

AS Harju Elekter

Interim report 1-9/ 2002 unaudited CONSOLIDATED

(Translation of the Estonian original)

Main business areas of Harju Elekter Group are designing, production and marketing of various electrical engineering and telecommunication systems.

The Group consists of the parent company AS Harju Elekter and 100%-owned subsidiaries AS ELTEK and Satmatic Oy. AS Harju Elekter has holdings in associated companies AS Keila Kaabel (41.2%) and AS Saajos Balti (33.3%) and in the Finnish company PKC Group Oyj (12%).

The Group employees about 300 people.

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
End of the financial year:	31 st of December
Beginning of the reporting period:	1 st of January 2002
End of the reporting period:	30 th of September 2002
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Auditor:	KPMG Estonia

The interim report consists of the consolidated balance sheet, income statement, cash flow statement, and statements of owners' equity, notes to the interim report 1-9 /2002 and explanatory note.

The interim report of AS Harju Elekter on 20 pages

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Signatures of the Management Board to the Interim report 1-9/2002

Management Board of AS Harju Elekter has prepared the consolidated Interim report for 1-9/2002 as presented on pp. 4-20.

Approval of the Interim report 1-9/2002 as of September 30, 2002 by the Management Board members:

Mr. Andres Allikmäe Chairman of the Management Board ,, “November 2002

Mr. Ülo Merisalu Member of the Management Board ,, “November 2002

Mrs. Karin Padjus Member of the Management Board ,, “November 2002

Mr. Lembit Libe Member of the Management Board ,, “November 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/ 2002 as follows:

	Participation on 30.09.02	Participation on 30.09.01
AS AJT Harju Elekter	100 %	0 %
AS Keila Kaabel	41.2 %	41.2 %
AS Saajos Balti	33.3 %	33.3 %

The financial results of the 100% owned subsidiary AS AJT Harju Elekter have been included in the consolidated accounts up to the sales date of the subsidiary which was 30.06.02. As of 30.09.02 the economic indicators of Satmatic Oy for the month of September have been incorporated into the account.

Important events

On the 19th of September AS Harju Elekter and Siemens Osakeyhtiö signed the purchase agreement pursuant to which Harju Elekter acquired all shares of 100% Siemens owned subsidiary Satmatic Oy. The core business of Satmatic is the manufacturing and marketing of various electrical equipment, including automation and process control systems for the paper, metal and machine building industries as well as car heating units for parking lots. The acquisition of the subsidiary has widened Harju Elekter's possibilities to extend its main product range with Satmatic type-approved products, to upgrade and improve its existing products and to boost its sales in Finland and other neighbouring markets. The increase of the market share is estimated at EEK 100 million (EUR 6.4 million).

On the basis of former Cable Harnesses Factory, AS AJT Harju Elekter (AJT), a 100% subsidiary, was formed on the 8th of March, with the share capital of 6 million kroons (383 TEUR). The company started its Independent economic activities on April 1. On the 4th of June AS Harju Elekter and PKC Group Oyj (PKC) signed a sales agreement according to which PKC acquired all shares of AJT, a 100% Harju Elekter owned subsidiary. The transaction value was 2.07 MEUR (32.4 MEEK). The closing date was July 1, 2002. With the disposal of AJT, the second tier subcontracting company, Harju Elekter minimised its business risks significantly, but the expertise of wiring systems and fibre-optic products manufacturing was retained in the Group. The on-going co-operation with PKC opens up new development prospects for both partners.

In April Harju Elekter opened its third specialised electrical appliances shop in Tartu. The shop has 300 sq.m in salesroom and warehouse space. During the first six months of its operations a considerable customer base has been identified and a solid position secured on the domestic electrical supplies market.

Harju Elekter Group implemented the environmental management system, the conformity of which to ISO 14001:1996 international standard was verified and acknowledged by the international verification agency BVQI. The compliance certificate award ceremony took place on April 23. The system lays down the norms and rules for continuous monitoring of and adequate response to potential environmental impacts and facilitates the creation of a clean and healthy working and living environment within the industrial area.

On January 3, 2002 Bureau Veritas Quality International acknowledged the conformity of the quality management system used in AS Eltek to the ISO9001:2000 international standard. The scope of the system covers manufacturing of sheet metal products, product development and marketing in the company. The certificate was presented on January 21.

Sales revenue

During the accounting period the economic situation in Estonia has been relatively stable. According to the data of the Estonian Market Research Institute, in nine months of the current year the order volumes for industrial products exceeded their usual level and the output volumes sustained a growing trend. There have also been more export orders than usual.

The construction market is still experiencing a boom and the institute anticipates that the fourth quarter will be more favourable than usually. The upsurge that took off in the electrical engineering industry in the preceding years has lasted till the present day. AS Harju Elekter's domestic market is driven by building and renovation activities and the demand for products primarily used for electrical engineering purposes. The energy, infrastructure, building and wholesale companies have placed increasingly more orders on the domestic as well as on external markets.

The consolidated net sales and revenues for nine months of 2002 amounted to EEK 186.6 million (EUR 11.9 mil.). Compared with the same period last year, the Group's turnover grew by 37.6 per cent, whereas in Q3 the sales surpassed the respective indicator for the previous year by 31.5 per cent. Sales on the Estonian market accounted for 59.0 per cent of the consolidated net sales and revenues (2001 9m: 59.4%), marking a 36.6 per cent rise in comparison with the nine month period in 2001, and on the external markets EEK 76.5 million (EUR 4.9 mil.) which is 39.1 per cent more than during the same period last year.

Driven by the growing demand on the electrical engineering market, manufacturing and marketing of electrical equipment increased by 61.8 per cent within nine months and the acquisition of the new subsidiary added another 12.1 per cent at the expense of the turnover, totalling 80.3 per cent and representing 41.8 per cent of the sales volume (2001 9m: 31.9%).

Profit

The Group's operating profit for the nine month period was EEK 12.5 million or EUR 797 thousand (2001 9m: EEK 9.5 mil. or EUR 606 thou.), in comparison with the same period last year the growth has been 31.4 per cent. The operating profit for Q3 was EEK 6.0 million or EUR 382 thousand which is 1.6 times higher than in 2001. If the profit margin for the nine month period remained practically on the year 2001 level, then in the third quarter a 9.7 per cent profit margin was achieved (2001 Q3: 8.0%).

Income from financing activities was EEK 7.5 million or EUR 481 thousand (2001 9m: EEK 8.2 mil. or EUR 526 thou.). Altogether EEK 3.6 million (EUR 233 thou.) were consolidated from the related companies in the third quarter. In total, the 2.6 million kroon (EUR 166 thou.) income from financing activities that was received in Q3 of the current year surpassed the previous year's result.

The operating profit gained from the sale of fixed and current assets to a subsidiary which had been formed on the basis of Cable Harnesses Factory and the financial income earned from the sale of the subsidiary AJT Harju Elekter are reported in the consolidated income statement under *Extraordinary income* because the transaction was beyond the scope of the company's conventional business activities. In total, extraordinary profit from the disposal of the production facility amounted to EEK 30.6 million (EUR 2.0 mil.).

In brief, the Group's operating profit for nine months in 2002 was EEK 20.0 million (EUR 1,2 mil.) which is 12.8 per cent more against the same period last year. The operating profit earned in Q3 doubly exceeded the last year's indicator. Net profit for the period amounted to EEK 50.6 million or EUR 3.2 million (2001 9m: EEK 17.7 mil. or EUR 1.1 mil.). Net profit margin settled at 27.1 per cent (2001 9m: 13.1%). EPS was EEK 9.38 or EUR 0.60 (2001 9m: EEK 3.28 or EUR 0.21).

Cash flow, investments and capital employed

Cash flow from operations was EEK 5.3 million or EUR 341 thousand (2001 9m: EEK 14.4 mil. or EUR 797 thou.), inflow from investing activities EEK 8.9 million or EUR 566 thousand (2001 9m: outflow EEK 1.2 mil. or EUR 80 thou.) whereas cash outflow from investing activities was EEK 14.1 million or EUR 902 thousand (2001 9m: EEK 13.7 mil. or EUR 875 thou.).

Cash flow from operations was strongly influenced by the acquisition of the new subsidiary In Q3 2002 the Group sustained a 10.7 million kroon (EUR 682 thou.) cash outflow for the operating capital increase.

During the reporting period the Group invested in tangible and intangible fixed assets altogether EEK 10.5 million or EUR 673 thousand (2001 9m: EEK 5.4 mil. or EUR 346 thou.). 4.5 million kroons or 285 thousand euros were invested into plant and technology, the lion share of which amount was spent on the reconstruction of the washing systems of the powder coating unit at the Electrical Equipment Factory in order to improve quality and to significantly minimise environmental pollution. EEK 3.5 million or EUR 220 thousand were used for the renovation of buildings and facilities. EEK 0.9 million (EUR 60 thou.) were spent on the installation and upgrading of the IT systems. EEK 3.7 million or EUR 234 thousand were received from the disposal of tangible fixed assets (2001 9m: EEK 34 thou. or EUR 2 thou.). This resulted in the cash outflow in the amount of EEK 6.8 million or EUR 439 thousand (2001 9m: EEK 5.4 mil. or EUR 344 thou.).

In March Harju Elekter made a EEK 6.0 million (EUR 383 thou.) payment into the share capital of the 100% owned subsidiary AJT Harju Elekter which had been formed on the basis of Cable Harnesses Factory and in September paid EEK 4.7 million (EUR 298 thou.) for the acquired shares of the subsidiary Satmatic Oy. AJT Harju Elekter was sold in July 2002 and EEK 19.9 million (EUR 1,270 thou.) were received on the bank account. These transactions generated EEK 12.2 million (EUR 780 thou.) cash inflow.

During the accounting period EEK 6,6 million or EUR 420 thousand were spent to repay the principal amount of the long-term loan and the capital lease (2001 9m: EEK 6.5 mil. or EUR 414 thou.) which did not incur any income tax liability for AS Harju Elekter.

Balance sheet

The consolidated balance total by the end of September 2002 was EEK 224.7 million (EUR 14.1 mil.); it had in nine months by EEK 48,2 million (EUR 3.1 mil.) and in twelve months by EEK 52.9 million (EUR 3.1 mil.). This growth is mostly attributable to the sale of AJT Harju Elekter and purchase of the subsidiary Satmatic Oy and the significant rise in the orders for the energy sector products as compared with the previous quarters and the same period last year. Changes took place also in the balance structure. Owners' equity grew in total by EEK 42.8 million (EUR 2.7 mil.) and reached the 74.8 per cent ratio to the value of assets. This is 3.6 per cent points more than a year ago and 3.8 per cent points more than it was by 31.12.2001. On the assets side the value of current assets grew the most during nine months, in total EEK 28.3 million (EUR 1.8 mil.). Together with the subsidiary Satmatic Oy the Group acquired some current assets, the total fair value of which was EEK 21.4 million (EUR 1.4 mil.), among them EEK 15.3 million (EUR 1.0 mil.) worth of stock-in-trade.

Balance structure	30.09.02	31.12.01	30.09.01
ASSETS			
Cash, bank, shares and other securities	4,9%	6,6%	3,5%
Total trade receivables	12,4%	11,3%	12,6%
Inventories	20,5%	14,3%	15,9%
Total current assets	37,8%	32,1%	32,0%
Total fixed assets	62,2%	67,9%	68,0%
TOTAL assets	100,0%	100,0%	100,0%
LIABILITIES AND OWNERS' EQUITY			
Total liabilities	25,2%	29,0%	28,8%
Total owners' equity	74,8%	71,0%	71,2%
Total liabilities and owners' equity	100,0%	100,0%	100,0%

Personnel

During the accounting period the average number employees in the Group was 373 (2001 9m: 682). On the balance sheet date 293 (30.09.01: 659) people were working in the Group. The number of the employees decreased considerably in connection with the sale of the subsidiary AJT Harju Elekter (418), although after the acquisition of Satmatic Oy the personnel grew by 52 employees.

Key indicators

Shares of Harju Elekter	EEK		EUR	
	1-9/2002	1-9/2001	1-9/2002	1-9/2001
Number of shares (1000 pc)	5 400	5 400	5 400	5 400
Nominal value	10	10	0.64	0.64
Low price	28,48	23,10	1,82	1,48
High price	36,30	44,00	2,32	2,81
Average price	33,61	35,53	2,15	2,27
Market price at the end of period	33,64	26,00	2,15	1,66
Earnings per share EEK	9,38	3,28	0,60	0,21

For the period	1 000 EEK		1 000 EUR	
	1-9/2002	1-9/2001	1-9/2002	1-9/2001
Net sales	186 636	135 620	11 928	5 682
Operating profit	12 471	9 489	797	739
Profit before financial expenses	20 954	19 559	1 339	904
Net profit for the current year	50 634	17 722	3 236	1 133
At the end of the period				
Total current assets	85 026	55 064	5 434	3 519
Total fixed assets	139 723	116 817	8 930	7 466
TOTAL assets	224 749	171 881	14 364	10 985
Total liabilities	56 582	49 487	3 616	3 163
Total owners' equity	168 167	122 394	10 748	7 822

Performance indicators (%)	1-9/2002	1-9/2001
Return on sales (Operating profit/Net sales *100)	6,7	7,0
Equity ratio (Owners' equity/Total assets*100)	11,2	14,4
Net profit margin (Net profit/ Net sales *100)	27,1	13,1
Return on assets ROA (Net profit/Average total assets *100*4/3)	33,6	14,0
Return on equity ROE (Net profit/Average owners' equity *100*4/3)	46,0	20,2
Equity ratio (Owners' equity / Total assets *100)	74,8	71,2
Current ratio (Current assets/Short-term obligations)	1,7	1,6
Quick ratio (Liquid assets/Short-term obligations)	0,9	0,8
Number of employees at the end of the period	294	659

Andres Allikmäe
Chairman of the Management Board

INTERIM FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS	Note	1 000 EEK		1 000 EUR				
		NO	30.09.02	31.12.01	30.09.01	30.09.02	31.12.01	30.09.01
Current assets								
Cash and bank			11 104	11 039	5 684	710	706	363
Shares and other securities	1		0	468	402	0	30	26
Trade receivables								
Accounts receivable from customers			25 748	15 305	17 683	1 646	978	1 130
Other receivables	11		979	3 343	2 496	63	214	160
Accrued income			0	35	0	0	2	0
Prepaid expenses			1 034	1 242	1 466	66	79	94
Total trade receivables			27 761	19 925	21 645	1 774	1 273	1 383
Inventories			46 162	25 286	27 333	2 950	1 616	1 747
Total current assets	10		85 026	56 718	55 064	5 434	3 625	3 519
Fixed assets								
Long-term investments	1,8		44 044	27 574	25 801	2 815	1 762	1 649
Tangible assets	2		95 226	91 851	90 543	6 086	5 870	5 787
Intangible assets	2		452	421	473	29	27	30
Total fixed assets	10		139 723	119 845	116 817	8 930	7 660	7 466
TOTAL ASSETS			224 749	176 563	171 881	14 364	11 284	10 985
LIABILITIES AND OWNERS' EQUITY								
Current liabilities								
Debt obligations	3		8 757	14 929	7 949	560	954	508
Prepayments received from customers			561	94	196	36	6	13
Accounts payable to suppliers			25 779	12 433	13 730	1 648	795	878
Other payables	11		1 170	499	717	75	32	46
Tax payable			3 107	4 931	3 850	199	315	246
Accrued expenses			4 644	6 010	3 716	297	384	238
Total current liabilities			44 019	38 896	30 159	2 813	2 486	1 927
Long-term liabilities	3		12 563	12 254	19 328	803	783	1 235
Total liabilities			56 582	51 150	49 487	3 616	3 269	3 163
Owners' equity								
Share capital (nominal value)			54 000	54 000	54 000	3 451	3 451	3 451
Statutory reserves			8 600	6 510	6 510	550	416	416
Retained profit			54 933	44 161	44 162	3 511	2 822	2 822
Net profit(loss) for the current year			50 634	20 742	17 722	3 236	1 326	1 133
Total owners' equity	4		168 167	125 413	122 394	10 748	8 015	7 822
TOTAL LIABILITIES AND OWNERS' EQUITY			224 749	176 563	171 881	14 364	11 284	10 985

INCOME STATEMENT

1000 EEK	Note no	Q3 2002	Q3 2001	1-9/2002	1-9/2001
Net sales	5,6	61 464	46 728	186 636	135 625
Cost of goods sold		48 418	37 372	152 323	108 733
Gross profit		13 046	9 356	34 313	26 892
Marketing expenses		2 777	2 377	8 422	6 402
Administrative and general expenses		4 252	3 104	13 285	10 635
Other operating revenue		51	97	290	302
Other operating charges		86	237	425	668
Operating profit	5,7	5 982	3 735	12 471	9 489
Financial income incl.					
-from shares in associate co.		3 648	1 313	6 005	3 365
-from other investments	8	28	11	2 254	6 190
-other interest and similar financial income	1,11	83	47	223	215
Total financial income		3 759	1 371	8 482	9 770
Financial expenses, incl.					
-interest expense		278	453	902	1 441
-other financial expenses		3	44	59	96
Total financial expenses		281	497	961	1 537
Profit from ordinary activities		9 461	4 609	19 993	17 722
Net profit for the current year	10	39 376	4 609	50 634	17 722
Basic earnings per share and diluted	9	7,29	0,85	9,38	3,28

INCOME STATEMENT

1000 EUR	Note no	Q3 2002	Q3 2001	1-9/2002	1-9/2001
Net sales	5,6	3 928	2 986	11 928	8 668
Cost of goods sold		3 094	2 389	9 735	6 949
Gross profit		834	598	2 193	1 719
Marketing expenses		177	152	538	409
Administrative and general expenses		272	198	849	680
Other operating revenue		3	6	19	19
Other operating charges		5	15	27	43
Operating profit	5,7	382	239	797	606
Financial income incl.					
-from shares in associate co.		233	84	384	215
-from other investments	8	2	1	144	396
-other interest and similar financial income	1, 11	5	3	14	14
Total financial income		240	88	542	624
Financial expenses, incl.					
-interest expense		18	29	58	92
-other financial expenses		0	3	4	6
Total financial expenses		18	32	61	98
Profit from ordinary activities		605	295	1 278	1 133
	10	1 912	0	1 958	0
Net profit for the current year		2 517	295	3 236	1 133
Basic earnings per share and diluted	9	0,47	0,05	0,60	0,21

CASH FLOW STATEMENT

	Note No	1 000 EEK		1 000 EUR	
		1-9/2002	1-9/2001	1-9/2002	1-9/2001
Business activities					
Net profit for the current year		50 634	17 722	3 236	1 133
Depreciation and amortization of fixed assets	2	5 958	5 909	381	378
Profit/loss from sales and write-off of tang.ass		-2 324	-31	-149	-2
Profit/loss by equity method (-/+)		-5 745	-3 365	-367	-215
Profit/loss by from sales of financial assets (-/+)	10	-26 603	-2 761	-1 700	-176
Total cash flow		21 920	17 474	1 401	1 117
Stock and securities (short-term)		468	0	30	0
Net change in claims related to business operations		-7 836	-1 719	-501	-110
Inventories		-20 875	-4 531	-1 334	-290
Transferred assets		-166	-84	-11	-5
Current debt liabilities	3	-6 172	-3 233	-394	-207
Net change in liabilities related to business activities		11 295	-2 337	722	-149
Transferred liabilities		6 695	6 905	428	441
Tot. cash flow from changes in current assets and liabilities	10	-16 591	-5 000	-1 060	-320
Total cash flow from business activities		5 329	12 474	341	797
Investing activities					
Sale of financial assets (selling price)	10	19 871	0	1 270	0
Dividends received from related companies		1 739	2 798	111	179
Loan principal received		167	1 236	11	79
Additions to long-term financial investments	10	-6 055	94	-387	6
Sale of tangible fixed assets (selling price)		3 656	34	234	2
Additions to intangible and tangible fixed assets	2	-10 525	-5 409	-673	-346
Total cash flow from investing activities		8 853	-1 247	566	-80
Financing activities					
Repayment of long-term liabilities	3	-5 938	-6 570	-380	-420
Repayment of principal amounts of capital lease	3	-619	-635	-40	-41
Cash dividends paid	4	-7 560	-6 480	-483	-414
Cash flow from financing activities		-14 117	-13 685	-902	-875
TOTAL CASH FLOW		65	-2 458	4	-157
Net increase in cash					
		65	-2 458	4	-157
Cash at the beginning of the year		11 039	8 142	706	520
Cash at the end of the year		11 104	5 684	710	363

STATEMENT OF CHANGES IN OWNERS' EQUITY

	1 000 EEK		1 000 EUR	
	1-9/2002	1-9/2001	1-9/2002	1-9/2001
Share capital				
Initial balance	54 000	54 000	3 451	3 451
Final balance	54 000	54 000	3 451	3 451
Reserves				
Initial balance	6 510	3 610	416	231
Provisions for reserve capital	2 090	2 900	134	185
Final balance	8 600	6 510	550	416
Retained earnings				
Initial balance	44 161	24 864	2 822	1 589
Distribution of net profit	20 742	29 176	1 326	1 865
Provisions for reserves	-2 090	-2 900	-134	-185
Dividends paid	-7 560	-6 480	-483	-414
Income tax on dividends (related company)	-321	-499	-20	-32
Final balance	54 933	44 161	3 511	2 823
Profit for current year				
Initial balance	20 742	29 176	1 326	1 865
Distribution of net profit	-20 742	-29 176	-1 326	-1 865
Profit for the current year	50 634	17 722	3 236	1 133
Final balance	50 634	17 722	3 236	1 133
Total owners' equity	168 167	122 394	10 748	7 822

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 31.12.2001.

Management Board of AS Harju Elekter is of the opinion that the interim report for the 9m 2002 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. The EEK/EUR exchange rate based on the Bank of Estonia quotation was 15.6466.

Note 1. Shares

In March AS Harju Elekter sold its short-term shareholding. Financial income from the disposal of the shares in the amount of EEK 139 thousand (EUR 9 thou.) is reported under the entry *Other interest and financial income*.

In July 2002 109.7 thousand PKC Group Oy shares were transferred to Harju Elekter's securities account as payment for the disposed AJT Harju Elekter shares and thus Harju Elekter's holding in PKC share capital increased to 12 per cent. The acquisition cost of the shares was EEK 12.5 million (EUR 0.8 mil.) (Note 10). As of the balance sheet date, the investment value indicated on the balance sheet was EEK 17.0 million (EUR 1.1 mil.). As of 30.09.02, the last trading day on the Helsinki Stock Exchange, the market value of the shares held by Harju Elekter was EEK 64.8 million (EUR 4.1 mil.).

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 31.12.01	91 850	421	92 271	5 870	27	5 897
Acquired	6 934	188	7 122	443	12	455
Reconstructed	3 575		3 575	228	0	228
Sold (at acquisition value) and written-off fixed assets	-5 085		-5 085	-325	0	-325
Depreciation for the financial period	-5 801	-157	-5 958	-371	-10	-381
Depreciation of sold and written-off fixed assets	3 753		3 753	240	0	240
Final balance	95 225	452	95 677	6 086	29	6 115

Note 3 Debt liabilities

	1 000 EEK		1 000 EUR	
	31.09.02	31.12.01	31.09.02	31.12.01
Non-convertible debt	3 057	3 150	195	201
Current portion of long-term debt	1 819	7 755	116	496
Current portion of lease debt	218	776	14	50
Short-term loans from credit institutions	3 663	3 248	234	208
Total debt obligations	8 757	14 929	560	954
Unsecured debt obligations	198	0	13	0
Long-term bank loans	9 649	9 649	617	617
Long-term lease liabilities	2 716	2 605	174	166
Total long-term liabilities	12 563	12 254	803	783
Total debt liabilities	21 320	27 183	1 363	1 737

Changes in debt obligations:

	1 000 EEK	1 000 EUR
Initial balance 31.12.01	27 183	1 737
Changes in non-convertible debt	107	7
Loans repaid	-5 937	-379
Repayment of principal amounts of capital lease	-619	-40
Changes in short-term loans from credit institutions	415	27
New long-term lease liabilities	171	11
Final balance	21 320	1 363

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 2001 the shareholders were paid dividends of 1.40 EEK (0.09 EUR) per share, totally 7 560 TEEK (483 TEUR). The shareholders listed in the share register of AS Harju Elekter at 8 a.m. on the record date April 30, 2002 were entitled to dividends. Dividends were distributed on May 13, 2002.

321 TEEK (20 TEUR) income tax on dividends paid from retained earnings constitutes the part of income tax liabilities arising from dividends paid by AS Keila Cables that corresponds to AS Harju Elekter's equity holding in the associated company.

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 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” – designing, 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 type of sheet metal and fiber-optic 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.

1-9/2001	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	115 055	20 570		135 625	7 353	1 315	0	8 668
Transactions with other segments	2 261	595	-2 856	0	145	38	-183	0
Total	117 316	21 165	-2 856	135 625	7 498	1 353	-183	8 668
Operating profit	7 773	1 786	-70	9 489	497	114	-4	606

1-9/2002	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	160 728	25 908		186 636	10 272	1 656	0	11 928
Transactions with other segments	9 029	947	-9 976	0	577	61	-638	0
Total	169 758	26 854	-9 976	186 636	10 849	1 716	-638	11 928
Operating profit	11 267	1 328	-124	12 471	720	85	-8	797

Note 6. Net sales

Markets	1 000 EEK		1 000 EUR		Structure %	
	1-9/2002	1-9/2001	1-9/2002	1-9/2001	1-9/2002	1-9/2001
Estonia	110 106	80 606	7 037	5 152	59,0%	59,4%
Finland	65 617	44 132	4 194	2 821	35,2%	32,5%
Nordic countries	2 266	3 511	145	224	1,2%	2,6%
Latvia, Lithuania	4 798	4 205	307	269	2,6%	3,1%
Other Europe	2 083	1 095	133	70	1,1%	0,8%
Russia and CEEC	1 107	558	71	36	0,6%	0,4%
USA	657	1 518	42	97	0,4%	1,1%
TOTAL	186 636	135 625	11 928	8 668	100,0%	100,0%

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	
	1-9/2002	1-9/2001	1-9/2002	1-9/2001
Core business and products				
- electrical equipment	78 069	43 317	4 990	2 768
- wiring systems for automotive and telecommunications industry (subcontracting)	38 926	34 616	2 488	2 212
- cabinets/boxes for telecom installations	10 717	9 458	685	604
- sheet metal products and metalwork	19 059	16 142	1 218	1 032
TOTAL CORE BUSINESS	146 771	103 533	9 380	6 617
Intermediary activities and other services				
- trade and intermediation	29 739	24 583	1 901	1 571
- leasing of capital assets	5 807	3 630	371	232
- other services	4 319	3 879	276	248
TOTAL OTHER ACTIVITIES	39 865	32 092	2 548	2 051
TOTAL	186 636	135 625	11 928	8 668

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	
	1-9/2002	1-9/2001	1-9/2002	1-9/2001
- write-down of outstanding accounts receivable from customers	-27	-32	-2	-2
- receipt of accounts formerly charged to expenses	8	26	1	2
- revaluation of inventory	-61	-192	-4	-12
- profit from sales fixed assets	144	34	9	2
- revaluation of fixed assets	-5	-2	0	0

Note 8 One-time financial income

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

	1 000 EEK		1 000 EUR	
	1-9/2002	1-9/2001	1-9/2002	1-9/2001
- dividends paid by PKC Group Oyj	2 064	3 390	132	217
- income earned from the sale of PKC Group Oyj shares	0	2 761	0	176

Note 9. Basic and diluted earnings per share

Average number of the company's share in 9m 2002 was 5 400 thousand. Basic EPS is $50\,634/5\,400 = 9,38$ (1-9/2001: $17\,722/5\,400 = 3,28$) EEK or $3\,236/5\,400 = 0,60$ (1-9/2001: $1\,133/5\,400=0,21$) 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 the 9m 2002 the average market price of the share settled at 33.64 EEK (2.15 EUR), which is lower than the option redemption price. Thus diluted earnings per share were equal to basic earnings per share.

Note 10. Acquisition and disposal of subsidiaries

On the 8th of March AS AJT Harju Elekter, a 100% subsidiary; was established on the basis of Cable Harnesses Factory and started independent economic activities on the 1st of April. AJT shall continue as PKC Group Oyj (PKC) subcontractor in its current field of activities, which is manufacturing of wiring harnesses. AS Harju Elekter paid in a 6 MEEK (383 TEUR) contribution into AJT share capital. Harju Elekter sold the fixed and current assets used by the enterprise to its subsidiary.

On July 1 of the current year AS Harju Elekter sold its 100% owned subsidiary AJT Harju Elekter. The total value of the deal was EUR 2.07 million (EEK 32.4 mil.), out of which amount 61.4 per cent (EUR 1.27 mil. or EEK 19.9 mil.) was paid in cash and the outstanding part in PKC shares. The total cash flow from this transaction was EEK 13.7 million (EUR 874 thou.). The share subscription price was 7.29 euros which was the average share price for 10 trading days on the stock exchange prior to the conclusion of the deal. Thus the acquisition cost of the shares was EEK 12.5 million (EUR 0.8 mil.). Financial income from the sale of AJT shares and sales revenue from the assets sold to the subsidiary (in total EEK 30.6 mil. or EUR 2.0 mil.) have been entered in the income statement as extraordinary income after the operating income.

On September 19, 2002 AS Harju Elekter bought a new subsidiary Satmatic Oy, the core business of which is manufacturing and marketing of electrical equipment, and paid for the 100% ownership and expansion of the share capital all in all EEK 4.8 million (EUR 249 thou.). Harju Elekter granted a long-term loan of 10.2 million kroons (EUR 650 thou.) to Satmatic for the acquisition of fixed and current assets. The acquisition of the subsidiary meant for the Group EEK 10.7 million cash outflow (EUR 682 thou.) in Q3 2002 for the operating capital increase and EEK 2.0 million (EUR 127 thou.) for the acquisition of fixed assets. As together with the subsidiary the Group acquired also EEK 0.8 million (EUR 49 thou.) as cash in bank, the actual total cash outflow was EEK 11.9 million (EUR 792 thou.).

Note 11 Transactions with related parties

Related parties to AS Harju Elekter are the 100%-owned subsidiaries AS ELTEK, Satmatic Oy and AS AJT Harju Elekter (during 1H 2002), 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 the 9m 2002 AS Harju Elekter bought from, sold its products to and provided services to related parties as follows:

Related parties	1 000 EEK				1 000 EUR			
	1-9/2002		1-9/2001		1-9/2002		1-9/2001	
	Bought	Sold	Bought	Sold	Bought	Sold	Bought	Sold
Eltek	866	2 548	595	2 260	55	163	38	144
AJT Harju Elekter	4 319	0	0	0	276	0	0	0
Keila Kaabel	4 215	4 071	2 885	3 305	269	260	184	211
Saajos Balti	1 338	2 245	653	2 423	85	144	42	155
Harju KEK	62	25	111	16	4	2	7	1
TOTAL	10 800	8 889	4 244	8 004	690	568	271	512

Type of transaction	1 000 EEK		1 000 EUR	
	Bought	Sold	Bought	Sold
Goods purchased for resale	4 019	0	257	0
Material, components for production needs	1 879	1 539	120	98
Industrial subcontracting (outsourcing)	0	959	0	61
Lease of fixed assets	0	4 060	0	259
Management services	0	1 866	0	119
Other services (building and communication, repairs and maintenance of real estate)	4 903	465	313	30
TOTAL	10 800	8 889	690	568

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.

Harju Elekter gave a long-term loan of 10.2 million kroons (EUR 650 thou.) to Satmatic for the acquisition of fixed and current assets. The interest rate on the loan is 5 per cent and the loan will be repaid in 39 months.

The subsidiary AS ELTEK paid back to the parent company 52 TEEK (3 TEUR) of the long-term loan. In 9m 2002 43 TEEK (2.7 TEUR) was received as income from interest on short-term loans to Harju Elekter. The annual interest rate on loans was 8%.

During the financial period the employees were granted short-term loans in the amount 123 TEEK (7.9 TEUR) and long-term loans in the amount 55 TEEK (3.5 TEUR). The employees repaid 274 TEEK (17.5 TEUR). The annual interest rate on loans was 8%. During the reporting period the employees paid the total of 54 TEEK (3.5 TEUR) in interest.

Balance with related parties:

Claims	1 000 EEK		1 000 EUR	
	30.09.02	31.12.01	30.09.02	30.12.01
Total loans to subsidiaries	12 390	2 117	792	135
Incl. ELTEK outstanding accounts	1 303	1 165	83	74
ELTEK long-term loan	0	52	0	3
ELTEK short-term loan	900	900	58	58
Incl. Satmatic Oy outstanding accounts	17	0	1	0
Satmatic Oy long-term loan	10 170	0	650	0
Total loans to associated companies	846	3 094	54	198
Incl. AS Keila Kaabel (dividends)	155	892	10	57
AS Saajos Balti	691	2 202	44	141
Total loans to employees	434	673	28	43
Incl. long-term loan	407	620	26	40
short-term loan	27	53	2	3

Obligations	1 000 EEK		1 000 EUR	
	31.09.02	31.12.01	31.09.02	31.12.01
Total loans to subsidiary company ELTEK	314	0	20	0
Incl. outstanding accounts	314	0	20	0
Total loans to associated companies	987	327	63	21
Incl. AS Keila Kaabel	719	103	46	7
AS Saajos Balti	268	224	17	14