

AS Harju Elekter

CONSOLIDATED

Interim report 2001
Unaudited

(Translation of the Estonian original)

Contents

Contents	2
Corporate profile and contact data	3
Signatures of the Management Board to the Interim report 2001	3
Explanatory note	4
Interim financial statements	9
<i>Balance sheet</i>	9
<i>Income statement</i>	10
<i>Cash flow statement</i>	12
<i>Statement of changes in Owners' Equity</i>	13
<i>Accounting methods and valuation principles used in the interim report</i>	14
<i>Note 1. Shares</i>	14
<i>Note 2. Tangible and intangible assets</i>	14
<i>Note 3. Debt liabilities</i>	15
<i>Note 4. Equity</i>	15
<i>Note 5. Segmental reporting</i>	16
<i>Note 6. Net sales</i>	17
<i>Note 7. Operating profit</i>	18
<i>Note 8. One-time financial income</i>	18
<i>Note 9. Basic and diluted earnings per shares</i>	18
<i>Note 10. Expanding the share capital of the subsidiary</i>	18
<i>Note 11. Transactions with related parties</i>	19

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:	31 st of December 2001
Telephone:	+372 67 47 400
Fax:	+372 67 47 401
E-mail:	he@he.ee
CEO:	Mr.Andres Allikmäe
Auditor:	KPMG Estonia

Signatures of the Management Board to the Interim report 2001

Management Board of AS Harju Elekter has prepared the consolidated report for 2001 as presented on pp. 4-20.

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

Approval of the Interim Report 2001 as of December 31, 2001 by the Management Board members:

Mr. Andres Allikmäe	Chairman of the Management Board „.....“..... 2002
Mr. Ülo Merisalu	Member of the Management Board „.....“..... 2002
Mrs. Karin Padjus	Member of the Management Board“.....“.....2002
Mr. Lembit Libe	Member of the Management Board“.....“.....2002

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:

	Participation on 31.12.01	Participation on 31.12.00
AS ELTEK	100 %	100 %
AS Keila Kaabel	41.2 %	41.2 %
AS Saajos Balti	33.3 %	33.3 %

Important events

In 2001 the group continued work to find new markets and seek opportunities to increase its market share on the domestic and foreign market. The new markets of the year were England, the Netherlands and Russia.

In the 4th calendar quarter the parent company entered into a contract for services with a Latvian sales representative of the Electrical Equipment Factory, whose tasks are marketing of the products of the Factory and market penetration in Latvia.

Several new international contracts were concluded during the financial year, and the following cooperation projects were launched:

- The Electrical Equipment Factory began to supply the Finnish shipbuilding market.
- The subsidiary ELTEK began to manufacture fibre-optic cables and accessories in the second half of the year on the order of the Finnish partner. It is a new technology and skill for the group, and also a globally growing and developing industry. The first lots of products were sold in the 4th calendar quarter.
- In May, ELTEK began to manufacture metal details on a subcontracting basis for Sweden and the Netherlands.
- During the accounting quarter, a cooperation contract was concluded for the manufacture of switchboards used on the Finnish building market and for the manufacture of installation and ship cabling systems; regular supply began.
- ELTEK won a subcontracting competition held by Elcoteq. The planned project budget for 2002 is 6 million kroons.

The HEKA 1VM substation with a sheet metal body, made in the Electrical Equipment Factory of Harju Elekter, was assessed as the best electrical product made in Estonia at the competition held in the framework of the 5th international energy economy fair Enerex 2001. The Estonian Electrical Work Entrepreneurs Association awarded the Electrical Equipment Factory the title of a recognised electrical work entrepreneur, which was granted on 31 August.

New contributions were made in 2001 in product development and improvement of the efficiency of the production processes:

- New solutions were developed in the Electrical Equipment Factory based on the HEKA product group, as a result of which several medium voltage distributing points with a special solution were sold.
- A new device—a medium voltage metering module CTVT for metering electric power was developed and put into production. The device is sold as a part of complete substations and as an individual product.
- On 11 December 2001 a new licence agreement was concluded with Schneider Electric Industries for manufacturing primary distributing equipment for medium voltage networks. The product will be used in medium voltage substations for the control and protection of the power network, and its putting into production will begin in 2002.

Owing to the cooling down of world economy, demand for wiring systems for trucks decreased ca 10%. In the electronics industry, sales of the new generation of base stations were not as successful as expected. The sale of products of the previous generation decreased at the same time and the markets went down. Therefore, the demand for connection cables for the respective products decreased. The Cable Harnesses Factory of Harju Elekter manufactures wiring systems and connection cables on a subcontracting basis for the Scandinavian automotive and electronic industry. Demand for the products directed to these markets decreased in 2001. While the sales of the factory decreased 6.7% in respect of products for the automotive industry, the sales of electronics accounted for only 48.1% of the volume of 2000.

Due to recessions on the world markets, particularly in the information technology sector, the volume of orders placed by the subsidiary's major cooperation partner APC (United States) for UPS units decreased significantly, resulting in a major reduction in the sales of telecommunication products.

The Cable Harnesses Factory renewed its ISO 9002 certificate for the following period. In the course of audit carried out by the certification company SGS-Fimko in June, the production processes of the factory were confirmed to correspond to the ISO 9002 standard.

Harju Elekter in cooperation with a consulting company implemented the environmental management system ISO 14001 in the group. Main audit is planned to be conducted in the first calendar quarter of 2002. In the related company Keila Kaabel the environmental management system was certified as corresponding to ISO 14001 standards. In the subsidiary ELTEK the quality management system corresponding to the ISO 9001:2000 standard was certified by BVQI.

Sales and Revenues

The consolidated net sales of AS Harju Elekter for the 12 months of 2001 was 195,5 MEEK, i.e. 12,5 MEUR, which is 95,1% of the previous year's result. The sales of the parent company remained practically on the same level as in 2000, amounting to 99,8% of it. The sales of the fourth calendar quarter exceeded the respective figure for the previous year by +363 TEEK, i.e. +23 TEUR, and that of the parent company +1 275 TEEK, i.e. +81 TEUR respectively, which yields a +2,5% growth.

Sales on the domestic market increased by 15,4% and amounted to 59,6% of consolidated net sales (49,1% in 2000). The sales of electrical equipment on the domestic market increased by 7 MEEK, i.e.

0,4 MEUR during the year. Income from sales of electrical equipment in the 4th calendar quarter accounted for 34,0% of the annual sales. Domestic sales were also supported by successful trade and intermediation activities. Intermediation of various electrical products increased by 16,3%, i.e. +4,9 MEEK (+0,3 MEUR) during the year, whereas the sales of the 4th quarter accounted for 29,1% of the total trade and intermediation sales for the financial year.

Export amounted to 40,4% of total sales (50,9% in 2000). The total export volume was 24,5% lower than that of the same period last year. The great decline of export markets was caused by the overall decrease in demand on the world automotive and electronic industry. Manufacture of wiring systems for trucks and electronic equipment decreased by 18,5% and the manufacture and sales of telecommunications products decreased by 53,5%. Since the 2nd half of the year the volume of sales orders for these products began to increase when compared to the previous quarters, amounting to 29,1% and 33,2% of the consolidated annual net sales of the respective product groups in the 4th quarter of 2001.

Profit

The 12 months' operating profit of the group was 11,6 MEEK, i.e. 0,7 MEUR (17,0 MEEK, i.e. 1,1 MEUR in 2000). The main reason for the decreased operating profit is the reduction in sales income due to reduced export volumes, as well as additional expenditure on putting new items into production and launching projects. In the last calendar quarter, inventories that were not circulating and the value of which exceeded the net selling price were written down in a sum of 330 TEEK, i.e. 21 TEUR. During the entire financial year such write-downs were performed in a total sum of 553 TEEK, i.e. 35 TEUR (323 TEEK, i.e. 21 TEUR in 2000). The group's profit margin for the 12 months of 2001 was 6,0% (8,3% in 2000).

Income from financial activities was 9,1 MEEK, i.e. 0,6 MEUR (12,1 MEEK, i.e. 0,8 MEUR in 2000). Financial income from related companies in the financial year was 3,6 million kroons less than the indicator for the year 2000, which included the sales proceeds of the shares of AS Glamox Harju Elekter in the sum of 3,1 MEEK (0,2 MEUR).

The net income of the group for 2001 was 20,7 MEEK, i.e. 1,3 MEUR (29,2 MEEK, i.e. 1,9 MEUR in 2000). The net profit margin was 10,6% (14,2% in 2000). Net profit per share was 3,84 EEK, i.e. 0,25 EUR (5,40 EEK, i.e. 0,35 EUR in 2000).

Cash flow, investments and capital employed

Incoming cash flow from operating activities was 22,0 MEEK (1,4 MEUR), in the year 2000 the respective figure was 20,3 MEEK (1,3 MEUR); outgoing cash flow for investing and financing activities was 19,1 MEEK (1,2 MEUR), the respective figure for 2000 was 32,9 MEEK (2,1 MEUR). The cash and bank balance increased by 2,9 MEEK, i.e. 0,2 MEUR during the year; in 2000 it decreased by 9,4 MEEK, i.e. 0,6 MEUR.

New investments in tangible assets were made in the group during the accounting period in a sum of 10,1 MEEK (0,6 MEUR); the respective figure for 2000 was 28,3 MEEK (1,8 MEUR). In the 3rd quarter AS ELTEK, a 100% subsidiary of AS Harju Elekter, began to manufacture fibre optic cables

and accessories. Harju Elekter invested nearly 1 MEEK (64 TEUR) in the construction of production facilities conforming to technological requirements and 3,7 MEEK (0,2 MEUR) in the acquisition of hi-tech equipment necessary for the subsidiary's manufacturing operations. In June 2001 Harju Elekter invested 1 MEEK (64 TEUR) in increasing the subsidiary's share capital.

Three new leasing contracts were concluded to fund the procurement of technological equipment. The price of the equipment procured under the contracts was 3,4 MEEK (0,2 MEUR). Repayments of principal amounts of long-term loan and financial lease during the accounting period amounted to 9,4 MEEK (0,6 MEUR). Owners were paid dividends for the year 2000 in a sum of 6,5 MEEK (0,4 MEUR; 5,4 MEEK (0,3 MEUR) in 2000).

Balance sheet

The consolidated balance sheet volume as of end of December 2001 was 176,5 MEEK (11,3 MEUR). The balance sheet volume increased by 6.8% during the year. The group is highly capitalised. As of the balance sheet date, owners' equity accounted for 71,0% (67,6% in 2000), spare equity capital 36,8% (32,7% in 2000), debts 15,4% (17,6% in 2000) and noncurrent assets 67,9% (69,0% in 2000) of total assets. The group had a total of 27,2 MEEK (1,7 MEUR) worth of long-term and short-term debts as of the balance sheet date, including 12,3 MEEK (0,8 MEUR) of long-term debt. Debts to credit institutions have decreased during the year by 3,8 MEEK (0,2 MEUR).

Personnel

The average number of employees in the group was 673 in the financial year (687 in 2000). In order to reduce labour costs, employment contracts with 185 employees were terminated, including 81 contracts due to expiration of the term. As of the balance sheet date 31.12.01 the group employed 641 persons (760 in 2000).

Shares of Harju Elekter

The share capital of Harju Elekter is divided into 5,4 million ordinary registered shares with a nominal value of 10 EEK (0,64 EUR) each. As from 30 September 1997 the share is listed on the secondary list of Tallinn Stock Exchange. 490 transactions with the shares were made during the accounting period, 2,3 million shares changed owners. The total value of transactions was 47,8 MEEK (3,1 MEUR). The lowest stock exchange transaction price was 23,10 EEK (1,48 EUR) and the highest was 44,00 EEK (2,81 EUR). The 12 months' average trading price was 34,01 EEK (2,17 EUR). On 31 December 2001 the share closed at 30,30 EEK (1,94 EUR).

Key indicators

For the period	1 000 EEK		1 000 EUR	
	2001	2000	2001	2000
Net sales	195 495	205 641	12 494	13 143
Operating profit	11 604	17 031	742	1 088
Profit before financial expenses	22 796	31 498	1 457	2 013
Net profit for the current year	20 742	29 176	1 326	1 865
At the end of the period				
Total current assets	56 694	51 272	3 623	3 277
Total fixed assets	119 845	114 010	7 660	729
TOTAL assets	176 540	165 282	11 283	10 563
Total liabilities	51 127	53 631	3 268	3 428
Total owners' equity	125 413	111 650	8 015	7 136
Per share				
Earnings per share EEK	3,84	5,40	0,25	0,35
Market price at the end of period	30,30	42,20	1,94	2,70
Dividend per share	1,20	1,00	0,08	0,06

Performance indicators (%)	2001	2000
Return on sales (Operating profit/Net sales *100)	5,9	8,3
Equity ratio (Owners' equity/Total assets*100)	11,7	15,3
Net profit margin (Net profit/ Net sales *100)	10,6	14,2
Return on assets ROA (Net profit/Average total assets *100*4/3)	12,1	19,3
Return on equity ROE (Net profit/Average owners' equity *100*4/3)	17,5	29,3
Equity ratio (Owners' equity / Total assets *100)	71,0	67,6
Current ratio (Current assets/Short-term obligations)	1,5	1,4
Quick ratio (Liquid assets/Short-term obligations)	0,8	0,8
Number of employees at the end of the period	641	760

Andres Allikmäe
Chairman of the Management Board

INTERIM FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS	Lisa nr	1 000 EEK		1 000 EUR	
		31.12.01	31.12.00	31.12.01	31.12.00
Current assets					
Cash and bank		11 039	8 142	706	520
Shares and other securities		468	402	30	26
Trade receivables				0	0
Accounts receivable from customers		15 305	15 868	978	1 014
Other receivables	11	3 320	2 484	212	159
Accrued income		35	34	2	2
Prepaid expenses		1 242	1 540	79	98
Total trade receivables		19 902	19 926	1 272	1 274
Inventories		25 286	22 801	1 616	1 457
Total current assets		56 694	51 272	3 623	3 277
Fixed assets				0	0
Long-term investments	1,8	27 574	23 918	1 762	1 529
Tangible assets	2	91 851	89 462	5 870	5 718
Intangible assets	2	421	629	27	40
Total fixed assets		119 845	114 010	7 660	7 287
TOTAL ASSETS		176 540	165 282	11 283	10 563

LIABILITIES AND OWNERS' EQUITY

Current liabilities					
Debt obligations	3	14 929	11 182	954	715
Prepayments received from customers		94	326	6	21
Accounts payable to suppliers		12 433	11 793	795	754
Other payables	11	499	381	32	24
Tax payable		4 908	5 731	314	366
Accrued expenses		6 010	6 317	384	404
Total current liabilities		38 873	35 730	2 484	2 284
Long-term liabilities	3	12 254	17 902	783	1 144
Total liabilities		51 127	53 631	3 268	3 428
Owners' equity					
Share capital (nominal value)		54 000	54 000	3 451	3 451
Statutory reserves		6 510	3 610	416	231
Retained profit		44 161	24 864	2 822	1 589
Net profit(loss) for the current year		20 742	29 176	1 326	1 865
Total owners' equity	4	125 413	111 650	8 015	7 136
TOTAL LIABILITIES AND OWNERS' EQUITY		176 540	165 282	11 283	10 563

INCOME STATEMENT

1 000 EEK	Note no	Q4 2001	Q4 2000	2001	2000
Net sales	5,6	59 870	59 512	195 495	205 641
Cost of goods sold		49 494	47 829	158 227	164 145
Gross profit		10 376	11 683	37 268	41 496
Marketing expenses		3 166	3 314	9 568	9 747
Administrative and general expenses		5 041	4 511	15 676	14 152
Other operating revenue		97	145	399	318
Other operating charges		150	440	818	884
Operating profit	5,7	2 115	3 563	11 605	17 031
Financial income incl.					
-from shares in associate co.	8	1 261	2 391	4 626	8 291
-from other investments	8	12	1 318	6 202	5 494
-other interest and similar financial income	11	149	147	364	682
Total financial income		1 421	3 856	11 192	14 467
Financial expenses, incl.					
-related to shares in associated companies				0	
-interest expense		467	591	1 908	2 165
-other financial expenses		51	23	147	157
Total financial expenses		518	614	2 055	2 322
Profit from ordinary activities		3 019	6 805	20 742	29 176
Net profit for the current year		3 019	6 805	20 742	29 176
Basic earnings per share and diluted	9	2,24	5,04	3,84	5,40

INCOME STATEMENT

1 000 EUR	Note no	Q4 2001	Q4 2000	2001	2000
Net sales	5,6	3 826	3 804	12 494	13 143
Cost of goods sold		3 163	3 057	10 113	10 491
Gross profit		663	747	2 382	2 652
Marketing expenses		202	212	612	623
Administrative and general expenses		322	288	1 002	904
Other operating revenue		6	9	26	20
Other operating charges		10	28	52	56
Operating profit	5,7	135	228	742	1 089
Financial income incl.					
-from shares in associate co.	8	81	153	296	530
-from other investments	8	1	84	396	351
-other interest and similar financial income	11	10	9	23	43
Total financial income		91	246	715	924
Financial expenses, incl.					
-related to shares in associated companies					
-interest expense		30	38	122	138
-other financial expenses		3	1	9	10
Total financial expenses		33	39	131	148
Profit from ordinary activities		193	435	1 326	1 865
Net profit for the current year		193	435	1 326	1 865
Basic earnings per share and diluted	9	0,14	0,32	0,25	0,35

CASH FLOW STATEMENT

	Note No	1 000 EEK		1 000 EUR	
		2001	2000	2001	2000
Business activities					
Net profit for the current year		20 742	29 176	1 326	1 865
Depreciation and amortization of fixed assets	2	7 936	6 808	507	435
Profit/loss from sales and write-off of tangible assets		-31	-76	-2	-5
Profit/loss by equity method		-4 626	-5 133	-296	-328
Profit/loss from sales of financial assets	8	-2 761	-4 467	-176	-286
Total cash flow		21 260	26 309	1 359	1 681
Stock and securities (short-term)		-66	49	-4	3
Net change in claims related to business operations		24	-4 377	2	-280
Inventories		-2 484	-5 838	-159	-373
Transferred assets		-218	439	-14	28
Current debt liabilities		3 747	2 222	239	142
Net change in liabilities related to business activities		-603	2 092	-39	134
Transferred liabilities		321	-551	21	-35
Total cash flow from changes in current assets and liabilities		721	-5 964	46	-381
Total cash flow from business activities		21 981	20 344	1 405	1 300
Investing activities					
Sale of financial assets (selling price)	1,8	2 798	7 079	179	452
Dividends received from subsidiaries and associated companies		1 236	824	79	53
Loan principal received		130	121	8	8
Long-term credit granted		-661	-3 260	-42	-208
Sale of tangible fixed assets (selling price)		34	117	2	7
Additions to intangible and tangible fixed assets	2	-6 689	-28 375	-428	-1 814
Bills outstanding for fixed assets (+)/paid(-)		-76	-40	-5	-3
Total cash flow from investing activities		-3 229	-23 534	-206	-1 504
Financing activities					
New loans	3	-8 509	-7 723	-544	-494
Loans repaid	3	-866	-600	-55	-38
Repayment of principal amounts of capital lease			-45	0	-3
Cash dividends paid	4	-6 480	-5 400	-414	-345
Cash flow from financing activities		-15 855	-6 200	-1 013	-396
TOTAL CASH FLOW		2 897	-9 390	185	-600
Net increase in cash		2 897	-9 390	185	-600
Cash at the beginning of the year		8 142	17 532	520	1 120
Cash at the end of the year		11 039	8 142	705	520

STATEMENT OF CHANGES IN OWNERS' EQUITY

	1 000 EEK		1 000 EUR	
	2001	2000	2001	2000
Share capital				
Initial balance	54 000	18 000	3 451	1 150
Bonus issue	0	36 000	0	2 301
Final balance	54 000	54 000	3 451	3 451
Reserves				
Initial balance	3 610	3 610	231	231
Appropriations to statutory reserves	2 900	0	185	0
Final balance	6 510	3 610	416	231
Retained earnings				
Initial balance	24 864	44 169	1 589	2 823
Distribution of net profit	29 176	22 095	1 865	1 412
Increase in reserves	-2 900	0	-185	0
Dividends paid	-6 480	-5 400	-414	-345
Income tax on dividends)	-499	0	-32	0
Bonus issue	0	-36 000	0	-2 301
Final balance	44 161	24 864	2 822	1 589
Profit for current year				
Initial balance	29 176	22 095	1 865	1 412
Distribution of net profit	-29 176	-22 095	-1 865	-1 412
Profit for the current year	20 741	29 176	1 326	1 865
Final balance	20 741	29 176	1 326	1 865
Total owners' equity	125 413	111 650	8 015	7 136

More detailed information about the owners' equity and its changes is presented in Note 4.

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 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 and thousand euros.

Note 1 Shares

AS Harju Elekter sold 20 000 shares of PKC Group Oyj in April. After the transaction AS Harju Elekter retained 521 600 shares, which accounts for 9,9 % of the share capital of PKC Group Oyj. The financial income from the sale of the shares and the dividends income from PKC Group Oyj are reflected in the income statement on the line "Income from other long-term financial investments". For detailed information on financial income see Annex 8.

In the 4th quarter 6 000 shares of PKC Group Oyj were repurchased. As of the balance sheet date 31.12.01 the holding of Harju Elekter in the share capital of PKC Group Oyj is 10%. The shares are reflected on the balance sheet at the acquisition value totaling 4,5 MEEK (0,3 MEUR).

Note 2 Tangible and intangible assets

	1 000 EEK			1 000 EUR		
	Tan- gible assets	Intan- gible assets	TOTAL	Tan- gible assets	Intan- gible assets	TOTAL
Initial balance 31.12.00	89 462	629	90 091	5 718	40	5 758
Acquired	7 098	0	7 098	454	0	454
Reconstructed	3 020	0	3 020	193	0	193
Sold (at acquisition value) and written-off fixed assets	-386	0	-386	-25	0	-25
Depreciation for the financial period	-7 728	-208	-7 936	-494	-13	-507
Depreciation of sold and written-off fixed assets	384	0	384	25	0	25
Final balance 31.12.01	91 851	421	92 272	5 870	27	5 897

Note 3. Debt liabilities

	1 000 EEK		1 000 EUR	
	31.12.01	31.12.00	31.12.01	31.12.00
Non-convertible debt	3 150	1 017	201	65
Current portion of long-term debt	7 755	8 509	496	544
Current portion of lease debt	776	520	50	33
Short-term loans from credit institutions	3 248	1 137	208	73
Total debt obligations	14 929	11 182	954	715
Unsecured debt obligations	0	200	0	13
Long-term bank loans	9 649	17 404	617	1 112
Long-term lease liabilities	2 605	298	166	19
Total long-term liabilities	12 254	17 902	783	1 144
Total debt liabilities	27 183	29 084	1 737	1 859

Changes in debt obligations:

	1 000 EEK	1 000 EUR
Initial balance 31.12.00	29 084	1 859
Changes in non-convertible debt	1 933	124
Loans repaid	-8 509	-544
Repayment of principal amounts of capital lease	-866	-55
Changes in short-term loans from credit institutions	2 111	135
New long-term lease liabilities	3 430	219
Final balance 30.12.01	27 183	1 737

Note 4. Equity

The share capital of AS Harju Elekter is 54 MEEK (3,4 MEUR) that is divided into 5 400 thousand ordinary shares with the nominal value of 10 EEK (0,64 EUR).

For the year 2000 the owners were paid dividends of 1,20 EEK (0,08 EUR) per share. Dividends were 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 were entitled to dividends. 6 480 TEEK (414 TEUR) 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.

Income tax on dividends 498 TEEK (32 TEUR) from the retained earnings is a part of the income tax liability created by the payment of dividends by AS Keila Kaabel, which corresponds to the holding of AS Harju Elekter in the share capital of the related company.

The management board of AS Harju Elekter has made a proposal to pay the owners dividends for the year 2001 in the amount of 1,40 EEK (0,09 EUR) per share, totalling 7 560 TEEK (483 TEUR).

Note 5. Segmental reporting

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 group operates in one geographical segment, Estonia. 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.

2000	1 000 EEK				1 000 EUR			
	Elect- rical	Tele- com- muni- cations	Elimi- nation	TOTAL	Elect- rical	Tele- com- muni- cations	Elimi- nation	TOTAL
Sales revenue	163 956	41 686		205 641	10 479	2 664	0	13 143
Transactions with other segments	5 131	1 251	-6 382	0	328	80	-408	0
Total	169 087	42 937	-6 382	205 641	10 807	2 744	-408	13 143
Operating profit	13 410	3 728	-107	17 031	857	238	-7	1 088

2001	1 000 EEK				1 000 EUR			
	Elect- rical	Tele- com- muni- cations	Elimi- nation	TOTAL	Elect- rical	Tele- com- muni- cations	Elimi- nation	TOTAL
Sales revenue	165 711	29 784		195 495	10 591	1 904	0	12 494
Transactions with other segments	3 122	767	-3 889	0	200	49	-249	0
Total	168 833	30 551	-3 889	195 495	10 790	1 953	-249	12 494
Operating profit	10 404	1 304	-104	11 604	665	83	-7	742

Note 6. Net sales

Markets	1 000 EEK		1 000 EUR	
	2001	2000	2001	2000
INTERNAL MARKET	116 428	100 875	7 512	6 447
EXTERNAL MARKET	79 067	104 766	5 053	6 696
Incl. Nordic countries	64 769	75 230	4 140	4 809
Denmark	2 972	12 586	190	804
Netherland	804	0	51	0
Ireland and GB	872	4 431	56	283
USA	3 692	2 827	236	181
Russia	480	0	31	0
CEEC	312	2 463	20	157
Baltic states	5 166	7 229	330	462
TOTAL	195 495	205 641	12 494	13 143

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.

	1 000 EEK		1 000 EUR	
	2001	2000	2001	2000
Core business and products				
- electrical equipment	65 591	60 152	4 192	3 844
- wiring systems for automotive and telecommunications industry (subcontracting)	49 218	60 419	3 146	3 861
- cabinets/boxes for telecom installations	14 166	30 439	905	1 945
- sheet metal products and metalwork	21 780	17 598	1 392	1 125
TOTAL CORE BUSINESS	150 755	168 608	9 635	10 776
Intermediary activities and other services				
- trade and intermediation	34 693	29 824	2 217	1 906
- leasing of capital assets	4 850	4 487	310	287
- other services	5 196	2 722	332	174
TOTAL OTHER ACTIVITIES	44 739	37 033	2 859	2 367
TOTAL	195 495	205 641	12 494	13 143

Note 7 Operating profit

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

	1 000 EEK		1 000 EUR	
	2001	2000	2001	2000
- write-down of outstanding accounts receivable from customers	38	107	2	7
- write-down of other current accounts receivable	0	21	0	1
- receipt of accounts formerly charged to expenses	-22	-65	-1	-4
- revaluation of inventory	515	195	33	12
- revaluation of fixed assets	2	24	0	2

Note 8 One-time financial income

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

	1 000 EEK		1 000 EUR	
	2001	2000	2001	2000
- income earned from the sale of PKC Group Oyj shares	2 761	0	176	0
- dividends paid by PKC Group Oyj	3 390	4 128	217	264
- income from the sale of shares of the associated company Glamox Harju Elekter	0	3 159	0	202
- income from the sale of Ühispanga shares	0	1 309	0	84
TOTAL	6 151	8 596	393	549

Note 9 Basic and diluted earnings per share

Average number of the company's share in 2001 was 5 400 thousand. Basic EPS is $20\,742/5\,400=3,84$ (2000: $29\,176/5\,400=5.40$) EEK or $1\,326/5\,400=0,24$ (2000: $1\,865/5\,400=0,35$) EUR.

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 EEK (2,56 EUR). 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 MEEK (0,5 MEUR). In 2001 the average market price of the share settled at 34,01 EEK (2,17 EUR), which is lower than the option redemption price. Thus diluted earnings per share were equal to basic earnings per share.

Note 10 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 MEE (0,3 MEUR) - 2 MEEK (0,1 MEUR) 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 MEEK (0,3 MEUR) and is divided into 400 000 registered ordinary shares with the nominal value of 10 EEK (0,64 EUR).

Note 11 Transactions with related parties

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

	1 000 EEK				1 000 EUR			
	2001		2000		2001		2000	
	Bought	Sold	Bought	Sold	Bought	Sold	Bought	Sold
ELTEK	767	3 122	1 251	5 131	49	200	80	328
Keila Kaabel	3 970	4 673	2 912	4 025	254	299	186	257
Saajos Balti	958	3 184	900	1 954	61	203	58	125
Harju KEK	304	23	204	129	19	1	13	8
TOTAL	6 000	11 002	5 267	11 239	383	703	337	718

Type of transaction	1 000 EEK		1 000 EUR	
	Bought	Sold	Bought	Sold
Goods purchased for resale	3 998	0	256	0
Material, components for production needs	1 013	325	65	21
Industrial subcontracting (outsourcing)	0	2 160	0	138
Lease of fixed assets	0	4 981	0	318
Management services	0	2 180	0	139
Other services (building and communication, repairs and maintenance of real estate)	989	1,356	63	87
TOTAL	6 000	11 002	383	703

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.

During the year 2001 the subsidiary AS ELTEK paid back to the parent company 200 TEEK of the long-term and 1 900 TEEK of the short-term credit (13 and 121 TEUR). The annual interest rate on loans was 8%. In 2001 Harju Elekter earned 136 TEEK (9 TEUR) of interest income from the short-term credit, that is reported in the income statement under "Other interest and financial income".

During the financial period the employees were granted short-term loans in the amount 242 TEEK (15 TEUR), the employees repaid 240 TEEK (15 TEUR). The annual interest rate on loans was 8%. During the reporting period the employees paid the total of 5 TEEK (0,32 TEUR) in interest.

Balance with related parties:

Claims	1 000 EEK		1 000 EUR	
	31.12.01	31.12.00	30.12.01	31.12.00
Total loans to subsidiary company	2 117	4 700	135	300
Incl. outstanding accounts	1 165	1 648	74	105
long-term loan	52	252	3	16
short-term loan	900	2 800	58	179
Total loans to associated companies	3 094	2 136	198	137
Incl. AS Keila Kaabel	892	1 121	57	72
AS Saajos Balti	2 202	1 015	141	65
Total loans to employees	673	571	43	36
Incl. long-term loan	620	522	40	33
short-term loan	53	49	3	3
Obligations	1 000 EEK		1 000 EUR	
	31.12.01	31.12.00	30.12.01	31.12.00
Total loans to subsidiary company	0	240	0	15
Incl. outstanding accounts	0	240	0	15
Total loans to associated companies	327	238	21	15
Incl. AS Keila Kaabel	103	114	7	7
AS Saajos Balti	224	124	14	8