

AS Harju Elekter
Interim report 1-3/ 2004 unaudited
CONSOLIDATED

Business name	AS Harju Elekter
Main business area:	designing, production and marketing of various electrical engineering and telecommunication systems
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Audithor:	KPMG Estonia
Beginning of the reporting period:	1 st of January 2004
End of the reporting period:	31 st of March 2004

The interim report of Harju Elekter Group on 17 pages

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EXPLANATORY NOTE***Group structure and changes on it***

In interim report for Q1 2004 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries are consolidated line-by-line and the results of affiliated companies by the equity method. The shares of PKC Group are recognised on the balance sheet on the fair value basis. As of 31.03.2004, Harju Elekter owns significant holdings in the following commercial undertakings:

Participation %			31.03.04	31.12.03	31.03.03
AS Eltek	subsidiary	Estonia	100,0 %	100,0 %	100,0 %
Satmatic OY	subsidiary	Finland	100,0 %	100,0 %	100,0 %
Rifas UAB	subsidiary	Lithuania	51,0 %	51,0 %	0,0 %
AS Keila Kaabel	associated company	Estonia	34,0 %	34,0 %	41,2 %
AS Saajos Balti	associated company	Estonia	33,3 %	33,3 %	33,3 %
PKC Group Oyj	financial investment	Finland	10,7 %	10,6 %	12,0%

Harju Elekter purchased 51% of the shares of the Lithuanian company UAB Rifas in October 2003.

Introduction

The condition of the world economy improved in the first quarter. Assessments of the current situation as well as future expectations improved in Western Europe, though remained below the indicators of North America. We soon also expect a boom in the Finnish market that is of interest to us. Estonia's accession to the EU is generally forecast to enhance the country's prospects in the neighbouring markets. At the same time, it also results in an increase in several cost categories (e.g. car fuel). The experts consider the present economic condition of Estonia to be more favourable than a year ago.

The year 2004 started differently for the consolidation group of Harju Elekter in different countries. The first quarter proved to be successful for the parent company that operates in the electrical engineering sector — both turnover and operating profit went up. The results of the subsidiaries and affiliated companies, on the contrary, were modest for various reasons, but the sales orders received since the second quarter surpass the level of the previous year.

Revenues, expenses and profit

The sales revenue of the consolidation group AS Harju Elekter comprised MEEK 85,7 (MEUR 5,5) in the Q1 2004, increasing by 21% in comparison with the same period of the previous year. Of the sales revenue, 76% accounted for the sales of industrial products and 24% for intermediate sales and sales of services. At the same time, the sales of products in the first quarter increased by 19% in comparison with the same period in 2003, and the sales of services and intermediate sales altogether increased by 30%, including trade and intermediate sales by 27%.

Of the sales revenue of the consolidation group AS Harju Elekter, 54% is ascribed to the sales to Estonia and 46% to the sales to foreign markets. The sales to the Estonian market went up by 29%, mainly on account of the increased sales of the parent company AS Harju Elekter. The sales of products to foreign markets went up by 13%. Attention should be paid to the fact that the data of the first quarter of 2004 include also the consolidated sales revenues of the Lithuanian subsidiary Rifas, which explains the boosted sales volume in the Lithuanian market. The Republic of Finland, with its share of 34% in turnover, continued to be the largest target country of export.

In the parent company, the turnover grew by 27%, the total profit by 31% and the operating profit by 65%. The turnover of the subsidiaries remained lower than expected in the first quarter. This was

caused by a smaller number of orders than predicted for the products of industrial sector and automated equipment in Finland and by lower turnover due to seasonality of sales from the Lithuanian subsidiaries.

The total profit of the consolidation group AS Harju Elekter was MEEK 14,1 (MEUR 0,9), being 2,6% higher than in the previous year. The financial results of the group were influenced by an almost double increase in the prices of copper and aluminum and by a moderate increase in the prices of sheet steel in the world market. The US dollar exchange rate (USD 1 = EEK 13 during the entire first quarter) influenced above all the results of the telecommunications sector.

The general administrative expenses were MEEK 6.9 (EUR 438 000) and the marketing expenses MEEK 4,4 (EUR 281 000), growing by 27% and 18%, respectively. The rapid growth of expenses in comparison with the first quarter of the previous year was caused by the fact that the indicators of 2004 also include the expenses of the Lithuanian subsidiary Rifas. If the effect of marketing and general administrative costs of Rifas were eliminated, the expenses would remain at the level of the previous year.

Depreciation of the fixed assets of the consolidation group in the Q1 2004 was MEEK 2,9 (EUR 187 000) or 34% more than in the same period of the previous year. Depreciation grew by 16% on account of the depreciation of fixed assets calculated by UAB Rifas. The rapid growth in depreciation was triggered by the investments made in 2003 in expanding the rental and production premises and enhancing the capacities.

Financial operations yielded a total profit of MEEK 51,2 (MEUR 3,5), which is seven times more than in the same period of the previous year. The major source of financial income was the share of PKC Group Oyj. The recalculation of the value of shares as a fair value generated financial income of MEEK 31,6 or MEUR 2,0. PKC Group Oyj paid dividends in the amount of MEEK 19,4 or MEUR 1,2 for 2003, which was over four times more than in the previous year.

The net profit of the consolidation group was MEEK 54,6 or MEUR 3,5 in the Q1 2004, increasing by 7,8 times in comparison with the Q1 of the previous year.

Investments and capital employed

During the investment period, the Group invested in tangible assets a total of 15,3 MEEK or 0,98 MEUR (Q1 2003: 8,6 MEEK or 0,55 MEUR), of which in technology was 9,3 MEEK or 0,59 MEUR (Q1 2003: 2,0 MEEK or 127 TEUR) and construction and renovation work of buildings and plant was 4,2 MEEK or 0,27 MEUR (Q1 2003: 6,4 MEEK or 409 TEUR).

Employees

The average number of employees in the Group in Q1 2004 was 352 (Q1 2003: 280). As of the balance sheet date 31 March 2004, the number of employees in the Group was 361 (Q1 2003: 261). A significant change in the number of employees was caused by the purchase of the Lithuanian subsidiary Rifas (+62 people) in Q4 2003.

Shares of Harju Elekter

	EEK		EUR			
	Q1 2004	2003	Q1 2003	Q1 2004	2003	Q1 2003
Number of shares (1000 pc)	5 400	5 400	5 400	5 400	5 400	5 400
Nominal value	10	10	10	0,64	0,64	0,64
Low price	105,61	43,03	43,03	6,75	2,75	2,75
High price	129,08	109,53	61,02	8,25	7,00	3,90
Average price	120,88	78,54	52,66	7,73	5,02	3,37
Market price at the end of period	128,30	104,83	58,67	8,20	6,70	3,75
Earnings per share EEK	10,12	32,47	1,42	0,65	2,07	0,09

Key indicators

	1 000 EEK			1 000 EUR		
	Q1 2004	2003	Q1 2003	Q1 2004	2003	Q1 2003
For the period						
Net sales	85 733	342 348	70 843	5 479	21 880	4 528
Operating profit	2 896	19 911	4 428	185	1 273	283
Profit before finance.expenses (EBIT)	54 334	177 159	8 030	3 473	11 323	513
Net profit for the current year	54 636	175 461	7 645	3 492	11 214	489
At the end of the period						
Total current assets	127 808	109 780	86 379	8 168	7 016	5 521
Total fixed assets	421 582	373 297	201 000	26 944	23 858	12 846
TOTAL assets	549 390	483 077	287 379	35 112	30 874	18 367
Total liabilities	92 989	80 643	55 183	5 943	5 154	3 527
Total owners' equity	443 848	389 212	232 196	28 367	24 875	14 840

Performance indicators (%)	Q1 2004	2003	Q1 2003
Net sales growth	21,0	26,2	35,8
Operating profit growth	-34,6	27,7	59,0
Net profit growth	614,7	229,5	40,3
Return of sales (operating profit/net sales *100)	3,4	5,8	6,3
Net profit margin (net profit /net sales *100)	63,7	51,3	10,8
Owners' equity margin (equity / balance sheet total *100)	80,8	80,6	80,8
Current ratio	1,8	1,8	1,8
Quick ratio	1,1	1,0	0,9
Number of employees on 31.03.2004	361	353	291

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

	Note	1 000 EEK		1 000 EUR	
	no	31.03.04	31.12.03	31.03.04	31.12.03
ASSETS					
Current assets					
Cash and bank		28 192	26 449	1 802	1 690
Short-term receivables					
Trade receivables		40 112	31 784	2 563	2 032
Other short-term receivables	10	2 689	6 106	172	390
Accrued expenses		11	67	1	4
Prepaid expenses		3 066	1 251	196	80
Total short-term receivables		45 878	39 208	2 932	2 506
Inventories		53 738	44 123	3 434	2 820
Current assets		127 808	109 780	8 168	7 016
Fixed assets					
Long-term investments	8	263 514	227 624	16 842	14 548
Investment properties	2	86 173	86 896	5 507	5 554
Tangible assets	2	70 073	56 987	4 478	3 642
Intangible assets	2	1 822	1 790	117	114
Total fixed assets		421 582	373 297	26 944	23 858
Total assets		549 390	483 077	35 112	30 874
LIABILITIES AND OWNERS' EQUITY					
Liabilities					
Current liabilities					
Debt obligations	3	16 275	14 366	1 041	919
Prepayments received from customers		3 271	1 065	209	67
Accounts payable to suppliers		37 222	26 756	2 379	1 710
Other payables	10	1 130	1 218	72	78
Tax payable		4 390	6 838	281	437
Accrued expenses		8 864	9 600	566	614
Total current liabilities		71 152	59 843	4 548	3 825
Long-term liabilities	3	21 837	20 800	1 395	1 329
Total liabilities		92 989	80 643	5 943	5 154
Minority interests					
		12 553	13 222	802	845
Owners' equity					
Share capital (nominal value)		54 000	54 000	3 451	3 451
Statutory reserves		8 600	8 600	550	550
Retained profit		326 612	151 151	20 874	9 660
Net profit(loss) for the current period		54 636	175 461	3 492	11 214
Total owners' equity	4	443 848	389 212	28 367	24 875
Tot. liabilities and owner' equity		549 390	483 077	35 112	30 874

INCOME STATEMENT

	Note no	1 000 EEK Q1 2004	Q12003	1 000 EUR Q1 2004	Q1 2003
Net sales	5,6	85 733	70 842	5 479	4 528
Cost of goods sold		-71 670	-57 140	-4 581	-3 652
Gross profit		14 063	13 702	899	876
Marketing expenses		-4 392	-3 713	-281	-237
Administrative and general expenses		-6 852	-5 384	-438	-344
Other operating revenue		185	5	12	0
Other operating charges		-108	-183	-7	-12
Operating profit	5,7	2 896	4 428	185	283
Financial incomes and expenses, incl.					
-from shares of associated companies		-661	74	-42	5
-from other investments	8	20 500	4 558	1 310	291
- from revaluation of financial investments	8	31 581	-1 072	2 018	-68
- interest expense		-225	-212	-14	-14
- profit/loss from foreign exchange		-6	-16	0	-1
- other financial expenses/incomes		23	58	1	4
Total financial incomes and expenses		51 213	3 390	3 273	217
Profit from ordinary activities		54 109	7 818	3 458	500
Allocation of corporate income tax to relevant periods (in Finland)		-16	-173	-1	-11
Profit after taxes		54 093	7 645	3 457	489
Minority interests		543	0	35	0
Net profit for the current period		54 636	7 645	3 492	489
Basic earnings per share	9	10,12	1,42	0,65	0,09
Diluted earnings per share	9	9,87	1,40	0,63	0,09

CASH FLOW STATEMENT

	Note no	1 000 EEK	1 000 EUR		
		Q1 2004	Q12003	Q1 2004	Q1 2003
Business activities					
Operating profit		2 896	4 428	185	283
<u>Adjustments</u>					
Depreciation and value decrease	2	2 922	2 184	187	140
Profit/loss from sales of tangible assets		-5	0	0	0
Change in payables and prepayments related to business operations		-7 172	-432	-458	-28
Changes of inventories		-9 616	-2 372	-615	-152
Change in liabilities and prepayments related to business operations		8 589	1 339	549	86
Interests paid		-355	-212	-23	-14
Taxes paid		-16	0	-1	0
Total cash flow from business activities		-2 757	4 935	-176	315
Investing activities					
Investments in fixed assets		-12 762	-4 917	-816	-314
Capital gains from fixed assets		123	0	8	0
Payments for financial investments		-8 281	-1 061	-529	-68
Capital gains from sale of fin. investments		4 415	0	282	0
Long-term loans granted		-24	0	-2	0
Repayment of loan receivables		16	24	1	2
Interests received		56	65	4	4
Dividends received		19 402	4 551	1 240	291
Total cash flow from investing activities		2 945	-1 338	188	-85
Cash flow from financing activities					
Loans received	3	3 691	0	236	0
Loans repaid	3	-1 584	-1 939	-101	-124
Repayment of princ. amounts of capital lease	3	-546	-380	-35	-24
Cash flow from financing activities		1 561	-2 319	100	-148
Total cash flow		1 749	1 278	112	82
Cash at the beginning of the period		26 449	11 620	1 690	742
Net increase in cash		1 749	1 278	112	82
Effect of foreign exchange rate change		-6	-16	0	-1
Cash at the end of the period		28 192	12 882	1 802	823

STATEMENT OF CHANGES IN OWNERS' EQUITY

	Note no	1 000 EEK		1 000 EUR	
		Q1 2004	Q12003	Q1 2004	Q1 2003
Share capital					
Initial balance		54 000	54 000	3 451	3 451
Final balance		54 000	54 000	3 451	3 451
Reserve requirement					
Initial balance		8 600	8 600	550	550
Final balance		8 600	8 600	550	550
Profit for current period					
Initial balance	1	151 151	108 698	9 660	6 947
Distribution of net profit		175 461	53 254	11 214	3 404
Final balance		326 612	161 951	20 874	10 351
Profit for current year					
Initial balance		175 461	53 254	11 214	3 404
Distribution of net profit		-175 461	-53 254	-11 214	-3 404
Profit for the current year		54 636	7 645	3 492	489
Final balance		54 636	7 645	3 492	489
Total owners' equity	4	443 848	232 196	28 367	14 840

NOTES TO INTERIM FINANCIAL STATEMENTS**Note 1. Accounting methods and valuation principles used in the consolidated interim report**

AS Harju Elekter is a company registered in Estonia. The consolidated annual accounts prepared as of 31.03.2004 include AS Harju Elekter and its subsidiaries AS Eltek, Satmatic Oy and Rifas UAB (together referred to as "Group"). AS Harju Elekter has been listed on Tallinn Stock Exchange since September 30, 1997, 31 % of the shares are held by AS Harju KEK.

This consolidated interim report is prepared in accordance with the Accounting Act of the Republic of Estonia applicable as from 1 January 2003, "Guidelines for Preparation and Submission of Interim Reports" issued by the Accounting Standards Board, and the requirements for international accounting standard IAS 34 "Interim Financial Reporting" on condensed interim financial statements. The interim report is prepared on the basis of the same accounting methods as used in the annual report concerning the period ending on 31.12.2003.

According to the assessment of the management board, the interim report of the Q1 2004 of AS Harju Elekter presents a true and fair view of the financial result of the consolidation group guided by the going-concern assumption. This interim report has been neither audited nor monitored by auditors by any other way and only includes the consolidated reports of the group.

The financial statements of AS Harju Elekter are presented in thousands of Estonian kroons and euros. The EEK/EUR exchange rate is 15,64664 according to the quotation of Estonian Bank.

Note 2 Tangible and intangible assets

	1 000 EEK			1 000 EUR				
	Tangible assets	Investment properties	Intangible assets	TOTAL	Tangible assets	Investment properties	Intangible assets	TOTAL
Initial balance 31.12.03	56 987	86 896	1 790	145 673	3 642	5 554	114	9 310
Acquired	14 314	0	208	14 522	915	0	13	928
Reconstructed	823	0	0	823	52	0	0	52
Sold and written-off fixed assets at acquisition value	-152	0	0	-152	-10	0	0	-10
Depreciation	-2 023	-723	-176	-2 922	-129	-47	-10	-186
Depreciation of sold and written-off fixed	124	0	0	124	8	0	0	8
Final balance	70 073	86 173	1 822	158 068	4 478	5 507	117	10 102

Note 3 Debt liabilities

	1 000 EEK		1 000 EUR	
	31.03.04	31.12.03	31.03.04	31.12.03
Short-term loans	10 603	6 913	678	442
Repayment of long-term leasing oblig. during the next period	4 222	5 806	270	371
Current portion of long-term leasing obligations	1 253	1 450	80	93
Repayments of non-convertible debts	197	197	13	13
Total debt obligations	16 275	14 366	1 041	919
Long-term bank loans	18 374	18 374	1 174	1 174
Long-term lease liabilities	3 463	2 426	221	155
Total long-term liabilities	21 837	20 800	1 395	1 329
Total debt liabilities	38 112	35 166	2 436	2 248

Changes in debt obligations:

	1 000 EEK	1 000 EUR
Initial balance 31.12.03	35 166	2 248
Changes in short-term loans	3 691	236
Loans repaid	-1 585	-101
New leasing obligations	1 386	88
New long-term lease liabilities	-546	-35
Final balance 31.03.04	38 112	2 436

Note 4 Equity

The share capital of AS Harju Elekter is 54 MEEK (3,4 MEUR) that is divided into 5,4 million ordinary shares with the nominal value of 10 EEK (0,64 EUR). According to the articles of association, the maximum allowed number of shares is 20 million.

On the basis of the results of 2003, dividends in the amount of MEEK 21,6 (MEUR 1,38) have been declared to the shareholders in 2004, payable in the 20th week of 2004, without income tax liability to the shareholders.

An equity option, proclaimed in 2000 and approved by the general meeting of shareholders, will be exercised in September 2004. The number of the new shares issued at a contractual purchase price of EEK 40 each will be 200 000. Upon selling the options on 30 September 2004, the equity capital of AS Harju Elekter will increase by a total of MEEK 8 (MEUR 0,5), of which the share capital comprises MEEK 2 (MEUR 0,127) and the share premium MEEK 6 (MEUR 0,383). After the options have been sold, the maximum potential number of ordinary shares will be 5 600 000 and the share capital will be MEEK 56 (MEUR 3,6).

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.

	1 000 EEK				1 000 EUR			
	Electrical	Telecom municat.	Elimina- tion	TOTAL	Electrical	Telecom municat.	Elimina- tion	TOTAL
Q1 2004								
Sales revenue	74 573	11 160		85 733	4 766	713	0	5 479
Transact. with other segments	1 898	241	-2 139	0	121	15	-137	0
Total	76 471	11 400	-2 139	85 733	4 887	729	-137	5 479
Operating profit	3 672	148	-923	2 896	235	9	-59	185

	1 000 EEK				1 000 EUR			
	Electrical	Telecom municat.	Elimina- tion	TOTAL	Electrical	Telecom municat.	Elimina- tion	TOTAL
Q1 2003								
Sales revenue	59 775	11 067		70 842	3 820	707	0	4 528
Transact. with other segments	1 531	342	-1 873	0	98	22	-120	0
Total	61 306	11 409	-1 873	70 842	3 918	729	-120	4 528
Operating profit	3 639	954	-165	4 428	233	61	-11	283

Geographical segments

The operations of the concern fall into three geographical areas by business locations:

Estonia – country of establishment for the parent company and its subsidiary Eltek;

Finland – original country for the subsidiary Satmatic

Lithuania – original country for the subsidiary Rifas

Revenue from non-concern buyers	1 000 EEK				1 000 EUR			
	Estonia	Finland	Lithuania	Total	Estonia	Finland	Lithuania	Total
Q1 2004	60 361	18 356	7 016	85 733	3 858	1 173	448	5 479
Q1 2003	49 827	21 015	0	70 842	3 185	1 343	0	4 528

Note 6 Net sales**By markets**

	Growth	1 000 EEK		1 000 EUR		Structure	
		Q1 2004	Q1 2003	Q1 2004	Q1 2003	Q1 2004	Q1 2003
Estonia	11,2%	39 983	35 951	2 555	2 298	46,6%	50,7%
Finland	-4,7%	29 147	30 586	1 863	1 955	34,0%	43,2%
Lithuania	937,7%	7 648	737	489	47	8,9%	1,0%
Other EU	414,9%	1 200	233	77	15	1,4%	0,3%
Other Europe	740,7%	6 440	766	412	49	7,5%	1,1%
Russia and CEEC	-17,6%	863	1 047	55	67	1,0%	1,5%
USA	-70,3%	451	1 521	29	97	0,5%	2,1%
Total	21,0%	85 733	70 841	5 479	4 528	100,0%	100,0%

Net sales by business activities and product groups

	Growth	1 000 EEK		1 000 EUR	
		Q1 2004	Q1 2003	Q1 2004	Q1 2003
Core business and products					
- electrical equipment	20,3%	51 676	42 956	3 303	2 745
-wiring systems for automobile and telecom industries (subcontr.)	-7,0%	4 617	4 963	295	317
- products for telecom sector	11,8%	7 935	7 096	507	454
- sheet metal products and work		53	0	3	0
		934	0	60	0
TOTAL CORE BUSINESS	18,5%	65 214	55 015	4 168	3 516
Other activities					
- trade and intermediation	26,7%	14 166	11 184	905	715
- leasing of capital assets	49,4%	4 980	3 334	318	213
- other services	4,9%	1 373	1 308	88	84
TOTAL OTHER ACTIVITIES	29,7%	20 519	15 826	1 311	1 011
TOTAL	21,0%	85 733	70 841	5 479	4 528

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.

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	
	Q1 2004	Q1 2003	Q1 2004	Q1 2003
- collected amounts of acc. recognised as doubtful	2	0	0	0
- revaluation of inventory	-92	0	-6	0
- profit from sales tangible assets	5	0	0	0

Note 8 Financial incomes and expenses from other financial investments

	1 000 EEK		1 000 EUR	
	Q1 2004	Q1 2003	Q1 2004	Q1 2003
- dividends paid by PKC Group Oyj	19 402	4 551	1 240	291
- profit from the sales of PKC shares	1 092	0	70	0
- change of the value of PKC shares	31 581	-1 072	2 018	-69

PKC Group Oyj paid dividends 2 euros (31,29 EEK) per share.

On the first quarter 2004 Harju Elekter purchased 23 662 and sold 40 000 shares of PKC Group Oyj. As of the end of the quarter on 31 March 2004, the financial investment was revalued at the average quotation of the last trading day that is 24,50 EUR (383,34 EEK). The revaluation generated financial income in the amount of 31,6 MEEK (2,0 MEUR)

Note 9 Basic and diluted earnings per share

Ordinary net profit per share is calculated by dividing the net profit earned during the reporting period by the average weighted number of issued shares.

Diluted net profit per share is calculated by dividing the net profit by the average number of shares of the period, considering also the number of potential options. Share options entitle their holders to acquire the company's shares at a price that is lower than the market price. The difference between the number of the shares covered by options and the number of shares issued at the market price could be regarded as shares distributed free of charge by which the average number of shares for the period has been increased.

	unit	EEK		EUR	
		Q1 2004	Q1 2003	Q1 2004	Q1 2003
Net profit of the current period (MEEK)	1000	54 636	7 645	3 492	489
Average no of the company shares	1000	5 400	5 400	5 400	5 400
<i>Basic and diluted EPS</i>		10,12	1,42	0,65	0,09
Terms of option:					
- number of issued shares	1000	200	200	200	200
- fixed purchase price		40	40	2,56	2,56
- amount to be raised from the issue	1000	8 000	8 000	511	511
Diluted net profit per share:					
- average market price for the period		120,88	52,66	7,73	3,37
- number of shares issued at market price	1000	66	152	66	152
- no of shares to be distrib. free of charge	1000	134	48	134	48
- average adjusted number of shares	1000	5 534	5 448	5 534	5 448
- <i>diluted net profit per share</i>		9,87	1,40	0,63	0,09

Note 10 Transactions with related parties

Related parties to AS Harju Elekter are the 100%-owned subsidiaries AS Eltek and Satmatic Oy, 51%-subsidiary Rifas UAB and 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 consolidated interim report, all intra-group receivables and payables, transactions between the Group companies and unrealised profit and loss incurred as a result have been eliminated.

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

	1 000 EEK				1 000 EUR			
	Q1 2004		Q1 2003		Q1 2004		Q1 2003	
	Bought	Sold	Bought	Sold	Bought	Sold	Bought	Sold
Eltek	241	1 271	342	1 314	15	81	22	84
Satmatic Oy	14	187	7	210	1	12	0	13
RifasUAB	0	427	0	0	0	27	0	0
Keila Kaabel	1 641	1 594	1 318	1 594	105	102	84	102
Saajos Balti	331	1 222	307	1 310	21	78	20	84
Harju KEK	13	9	911	10	1	1	58	1
TOTAL	2 239	4 710	2 885	4 438	143	301	184	284

Type of transaction	1 000 EEK		1 000 EUR	
	Bought	Sold	Bought	Sold
Goods purchased for resale	1 486	0	95	0
Material, components for production needs	629	1 128	40	72
Industrial subcontracting (outsourcing)	4	502	0	32
Lease of fixed assets	0	2 000	0	128
Management services	0	291	0	19
Other services (building and communication, repairs and maintenance of real estate)	121	789	8	50
TOTAL	2 239	4 710	143	301

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.

Satmatic Oy paid back to the parent company 877 TEEK or 56 TEUR of the long-term credit. The annual interest rate on loans was 5%. In the Q1, the financial income entry in the income statement of the parent company includes interest income in the amount of EEK 41 000 (EUR 2 600) from the long-term loan of the subsidiary.

Balance with related parties:

Claims	1 000 EEK		1 000 EUR	
	31.03.04	31.12.03	31.03.04	31.12.03
Total loans to subsidiaries	3 566	7 254	215	457
Eltek	1 964	1 684	126	108
Incl. outstanding accounts	1 690	1 684	108	108
short-term loan	274	0	18	0
Satmatic	1 399	5 469	89	350
Incl. outstanding accounts	187	257	12	16
long-term loan	1 196	5 203	76	333
interest of the long-term loan	16	9	1	1
Rifas total	203	101	13	6
Incl. outstanding accounts	203	101	13	6
Total loans to associated companies	2 574	6 028	164	385
Incl. outstanding accounts of AS Keila Kaabel	1 032	2 007	66	128
outstanding accounts of AS Saajos Balti	1 542	4 021	99	257
Obligations				
Total loans to subsidiaries	209	237	13	15
Incl. outstanding accounts to ELTEK	204	231	13	15
Incl. outstanding accounts to Satmatic	5	6	0	0
Total loans to associated companies	711	848	45	54
Incl. AS Keila Kaabel	432	401	28	26
AS Saajos Balti	279	447	18	29

Signatures of the Management Board to the Interim report 1-3/2004

Management Board of AS Harju Elekter has prepared the consolidated Interim report for Q1 2004 as presented on pp. 3-16

Approval of the Interim report 1-3/2004 as of March 31, 2004 by the Management Board members:

Andres Allikmäe	Chairman of the Board	„.....“ 2004
Lembit Libe	Member of the Board	„.....“ 2004
Ülo Merisalu	Member of the Board	„.....“ 2004
Karin Padjus	Member of the Board	„.....“ 2004