expenses (2001 9M: 17.4 and 2000 9M: 16.3 million kroons), the reduction of sales revenues caused by the export volumes. The total profit margin remains at 20% (2001 9M: 19.8%; 2000 9M: 20.4%).

The Group's profitability indicator of the 9 months in 2001 settled at 7.0% (2000 9M: 9.2%), which is 0.5 percent better than the same indicator of the H1 and 2.6% better than the same indicator of Q2 of 2001. The profitability indicator of Q3 of 2001 was 8.0% (Q3 of 2000: 12.8%). Lower profitability of the parent company in Q1 that was caused by the declining export volumes, was offset by means of cost control measures and the profitability settled at 8.1% as compared to 4.3% in Q1. Thus, the return of sales ratio of the Group has improved quarter by quarter. Upon assessment of profit one should take into account that Q3 of the previous year was extremely

good for the Group in terms of economic indicators: the net sales amounted to 38.1% of the 9 months turnover and the profit earned amounted to 53.0%.

Despite the fact that the income from the sale of stocks decreased by 0.4 million kroons and the income from dividends decreased by 0.7 million kroons, the income from the financial activities practically remained at the same level (2001 9M: 8.2 million kroons; 2000 9M: 8.9 million kroons). The consolidated profit of the affiliated companies, Keila Kaabel and Saajos Balti, amounted to 3.4 (2000 9M: 2.9) million kroons, which is an increase of 15.6%.

In total, the net profit of the Group for the 9 months in 2001 was 17.7 (2000 9M: 22.4) million kroons. The net profit margin was 13.1% (2000 9M: 15.3%). EPS was 3.28 (2000 9M: 4.14) kroons.

Cash flow, investments and capital employed

Cash flow from the business operations totalled 12.3 (2000 9M: 11.1) million kroons, outflow due to investment and financing activities 14.8 (2000 9M: 24.2) million kroons. During the reporting period the cash and bank accounts decreased by 2.5 (2000 9M: 9.2) million kroons.

During the reporting period, new investments in tangible assets in the Group amounted to 6.8 (2000 9M: 26.3) million kroons. In Q3, Eltek, a 100-% subsidiary of Harju Elekter, launched production of fiber-optic cables and accessories. Harju Elekter invested almost 1 million kroons in the construction of production premises that would meet the technological requirements. The subsidiary invested 3.5 million kroons in the high-tech equipment. In June 2001, Harju Elekter increased the share capital of the subsidiary by 1 million kroons.

To purchase technological equipment, two new leasing contracts were concluded in Q3. The price of the equipment purchased by leasing was 1.7 million kroons. During the accounting period 7.2 (2000 9M: 6.1) million kroons were spent on the repayment of long-term loan and capital lease principal sums. Dividend payments to the owners for the year 2000 amounted to 6.5 (2000 9M: 5.4) million kroons, which payment did not incur any income tax liabilities on Harju Elekter (Note 3).

Balance sheet

The volume of the consolidated balance sheet amounted to 171.9 million kroons at the end of September 2001. The balance sheet total increased by 4.0% in the 9 months. The Group has a strong capitalisation base. As of the balance date, the equity accounted for 71.2% (2000 9M: 63.2%), available capital 36.0% (H1 2000: 28.5%), debt liabilities 15.9% (2000 9M: 21.1%) and fixed assets 68.0% (2000 9M: 65.7%) of the assets. As of the balance date, the Group had in total 27.3 million kroons of debt liabilities, of which 19.3 million kroons are of long-term nature. The debts to credit institutions have decreased by 1.8 million kroons over 9 months.

Personnel

During the accounting period the average number of employees in the Group was 682 (2000 9M: 663). With the aim to reduce labour costs, employment contracts were terminated with 144 employees, incl. 52 employees whose contract had expired. As of the balance date 30.09.01, 659 persons were working in the Group (30.09.00: 753).

Shares of Harju Elekter

The share capital of Harju Elekter is divided into 5.4 million registered ordinary shares with a nominal value of 10 kroons. As of September 1997, the shares have been quoted in the secondary list of the Tallinn Stock Exchange. 390 transactions were made with the shares during the reporting period. 2 million shares changed owners. The total value of the transactions amounted to 41.7 million kroons. The lowest price deal on the stock was concluded at 23.50 kroons and the highest price deal at 44.00 kroons. The average price for the period settled at 36.54 kroons. On September 30, the closing price was 25 kroons.

Key indicators	1-9/2001	2000	1-9/2000
For the period (in thousand kroons)			
Net sales	135,620	205,641	146,129
Operating profit	9,489	17,031	13,468
Profit before financial expenses	19,559	31,498	24,250
Net profit for the current year	17,722	29,176	22,372
At the end of the period (in thousand kroons)			
Total current assets	55,064	51,272	56,904
Total fixed assets	116,817	114,010	108,963
TOTAL assets	171,880	165,282	165,867
Total liabilities	46,142	53,631	61,021
Total owners' equity	122,394	111,650	104,846
Number of employees	659	760	753
Per share (in kroons)			
Earnings per share EEK	3.28	5.40	4.14
Market price at the end of period	25.00	42.20	41.50
Dividend per share	1.20	1.00	1.00
Performance indicators			
Return on sales (Operating profit/Net sales *100)	(%) 7.0	8.3	9.2
Equity ratio (Owners' equity/Total assets*100)	(%) 14.4	15.3	16.6
Net profit margin (Net profit/ Net sales *100)	(%) 13.1	14.2	15.3
Return on assets ROA (Net profit/Average total assets *100*4/3)	(%) 14.0	19.3	19.7
Return on equity ROE (Net profit/Average owners' equity *100*4/3)	(%) 20.2	29.3	31.0
Equity ratio (Owners' equity / Total assets *100)	(%) 71.2	67.5	63.2
Current ratio (Current assets/Short-term obligations)	1.8	1.4	1.7
Quick ratio (Liquid assets/Short-term obligations)	0.9	0.8	1.0

Andres Allikmäe
Chairman of the Management Board

BALANCE SHEET

(in thousand kroons)

ASSETS	Note			
	No.	30.09.01	31.12.00	30.09.00
Current assets				
Cash and bank		5,684	8,142	8,323
Shares and other securities		402	402	620
Trade receivables				
Accounts receivable from customers		17,683	15,868	21,804
Other receivables	9	2,496	2,484	1,728
Accrued income		0	34	0
Prepaid expenses		1,466	1,540	2,067
Total trade receivables		21,645	19,926	25,600
Inventories		27,333	22,801	22,331
Total current assets		55,064	51,271	56,874
Fixed assets				
Long-term investments	1,8	25,801	23,918	19,157
Tangible assets	1	90,543	89,462	89,155
Intangible assets	1	473	630	681
Total fixed assets	1	116,817	114,010	108,993
TOTAL ASSETS		171,880	165,281	165,867
LIABILITIES AND OWNERS' EQUITY				
Current liabilities				
Debt obligations	2	7,949	11,182	6,956
Prepayments received from customers		196	326	876
Accounts payable to suppliers		13,730	11,793	17,185
Other payables	9	717	381	525
Tax payable		3,850	5,731	4,239
Accrued expenses		3,716	6,317	4,417
Total current liabilities		30,159	35,730	34,198
Long-term liabilities	2	19,328	17,901	26,823
Total liabilities		49,487	53,631	61,021
Owners' equity				
Share capital (nominal value)		54,000	54,000	54,000
Statutory reserves		6,510	3,610	3,610
Retained profit		44,162	24,864	24,864
Net profit(loss) for the current year		17,722	29,176	22,372
Total owners' equity	3	122,394	111,650	104,846
TOTAL LIABILITIES AND OWNERS' EQUITY		171,880	165,281	165,867

INCOME STATEMENT

(in thousand kroons)

01.01.2001-30.09.01	<i>Note</i> <i>no</i>	Q3 2001	Q3 2000	1-9/2001	1-9/2000
Net sales	4	46,728	55,692	135,625	146,129
Cost of goods sold		37,372	43,347	108,733	116,316
Gross profit		9,356	12,345	26,892	29,813
Marketing expenses		2,377	2,253	6,402	6,433
Administrative and general expenses		3,104	2,909	10,635	9,641
Other operating revenue		97	64	302	173
Other operating charges		237	108	668	443
Operating profit	4,5	3,735	7,139	9,489	13,469
Financial income incl.					
-from shares in associate co.	6	1,313	1,653	3,365	6,070
-from other investments	6	11	14	6,190	4,176
-other interest and similar financial income	9	47	129	215	535
Total financial income		1,371	1,796	9,770	10,781
Financial expenses, incl.					
-related to shares in associated companies		0	0	0	170
-interest expense		453	595	1,441	1,574
-other financial expenses		43	18	96	134
Total financial expenses		497	613	1,537	1,878
Profit from ordinary activities		4,609	8,322	17,722	22,372
Net profit for the current year		4,609	8,322	17,722	22,372
Basic earnings per share and diluted earnings per share	7	0,85	1.54	3.28	4.14

CASH FLOW STATEMENT

(in thousand kroons)

Business activities	<i>Note no.</i>	1-9/2001	1-9/2000
Net profit for the current year		17,722	22,372
Depreciation and amortization of fixed assets	1	5,909	5,000
Profit/loss from sales and write-off of tangible assets		-31	-45
Profit/loss by equity method	1	-3,365	-2,741
Profit/loss from sales of financial assets	6	-2,761	-3,159
Total cash flow		17,474	21,427
Stock and securities (short-term)		0	-170
Net change in claims related to business operations		-1,719	-10,182
Inventories		-4,531	-5368
Transferred assets		-84	753
Current debt liabilities		-3,233	-2,005
Net change in liabilities related to business activities		-2,337	4,919
Transferred liabilities		6,805	5,578
Total cash flow from changes in current assets and liabilities		-5,000	-6,475
Total cash flow from business activities		12,474	14,951
Investing activities			
Sale of financial assets (selling price)	1,6	2,798	5,200
Dividends received from subsidiaries and associated companies	1	1,236	412
Loan principal received		94	88
Long-term credit granted		0	-188
Sale of tangible fixed assets (selling price)		34	69
Additions to intangible and tangible fixed assets	1	-6,836	-26,295
Bills outstanding for fixed assets (+)/paid(-)		1,426	514
Total cash flow from investing activities		-1,247	-20,200
Financing activities			
New loans	2	0	7,555
Loans repaid	2	-6,570	-5,638
Repayment of principal amounts of capital lease	2	-635	-478
Cash dividends paid	3	-6,480	-5,400
Cash flow from financing activities		-13,685	-3,961
TOTAL CASH FLOW		-2,458	-9,209
Net increase in cash		-2,458	-9,209
Cash at the beginning of the year		8,142	17,532
Cash at the end of the year		5,684	8,323

STATEMENT OF CHANGES IN OWNERS' EQUITY

(in thousand kroons)

1-9/ 2000	Share capital	Reserves	Retained earnings	Profit for current year	Total owners' equity
Initial balance 31.12.99	18,000	3,610	44,169	22,095	87,874
Net profit for 1999			22,095	-22,095	
Bonus issue	36,000		-36,000		
Dividends paid			-5,400		-5,400
Profit for the current year				22,372	22,372
Final balance 30.09.00	54,000	3,610	24,864	22,372	104,846

1-9 /2001	Share capital	Reserves	Retained earnings	Profit for current year	Total owners' equity
Initial balance 31.12.00	54,000	3,610	24,864	29,176	111,650
Net profit for 2000			29,176	-29,176	
Increase in reserves		2,900	-2,900		
Income tax on dividends			-498		-498
Dividends paid			-6,480		-6,480
Profit for the current year				17,722	17,722
Final balance 30.09.01	54,000	6,510	44,162	17,722	122,394

More detailed information about the owners' equity and its changes is presented in Note 3.

NOTES TO INTERIM FINANCIAL STATEMENTS**Accounting methods and valuation principles used in the consolidated interim report**

The present consolidated interim report has been prepared in accordance with the Accounting Act of the Republic of Estonia, "Guidelines for the preparation and submission of interim reports" issued by the Estonian Accounting Standards Board and in compliance with the requirements for condensed interim financial statements set forth in the International Accounting Standard IAS 34 "Interim Financial Reporting". While preparing the interim financial statement, the same accounting methods were used as in the annual accounts for the fiscal year that ended on 31.12.2000.

Management Board of AS Harju Elekter is of the opinion that the interim report for 9 months of 2001 reflects truly and fairly the company's financial results on the basis of the going-concern concept. The present interim report has not been audited or in any other way verified by the auditors and contains only the consolidated accounts of the Group.

The data in the Interim financial statements is presented in thousand Estonian kroons.

Note 1 Fixed assets

(in thousand kroons)

	Long-term	Tangible	Intangible	TOTAL
	investments	assets	assets	
Initial balance 31.12.00	23,918	89,462	630	114,010
Acquired		4,805		4,805
Reconstructed		2,031		2,031
Sold (at acquisition value) and written-off fixed assets	-37	-185		-222
Dividend payments during the accounting period	-1,445			-1,445
Profit by equity method for the financial period	3,365			3,365
Depreciation for the financial period		-5,753	-156	-5,909
Depreciation of sold and written-off fixed assets		183		183
Final balance 30.09.01	25,801	90,543	473	116,817

In April 2001 AS Harju Elekter sold 20 thousand PKC Group OYj shares. As the result of this transaction AS Harju Elekter is now the owner of 521.6 thousand shares or 9.89% of PKC Group Oyj share capital. Financial income earned from the sale of shares and dividend income received from PKC Group Oy is reported in the income statement under "Income from other long-term financial investments". See Note 6 for more detailed information about financial revenue.

The value of the financial investment has been adjusted against the dividends announced and actually received from AS Keila Kaabel (Keila Cables) in June and against the income tax liability arising from the payment of dividends, in the amount proportional to AS Harju Elekter's participation in the share capital of AS Keila Kaabel.

Note 2. Debt liabilities

(in thousand kroons)

	30.09.01	31.12.00
Non-convertible debt	3,217	1,017
Current portion of long-term debt	1,939	8,509
Current portion of lease debt	138	520
Short-term loans from credit institutions	2,655	1,137
Total debt obligations	7,949	11,182
Unsecured debt obligations	200	200
Long-term bank loans	17,404	17,404
Long-term lease liabilities	1,724	298
Total long-term liabilities	19,328	17,902
Total debt liabilities	27,277	29,084

Changes in debt obligations:

Initial balance 31.12.00	29,084
Changes in non-convertible debt	2,200
Loans repaid	-6,570
Repayment of principal amounts of capital lease	-635
Changes in short-term loans from credit institutions	1,518
New long-term lease liabilities	1,680
Final balance 30.09.01	27,277

Note 3. Equity

The share capital of AS Harju Elekter is 54 million kroons that is divided into 5,400 thousand ordinary shares with the nominal value of 10 kroons.

For the year 2000 the owners will be paid dividends of 1.20 kroons per share. Dividends will be distributed on May 28, 2001. The shareholders listed in the share register of AS Harju Elekter at 8 a.m. on the record date May 14, 2001 shall be entitled to dividends. 6,480 thousand kroons were paid out in dividends and this did not incur any income tax liability on AS Harju Elekter. Income tax liability calculated on the dividends paid to the shareholders who belong to the taxable category was covered fully by the deductions allowed under the law.

The income tax on dividends in the amount of 498 thousand kroons disbursed from the retained earnings of the previous periods represents the part of the income tax liability arising from the dividends paid by AS Keila Kaabel and corresponds to AS Harju Elekter's holding in the equity of the associated company.

Note 4. Segmental reporting

(in thousand kroons)

Pursuant to the established internal accounting and reporting procedure, the primary form of accounting in the Group is by business segments and the secondary by geographic areas. The business activities of the Group have been classified by business segments, based on the characteristics of the products and services as well as of the consumers of these products and services

Business segments

The Group operates in two business segments:

“electrical engineering” – production and marketing of power distribution and control systems, subcontracting for energy, construction and production sectors, intermediary trade in electrical equipment.

“telecommunications” – manufacturing and marketing of various products for data networks for the telecommunications sector, installation of computer, communication and alarm networks, provision of communication services and intermediary trade in communication systems.

1-9/ 2000	Electrical	Telecommuni-	Elimination	TOTAL
		cations		
Sales revenue	115,170	30,959		146,129
Transactions with other segments	3,674	946	-4,620	0
Total	118,844	31,905	-4,620	146,129
Operating profit	10,907	2,640	-79	13,468
1-9/ 2001	Electrical	Telecommuni-	Elimination	TOTAL
		cations		
Sales revenue	115,055	20,570		135,625
Transactions with other segments	2,261	595	-2,856	0
Total	117,316	21,165	-2,856	135,625
Operating profit	7,773	1,786	-70	9,489
Geographic areas			1-9/ 2001	1-9/ 2000
INTERNAL MARKET			80,606	69,968
EXTERNAL MARKET			55,019	76,161
Incl. Nordic countries			44,672	55,098
Netherland			804	0
Denmark			2,972	14,192
USA			1,518	0
Russia			246	0
CEEC			312	2,463
Baltic states			4,205	4,408
TOTAL			135,625	146,129

Business activities of the Group are divided into two main types:

“core business” - industrial production and marketing of own products;

“other activities” – intermediate sale of electrical engineering and telecommunication products; provision of services that belong to core business activities and leasing of production capacities to companies that belong to the same business segment.

	1-9/2001	1-9/2000
Core business and products		
- electrical equipment	43,317	41,164
- wiring systems for automotive and telecommunications industry (subcontracting)	34,616	43,816
- cabinets/boxes for telecom installations	9,458	22,106
- sheet metal products and metalwork	16,141	13,741
TOTAL CORE BUSINESS	103,533	120,827
Intermediary activities and other services		
- trade and intermediation	24,583	18,334
- leasing of capital assets	3,630	3,350
- other services	3,879	3,618
TOTAL OTHER ACTIVITIES	32,092	25,302
TOTAL	135,625	146,129

Note 5 Operating profit

(in thousand kroons)

Operating profit contains the following write-downs and other essential income and cost items arising beyond current business operations :

	1-9/2001	1-9/2000
(in thousand kroons)		
- write-down of outstanding accounts receivable from customers	32	41
- receipt of accounts formerly charged to expenses	-26	-65
- revaluation of inventory	192	112

Note 6 One-time financial income

(in thousand kroons)

Profit for the financial year contains the following one-time financial revenues:

	1-9/2001	1-9/2000
- income from the sale of shares of the associated company Glamox Harju Elekter	0	3,159
- income earned from the sale of PKC Group Oyj shares	2,761	0
- dividends paid by PKC Group Oyj	3,390	4,128

Note 7 Basic and diluted earnings per share

Average number of the company's share in 9 months of 2001 was 5,400 thousand. Basic EPS is $17,722/5,400=3.28$ kroons (2000 9 M: $22,372/5,400=4.17$ kroons).

Pursuant to the resolution of the general meeting of AS Harju Elekter, a share option was organized in September 2000. The redemption price of the option was set at 40 kroons. For the realization of the option 200 thousand new shares will be issued and if all the options are exercised, the company will earn 8 million kroons. In the 1st half-year of 2001 the average market price of the share settled at 36.54 (2000 9M: 43.96) kroons which is lower than the option redemption price. The exercise of the call option would not cause any potential loss for the company. Thus diluted earnings per share was equal to basic earnings per share.

Note 8 Expanding the share capital of the subsidiary

The general meeting of the subsidiary company AS Eltek that took place on 11th of April 2001 decided to expand the share capital of the company up to 4 million kroons - 2 million kroons to be raised through the stock dividend issue and 1 million through additional contributions into the share capital. Thus three new shares will be issued in addition to each existing share. The total share capital of AS ELTEK is 4,000 thousand kroons and is divided into 400,000 registered ordinary shares with the nominal value of 10 kroons.

Note 9 Transactions with related parties

(in thousand kroons)

Related parties to AS Harju Elekter are the 100%-owned subsidiary company AS ELTEK, associated companies AS Keila Kaabel and AS Saajos Balti, its own employees and the members of the governing bodies, also AS Harju KEK that owns more than 30% of AS Harju Elekter shares.

In 9 months of 2001 AS Harju Elekter bought from, sold its products to and provided services to related parties as follows:

Related parties	Bought	Sold
ELTEK	595	2,260
Keila Kaabel	2,882	3,305
Saajos Balti	653	2,423
Harju KEK	111	16
TOTAL	4,241	8,005

Type of transaction	Bought	Sold
Goods purchased for resale	2,906	0
Material, components for production needs	657	166
Industrial subcontracting (outsourcing)	0	1,423
Lease of fixed assets	0	3,692
Management services	0	1,424
Other services (building and communication, repairs and maintenance of real estate)	678	1,300
TOTAL	4,241	8,005

The executive management of the company is of the opinion that prices applied in transactions with the related parties did not differ significantly from market prices.

The subsidiary AS ELTEK paid back to the parent company 148 thousand kroons of the long-term and 1,800 thousand kroons of the short-term credit. During the financial period the employees were granted short-term loans in the amount 47 thousand kroons, the employees repaid 150 thousand kroons. The annual interest rate on loans to related parties was 8%. During the reporting period the related parties paid the total of 166 thousand kroons in interest, of that 127 thousand kroons was paid by the subsidiary company.

Balance with related parties:	Claims		Obligations	
	30.09.01	31.12.00	30.09.01	31.12.00
Total loans to subsidiary company	2,308	4,700	0	240
Incl. outstanding accounts	904	1,648	0	240
outstanding dividends	300	0	0	0
long-term loan	104	252	0	0
short-term loan	1,000	2,800	0	0
Total loans to associated companies	2,372	2,136	541	238
Incl. AS Keila Kaabel	12	1,121	359	114
AS Saajos Balti	2,359	1,015	182	124
Total loans to employees	595	698	0	0
Incl. long-term loan	555	649	0	0
short-term loan	40	49	0	0