



**AS Harju Elekter**  
**Interim report 1-12/ 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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CEO:	Andres Allikmäe
Auditor:	KPMG Estonia
Beginning of the reporting period:	1 <sup>st</sup> of January 2004
End of the reporting period:	31 <sup>st</sup> of December 2004

*The interim report of Harju Elekter Group on 20 pages*

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

In interim report for year 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 Oyj are recognised on the balance sheet on the fair value basis. As of 31.12.2004, Harju Elekter owns significant holdings in the following commercial undertakings:

			Participation %	
			31.12.04	31.12.03
AS Eltek	subsidiary	Estonia	100,0 %	100,0%
Satmatic OY	subsidiary	Finland	100,0 %	100,0%
Rifas UAB	subsidiary	Lithuania	51,0 %	51,0%
AS Keila Kaabel	associated company	Estonia	34,0 %	34,0%
AS Saajos Balti	associated company	Estonia	33,3 %	33,3 %
PKC Group Oyj	financial investment	Finland	10,6 %	10,6 %

Harju Elekter purchased 51% of the shares of the Lithuanian company UAB Rifas in October 2003. Thus the compared period of the report - the year 2003 - does contain the economic indicators for last quarter of 2003 of Rifas.

***Introduction***

The overall economic situation remained favourable also in the last quarter of 2004 and this was mainly due to the rapid development of export. The economic situation in the important markets close to Estonia - in Finland and Sweden - was good and the expectations about the next year were positive. Latvia and Lithuania showed also an excellent progress with economic growth reaching 8% in 2004. According to the preliminary data, Estonia achieved an economic growth of 6%; inflation was 3%.

Although certain seasonality can be detected in the electrical engineering sector in winter as a rule, the favourable weather conditions in the fourth quarter of 2004 were conducive to the activities in the construction sector.

***Important events***

The annual general meeting of shareholders was held on 16 April, and 106 shareholders or their authorised representatives participated, who represent 62,7 % of the total number of votes. The general meeting decided to pay dividends to the owners at the rate of EEK 4,00 (EUR 0,26) per share. Dividends paid to the shareholders on the week 20.

AS Keila Kaabel, associated company of Harju Elekter, opens its new production hall on 4th of May. The expansion project comprised the construction of a new production hall with an area of 2 500 m<sup>2</sup> and the reconstruction of the production lines. The new technology and the extended production facility will enable the Keila Kaabel factory to improve productivity and broaden its product range and quality. According to a long-term lease contract, Keila Kaabel leases 7 600 m<sup>2</sup> of the production space and an external storage of more than 10 000 m<sup>2</sup> from the registered immovable belonging to Harju Elekter.

For a better servicing of its customers in East Estonia and enlarging its market share in the area, Harju Elekter opens its fourth store of electrical materials and equipment in Jõhvi on 3<sup>rd</sup> of June.

On the 17th of June UAB Rifas, the Lithuanian subsidiary of Harju Elekter, opened a new production building in Panevežys. Newly-built production area has 1300 sq. m of floor space that allows for doubling of the plant's production volumes and expanding the product range from manufacturing automation products to energy distribution and construction products. The necessary know-how for entering the new market segment and a large number of components and semi-finished products is supplied from Estonia. The investment in the construction and technical equipment totaled MEEK 8 (MEUR 0,5) and it was financed from own funds.

On the 4<sup>th</sup> of September AS Harju Elekter and PKC Eesti concluded preliminary leasehold contracts for long-term lease of additional production space. At the request of PKC Group, AS Harju Elekter will expand the production space of its Estonian subsidiary by 8400 m<sup>2</sup>. 5400 m<sup>2</sup> of that production space will be at the disposal of the PKC Eesti Keila factory and 3000 m<sup>2</sup> at the disposal of the Haapsalu factory. PKC Group needs the additional production space due to the increase in the volume of orders and the transfer of the production operations previously performed in the Netherlands and Finland, to Estonia. The new halls will be completed in May 2005.

In relation to placing, shares could be subscribed for from 16.09 to 30.09.2004. Those who had concluded share subscription contracts could participate in the subscription. During the period, all the 200 000 registered ordinary shares issued with a nominal value of EEK 10 were subscribed for. Payment for the shares issued took place simultaneously with the subscription period and all the shares subscribed for have been duly paid for. Since 20.10.2004, after registered the increase in the share capital of AS Harju Elekter by EEK 2 million (TEUR 127,8) in the Commercial Register, Harju Elekter's share capital is 56 million kroons ((3 579 MEUR) divided into 5,6 million ordinary shares with the nominal value of 10 kroons (0,64 euros). The new shares are entitled to dividends for the financial year 2004.

PKC Group Oyj's Extraordinary General Meeting held on 20.09.2004 accepted Management Board proposal to pay extra dividend for 2003 in the amount of 0,5 EUR per share and organise the bonus issue. Dividends paid to the shareholders in 30<sup>th</sup> of September. The list of shareholders with the right to bonus issue was compiled on 23<sup>rd</sup> of September. During the bonus issue, 11 640 348 new shares will be distributed so that two new shares will be given for each old share. New shares give the right to dividends for the financial year of 2004. After the bonus issue, the number of PKC shares will be 17 460 522. The list of shareholders participating in the bonus issue will be compiled on 23.09.2004. Harju Elekter is the largest shareholder of PKC who, on the 31.12.2004, will own 1 860 003 PKC shares or have a holding of 10,6%.

Harju Elekter came fifth in the competition Estonian Successful Companies, organized by the business paper Äripäev, being the best among the companies located in the Harju county for the second year on end.

### ***Revenues, expenses and profit***

The sales revenue of the consolidation group AS Harju Elekter comprised MEEK 453,8 (MEUR 29,0) in the 2004, increasing by 32,6% in comparison with the same period of the previous year. Of the sales revenue, 75,9% (2003: 76,7%) accounted for the sales of industrial products and 14,6% (2003: 14,4%) for intermediate sales and 9,5% (2003: 8,9%) other incomes from services. The fourth quarter was successful for all the companies of the group, exceeding the indicator for a comparable period in 2003 by 29,5%. The excellent results were supported by the expansion of sales results both in the power distribution and industrial sectors as well as by the launch of the sales of new products (HENEX).

Of the sales revenue of the consolidation group AS Harju Elekter, 49,3% (2003: 52,8%) is ascribed to the sales to Estonia and 50,7% to the sales to foreign markets, incl.37,2% (2003: 39,2%) to Finland and 10,6% (2003: 3,7%) to Lithuania. The sales to the Estonian market went up by 23,7% and to foreign markets by 42,4%. The data of the 2003 includes only the Q4 of the consolidated sales revenues of the Lithuanian subsidiary Rifas.

Depreciation of the fixed assets of the consolidation group in the 2004 was MEEK 12,5 (MEUR 0,8) or 30,0% more than in the same period of the previous year. Depreciation of fixed assets in amount MEEK 1,1 (TEUR 72) is calculated by UAB Rifas and gave 11% of the total increase of depreciation. The rapid growth in depreciation was triggered by the investments made in 2003 in expanding the rental and production premises and enhancing the capacities.

The total operating profit of the consolidation group AS Harju Elekter was MEEK 31,2 or MEUR 2,0 (2003: MEEK 19,9 or MEUR 1,3), being 56,8% higher than in the previous year. As the growth rate of sales significantly exceeded that of fixed costs, the profit margin of the group for 2004 was higher than that of 2003 by 1,1 percentage points, reaching 6,9% (2003: 5,8%).

Financial operations yielded a total profit of MEEK 116,3 or MEUR 7,4 (2003: MEEK 155,8 or MEUR 10,0). The market price of a PKC Group Oyj share increased in the Q4 by 1,49 euros (EEK 23,31) up to 10,25 euros (EEK 160,38). From the revaluation of the shares described the financial profit in the amount MEEK 43,4 or MEUR 2,8 (Q4 2003: MEEK 56,5 or MEUR 3,6). A total of MEEK 92,2 or MEUR 5,9 (2003: MEEK 137,9 or MEUR 8,8) of financial income was received from the revaluation of shares in the 2004. PKC Group Oyj paid dividends for 2003 in the total amount of MEEK 24,3 or MEUR 1,5 (2003: MEEK 4,6 or MEUR 0,26), which exceeds the relevant figure for last year by more than five times.

The net profit of the consolidation group in the year of 2004 was MEEK 145,4 or MEUR 9,3 (2003: MEEK 175,5 or MEUR 11,2). EPS was 26,59 kroons or 1,70 euros (2003: 32,49 kroons or 2,08 euros).

#### ***Investments and capital employed***

During the accounting period, the Group invested in tangible and intangible assets a total of MEEK 42,4 or MEUR 2,7 (2003: MEEK 50,8 or MEUR 3,25), of which in technology was MEEK 12,3 or MEUR 0,8 (2003: MEEK 6,0 or MEUR 0,38) and construction and renovation work of buildings and plant was MEEK 28,3 or MEUR 1,8 (2003: MEEK 39,9 or MEUR 2,6).

#### ***Employees***

The average number of employees in the Group in 2004 was 378 (2003: 302), including 197 (2003: 175) employees in the parent company. As of the balance sheet date 31 of December 2004, the number of employees in the Group was 405 (2003: 353). A significant change in the number of employees was caused by the purchase of the Lithuanian subsidiary Rifas (+68 people) in Q4 2003. In 2004, the labour costs of the group amounted to MEEK 85,5, i.e. MEUR 5,5, having increased by 21,6%. The growth of the labour costs was caused by an increase in the number of employees by 25,2% and a moderate expansion of wage costs.

*Shares of Harju Elekter*

	EEK		EUR	
	2004	2003	2004	2003
<b>Accounting period</b>				
Average number of shares (1000 pc)	5 467	5 400	5 467	5 400
No of shares on 31.12.04 (1000 pc)	5 600	5 400	5 600	5 400
Nominal value	10	10	0,64	0,64
Low price	104,83	43,03	6,70	2,75
High price	148,49	109,53	9,49	7,00
Average price	120,15	78,54	7,68	5,02
Market price at the end of period	142,83	104,83	9,13	6,70
Earnings per share EEK	26,59	32,49	1,70	2,07

*Key indicators*

	1 000 EEK		1 000 EUR	
	2004	2003	2004	2003
<b>Accounting period</b>				
Net sales	453 780	342 348	29 002	21 880
Operating profit	31 229	19 911	1 996	1 273
Profit before fin. expenses (EBIT)	149 013	177 159	9 524	11 323
Net profit for the current period	145 365	175 461	9 291	11 214
<b>At the end of the period</b>				
Total current assets	142 073	109 780	9 080	7 016
Total fixed assets	498 520	373 297	31 861	23 858
Total assets	640 593	483 077	40 941	30 874
Total liabilities	105 235	80 643	6 726	5 154
Minority interests	14 381	13 222	919	845
Total owners' equity	520 977	389 212	33 297	24 875
<b>Performance indicators (%)</b>			<b>2004</b>	<b>2003</b>
Net sales growth			32,5	26,2
Operating profit growth			56,8	27,7
Net profit growth			-17,2	229,5
Return of sales (operating profit/net sales *100)			6,9	5,8
Net profit margin (net profit /net sales *100)			32,0	51,3
Owners' equity margin (equity / balance sheet total *100)			81,3	80,6
Current ratio			1,7	1,8
Quick ratio			0,9	1,0
Number of employees on 30.09.2004			405	353

\* Average numbers in the reporting period

## INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

ASSETS	Note no	1 000 EEK		1 000 EUR	
		31.12.04	31.12.03	31.12.04	31.12.03
<b>Current assets</b>					
<b>Cash and bank</b>		<b>18 786</b>	<b>26 449</b>	<b>1 201</b>	<b>1 690</b>
<b>Short-term receivables</b>					
Trade receivables		49 824	31 784	3 184	2 032
Other short-term receivables	10	4 156	6 106	266	390
Accrued expenses		221	67	14	4
Prepaid expenses		1 136	1 251	73	80
<b>Total short-term receivables</b>		<b>55 337</b>	<b>39 208</b>	<b>3 537</b>	<b>2 506</b>
<b>Inventories</b>		<b>67 950</b>	<b>44 123</b>	<b>4 342</b>	<b>2 820</b>
<b>Current assets</b>		<b>142 073</b>	<b>109 780</b>	<b>9 080</b>	<b>7 016</b>
<b>Fixed assets</b>					
Long-term investments	8	323 138	227 624	20 652	14 548
Investment properties	2	86 880	86 896	5 553	5 554
Tangible assets	2	86 551	56 987	5 532	3 642
Intangible assets	2	1 951	1 790	124	114
<b>Total fixed assets</b>		<b>498 520</b>	<b>373 297</b>	<b>31 861</b>	<b>23 858</b>
<b>Total assets</b>		<b>640 593</b>	<b>483 077</b>	<b>40 941</b>	<b>30 874</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>					
<b>Liabilities</b>					
<b>Current liabilities</b>					
Debt obligations	3	14 380	14 366	919	919
Prepayments received from customers		2 666	1 065	170	67
Accounts payable to suppliers		45 535	26 756	2 910	1 710
Other payables	10	1 750	1 218	112	78
Tax payable		7 560	6 838	483	437
Accrued expenses		12 044	9 600	770	614
Short-term provision		300	0	19	0
Other prepaid revenue		3 643	0	233	0
<b>Total current liabilities</b>		<b>87 878</b>	<b>59 843</b>	<b>5 616</b>	<b>3 825</b>
<b>Long-term liabilities</b>	3	<b>17 357</b>	<b>20 800</b>	<b>1 109</b>	<b>1 329</b>
<b>Total liabilities</b>		<b>105 235</b>	<b>80 643</b>	<b>6 725</b>	<b>5 154</b>
<b>Minority interests</b>		<b>14 381</b>	<b>13 222</b>	<b>919</b>	<b>845</b>
<b>Owners' equity</b>					
Share capital (nominal value)		56 000	54 000	3 579	3 451
Statutory reserves		6 000	0	383	0
Retained profit		8 600	8 600	550	550
Net profit(loss) for the current period		305 012	151 151	19 494	9 660
<b>Total owners' equity</b>		<b>145 365</b>	<b>175 461</b>	<b>9 291</b>	<b>11 214</b>
<b>Tot. liabilities and owner' equity</b>	4	<b>520 977</b>	<b>389 212</b>	<b>33 297</b>	<b>24 875</b>
<b>Total current liabilities</b>		<b>640 593</b>	<b>483 077</b>	<b>40 941</b>	<b>30 874</b>

**INCOME STATEMENT**

1 000 EEK	Note No	Q4 2004	Q4 2003	2004	2003
Net sales	5,6	138 557	106 966	453 780	342 348
Cost of goods sold		-114 958	-87 462	-370 916	-278 973
<b>Gross profit</b>		<b>23 599</b>	<b>19 504</b>	<b>82 864</b>	<b>63 375</b>
Marketing expenses		-6 692	-5 757	-21 046	-17 740
Administrative and general expenses		-9 420	-7 973	-30 488	-25 428
Other operating revenue		40	227	523	396
Other operating charges		-322	-247	-624	-692
<b>Operating profit</b>	5,7	<b>7 205</b>	<b>5 754</b>	<b>31 229</b>	<b>19 911</b>
<b>Financial incomes and expenses, incl.</b>					
-from shares of associated companies		311	852	119	11 691
-from other investments	8	1	2 156	25 356	7 557
- from revaluation of financial investments	8	43 363	56 546	92 212	137 876
- interest expense		-438	-546	-1 449	-1 464
- profit/loss from foreign exchange		-19	-24	-58	-62
- other financial expenses/incomes		59	46	155	186
<b>Total financial incomes and expenses</b>		<b>43 277</b>	<b>59 030</b>	<b>116 334</b>	<b>155 784</b>
<b>Profit from ordinary activities</b>		<b>50 482</b>	<b>64 784</b>	<b>147 563</b>	<b>175 695</b>
Allocation of corporate income tax to relevant periods (in Finland)		-546	-283	-595	-97
<b>Profit after taxes</b>		<b>49 936</b>	<b>64 501</b>	<b>146 968</b>	<b>175 598</b>
Minority interests		610	-38	-1 603	-137
<b>Net profit for the current period</b>		<b>50 546</b>	<b>64 463</b>	<b>145 365</b>	<b>175 461</b>
Basic earnings per share	9	9,03	11,94	26,59	32,49
Diluted earnings per share	9	9,03	11,70	26,59	31,89



**INCOME STATEMENT**

1 000 EUR	Note No	Q4 2004	Q4 2003	2004	2003
Net sales	5,6	8 855	6 836	29 002	21 880
Cost of goods sold		-7 347	-5 590	-23 705	-17 830
<b>Gross profit</b>		<b>1 508</b>	<b>1 246</b>	<b>5 297</b>	<b>4 050</b>
Marketing expenses		-428	-368	-1 345	-1 134
Administrative and general expenses		-602	-510	-1 948	-1 625
Other operating revenue		3	15	33	26
Other operating charges		-21	-16	-40	-44
<b>Operating profit</b>	5,7	<b>460</b>	<b>367</b>	<b>1 997</b>	<b>1 273</b>
<b>Financial incomes and expenses, incl.</b>					
-from shares of associated companies		20	55	8	747
-from other investments	8	0	138	1 620	483
- from revaluation of financial investments	8	2 771	3 614	5 893	8 812
- interest expense		-28	-35	-93	-94
- profit/loss from foreign exchange		-1	-2	-4	-4
- other financial expenses/incomes		4	3	10	12
<b>Total financial incomes and expenses</b>		<b>2 766</b>	<b>3 773</b>	<b>7 434</b>	<b>9 956</b>
<b>Profit from ordinary activities</b>		<b>3 226</b>	<b>4 140</b>	<b>9 431</b>	<b>11 229</b>
Allocation of corporate income tax to relevant periods (in Finland)		-35	-18	-38	-6
<b>Profit after taxes</b>		<b>3 191</b>	<b>4 122</b>	<b>9 393</b>	<b>11 223</b>
Minority interests		39	-2	-102	-9
<b>Net profit for the current period</b>		<b>3 230</b>	<b>4 120</b>	<b>9 291</b>	<b>11 214</b>
Basic earnings per share	9	0,58	0,76	1,70	2,07
Diluted earnings per share	9	0,58	0,75	1,70	2,04

**CASH FLOW STATEMENT**

	Note No	1 000 EEK		1 000 EUR	
		2004	2003	2004	2003
<b>Business activities</b>					
Operating profit		31 229	19 911	1 996	1 273
<u>Adjustments</u>					
Depreciation and value decrease	2	12 543	9 646	802	617
Profit/loss from sales of tangible assets		-147	-138	-9	-9
Change in payables and prepayments related to business operations		-14 531	1 807	-929	115
Changes of inventories		-23 827	1 463	-1 523	94
Change in liabilities and prepayments related to business operations		0	18 636	3 932	1 191
Interests paid		-737	-44	-47	-3
Taxes paid		-1 468	-1 380	-94	-88
<b>Total cash flow from business activities</b>		<b>21 698</b>	<b>35 197</b>	<b>1 387</b>	<b>2 250</b>
<b>Investing activities</b>					
Investments in fixed assets		-31 573	-49 092	-2 018	-3 138
Capital gains from fixed assets		421	164	27	11
Payments for financial investments		-8 281	-3 291	-529	-210
Capital gains from sale of fin. investments		4 415	20 355	282	1 301
Long-term loans granted		-75	-26	-5	-2
Repayment of loan receivables		153	458	10	29
Interests received		162	178	10	11
Dividends received		26 014	7 603	1 663	486
<b>Total cash flow from investing activities</b>		<b>-8 766</b>	<b>-23 651</b>	<b>-560</b>	<b>-1 512</b>
<b>Cash flow from financing activities</b>					
Loans received	3	1 512	24 309	97	1 554
Loans repaid	3	-5 999	-8 770	-383	-560
Repayment of princ. amounts of capital lease	3	-2 007	-1 394	-128	-89
Share issue		8 000	8 000	0	511
Dividends paid		-22 043	-22 043	-10 800	-1 409
<b>Total cash flow from financial activities</b>		<b>-20 537</b>	<b>3 345</b>	<b>-1 313</b>	<b>214</b>
<b>Total cash flow</b>		<b>-7 605</b>	<b>14 891</b>	<b>-485</b>	<b>952</b>
<b>Cash at the beginning of the period</b>					
		<b>26 449</b>	<b>11 620</b>	<b>1 690</b>	<b>743</b>
Net increase in cash		-7 605	14 891	-486	952
Effect of foreign exchange rate change		-58	-62	-4	-4
<b>Cash at the end of the period</b>		<b>18 786</b>	<b>26 449</b>	<b>1 201</b>	<b>1 690</b>

**STATEMENT OF CHANGES IN OWNERS' EQUITY**

	Note No	1 000 EEK		1 000 EUR	
		2004	2003	2004	2003
<b>Share capital</b>					
Initial balance		54 000	54 000	3 451	3 451
Received from issue		2 000	0	128	0
<b>Final balance</b>		<b>56 000</b>	<b>54 000</b>	<b>3 579</b>	<b>3 451</b>
<b>Issue premium</b>					
Received from issue		6 000	0	383	0
<b>Final balance</b>		<b>6 000</b>	<b>0</b>	<b>383</b>	<b>0</b>
<b>Reserve requirement</b>					
Initial balance		8 600	8 600	550	550
<b>Final balance</b>		<b>8 600</b>	<b>8 600</b>	<b>550</b>	<b>550</b>
<b>Profit for current period</b>					
Initial balance	1	151 151	108 697	9 660	6 947
Distribution of net profit		175 461	53 254	11 214	3 404
Dividend paid		-21 600	-10 800	-1 380	-691
<b>Final balance</b>		<b>305 012</b>	<b>151 151</b>	<b>19 494</b>	<b>9 660</b>
<b>Profit for current year</b>					
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		145 365	175 461	9 291	11 214
<b>Final balance</b>		<b>145 365</b>	<b>175 461</b>	<b>9 291</b>	<b>11 214</b>
<b>Total owners' equity</b>	4	<b>520 977</b>	<b>389 212</b>	<b>33 297</b>	<b>24 875</b>

**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 31.12.2004 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, more than 30 % 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 for 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 15,6466 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
<b>Initial balance 31.12.03</b>	<b>56 987</b>	<b>86 896</b>	<b>1 790</b>	<b>145 673</b>	<b>3 642</b>	<b>5 554</b>	<b>114</b>	<b>9 310</b>
Acquired	33 965	0	844	34809	2 171	0	54	2 225
Reconstructed	4 752	2 876	0	7628	304	184	0	488
Sold and written-off fixed assets at acquisition value	-2 080	0	0	-2080	-133	0	0	-133
Depreciation	-8 968	-2 892	-683	-12543	-573	-185	-44	-802
Depreciation of sold and written-off fixed	1 895	0	0	1895	121	0	0	121
<b>Final balance</b>	<b>86 551</b>	<b>86 880</b>	<b>1 951</b>	<b>175 382</b>	<b>5 532</b>	<b>5 553</b>	<b>124</b>	<b>11 209</b>

**Note 3 Debt liabilities**

	1 000 EEK		1 000 EUR	
	31.12.04	31.12.03	31.12.04	31.12.03
Short-term loans	8 699	6 913	556	442
Repayment of long-term leasing oblig. during the next period	3 892	5 841	249	371
Current portion of long-term leasing obligations	1 789	1 415	114	93
Repayments of non-convertible debts	0	197	0	13
<b>Total debt obligations</b>	<b>14 380</b>	<b>14 366</b>	<b>919</b>	<b>919</b>
Long-term bank loans	14 482	18 374	925	1 174
Long-term lease liabilities	2 875	2 426	184	155
<b>Total long-term liabilities</b>	<b>17 357</b>	<b>20 800</b>	<b>1 109</b>	<b>1 329</b>
<b>Total debt liabilities</b>	<b>31 737</b>	<b>35 166</b>	<b>2 028</b>	<b>2 248</b>

Changes in debt obligations:

	1 000 EEK	1 000 EUR
<b>Initial balance 31.12.03</b>	<b>35 166</b>	<b>2 248</b>
Changes in short-term loans	1 786	114
Long-term loan repaid	-5 806	-371
Other liabilities repaid	-197	-13
New leasing obligations	2 795	178
New long-term lease liabilities	-2 007	-128
<b>Final balance 30.09.04</b>	<b>31 737</b>	<b>2 028</b>

**Note 4 Equity**

In relation to placing in equity option, shares could be subscribed for from 16.09 to 30.09.2004. Those who had concluded share subscription contracts could participate in the subscription. During the period, all the 200 000 registered ordinary shares issued with a nominal value of EEK 10 were subscribed for. Payment for the shares issued took place simultaneously with the subscription period and all the shares subscribed for have been duly paid for. MEEK 8 (TEUR 511) was received for the shares to equity capital, of which MEEK 6 (TEUR 383) was issue premium. The management board of the company confirmed the results of subscription as of 30 September 2004 by its resolution adopted on 4 October 2004.

After the issue, the share capital of Harju Elekter is MEEK 56, divided into 5,6 million ordinary shares. By the Articles of Association of Harju Elekter the maximum allowed number of shares is 20 million.

Based to the good results of 2003 the annual general meeting of shareholders was decided to pay dividends to the owners at the rate of EEK 4,00 (EUR 0,26) per share, totally in amount MEEK 21,6 (MEUR 1,38) without obligation to paying taxes. Dividends paid to the shareholders in 12<sup>th</sup> of May 2004.

**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 engineerin	Telecom municat.	Elimina- tion	TOTAL	Electrical	Telecom municat.	Elimina- tion	TOTAL
<b>2004</b>								
Sales revenue	406 553	47 227		453 780	25 983	3 018	0	29 002
Transact. with other segments	12 353	2 743	-15 096	0	790	175	-965	0
<b>Total</b>	<b>418 906</b>	<b>49 970</b>	<b>-15 096</b>	<b>453 780</b>	<b>26 773</b>	<b>3 194</b>	<b>-965</b>	<b>29 002</b>
<b>Operating profit</b>	<b>24 244</b>	<b>3 392</b>	<b>3 592</b>	<b>31 230</b>	<b>1 549</b>	<b>217</b>	<b>230</b>	<b>1 996</b>
<b>2003</b>								
Sales revenue	299 413	42 935		342 348	19 136	2 744	0	21 880
Transact. with other segments	7 108	1 273	-8 381	0	454	81	-536	0
<b>Total</b>	<b>306 521</b>	<b>44 208</b>	<b>-8 381</b>	<b>342 348</b>	<b>19 590</b>	<b>2 825</b>	<b>-536</b>	<b>21 880</b>
<b>Operating profit</b>	<b>18 058</b>	<b>1 858</b>	<b>-62</b>	<b>19 855</b>	<b>1 154</b>	<b>119</b>	<b>-4</b>	<b>1 269</b>

**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

**Income from the clients out-side the group**

	Estonia		Finland		Lithuania		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
In thousand kroons	287 848	242 559	116 017	89 159	49 918	10 630	453 782	342 348
In thousand euros	18 397	15 502	7 415	5 698	3 190	679	29 002	21 880

**Note 6 Net sales****By markets**

	Growth	1 000 EEK		1 000 EUR		Structure	
		2004	2003	2004	2003	2004	2003
Estonia	23,7%	223 734	180 832	14 299	11 557	49,3%	52,8%
Finland	25,8%	168 829	134 169	10 790	8 575	37,2%	39,2%
Lithuania	285,0%	48 251	12 533	3 084	801	10,6%	3,7%
Other Europe	-12,4%	9 397	10 725	601	686	2,1%	3,1%
USA	-21,2%	2 947	3 740	188	239	0,6%	1,1%
Russia	79,1%	625	349	40	22	0,1%	0,1%
<b>Total</b>	<b>32,6%</b>	<b>453 783</b>	<b>342 348</b>	<b>29 002</b>	<b>21 880</b>	<b>100,0%</b>	<b>100,0%</b>

**Net sales by business activities and product groups**

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.

In the results of 2004 contains the consolidated net sales of Rifas, in the comparing period financial results of the Q4 2003. The addition of the Lithuanian segment increased sales of the group by a total of 11,1% compared to the same period of last year, including 10,5% in terms of electrical equipment and 22,7% in terms of trade and intermediate sale. This also explains the excessive growth in the sales volume on the Lithuanian market. The Lithuanian subsidiary was acquired in October 2003.

The increase in income from rent was achieved due to the growth of rented space.

	Growth	1 000 EEK		1 000 EUR	
		2004	2003	2004	2003
<b>Core business and products</b>					
- electrical equipment	37,3%	294 591	214 488	18 828	13 708
-wiring systems for automobile and telecom industries (subcontr.)	3,5%	20 469	19 785	1 308	1 264
- products for telecom sector	102,4%	2 753	1 360	176	87
- sheet metal products and work	145,7%	6 527	2 657	417	170
<b>TOTAL CORE BUSINESS</b>	<b>32,6%</b>	<b>353 805</b>	<b>266 760</b>	<b>22 612</b>	<b>17 049</b>
<b>Other activities</b>					
- trade and intermediation	34,8%	66 256	49 164	4 235	3 142
- leasing of capital assets	42,9%	20 220	14 146	1 292	904
- other services	9,9%	13 498	12 277	863	785
<b>TOTAL OTHER ACTIVITIES</b>	<b>32,3%</b>	<b>99 975</b>	<b>75 588</b>	<b>6 390</b>	<b>4 831</b>
<b>Total</b>	<b>32,5%</b>	<b>453 780</b>	<b>342 348</b>	<b>29 002</b>	<b>21 880</b>

**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	
	2004	2003	2004	2003
- write-downs of the outstanding accounts receivable	-42	-41	-3	-3
- receipt of accounts formerly charged to expenses	9	0	1	0
- revaluation of inventory	-646	-845	-41	-54
- profit from sales tangible assets	141	138	9	9
- revaluation of tangible assets	-12	0	-1	0

**Note 8 Financial incomes and expenses**

	1 000 EEK		1 000 EUR	
	2004	2003	2004	2003
Interests paid	-1 450	-1 444	-93	-92
Interests received	160	172	10	11
Dividends paid	24 252	4 551	1 550	291
Net profit(+)/-expenses(-)from transl.of foreign currencies	-58	-58	-4	-4
Income from the sale of the investments	1 098	2 994	70	191
Revaluation to the fair value	92 212	137 878	5 893	8 812
<b>Total</b>	<b>116 215</b>	<b>144 093</b>	<b>7 427</b>	<b>9 209</b>



PKC Group Oyj paid dividends 2,0 euros (31,29 EEK) in March and additional 0,5 euros per share in September, totally 1,55 million euros or 24,25 million kroons.

The EGM of shareholder gave on 20<sup>th</sup> of September its approval to the proposal of the management board to organise bonus issue. The list of shareholders participating in the bonus issue will be compiled on 23.09.2004. During the bonus issue, 11 640 348 new shares will be distributed so that two new shares will be given for each old share. New shares give the right to dividends for the financial year of 2004. After the bonus issue, the number of PKC shares will be 17 460 522. Harju Elekter is the largest shareholder of PKC who, after the bonus issue, will own 1 860 003 PKC shares or have a holding of 10,65%.

As of the end of the quarter on 31 of December 2004, the financial investment was revalue at the closing price of the last trading day that is 10,25 euro (160,38 krooni). The revaluation generated financial expenses in the amount of 43,4 MEEK (2,8 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. In relation to placing in equity option, shares could be subscribed for from 16.09 to 30.09.2004. Those who had concluded share subscription contracts could participate in the subscription. During the period, all the 200 000 registered ordinary shares issued with a nominal value of EEK 10 were subscribed for. Payment for the shares issued took place simultaneously with the subscription period and all the shares subscribed for have been duly paid for. As of 30 September 2004, the parent company has no potential shares. Thus, the diluted net income per share equals net income per share.

	Unit	EEK		EUR	
		2004	2003	2004	2003
Net profit of the current period (MEEK)	1000	145 365	175 461	9 291	11 214
Average no of the company shares	1000 pc.	5 467	5 400	5 467	5 400
<i>Basic and diluted EPS</i>		26,59	32,49	1,70	2,08
Terms of option:					
- number of issued shares	1000 pc.	0	200	0	200
- fixed purchase price		0	40	0	2,56
- amount to be raised from the issue	1000	0	8 000	0	511
Diluted net profit per share:					
- average market price for the period		120,15	78,54	7,68	5,02
- number of shares issued at market price	1000 pc.	0	102	0	102
- no of shares to be distrib. free of charge	1000 pc.	0	98	0	98
- average adjusted number of shares	1000	5 467	5 498	5 467	5 498
- <i>diluted net profit per share</i>		26,59	31,91	1,70	2,04

**Note 10 Transactions with related parties**

Related parties to AS Harju Elekter are the subsidiaries AS Eltek and Satmatic Oy, 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			
	2004		2003		2004		2003	
	Bought	Sold	Bought	Sold	Bought	Sold	Bought	Sold
Eltek	2 743	5 009	1 273	4 552	175	320	81	291
RifasUAB	301	5 250	1 024	1 221	19	336	65	78
Satmatic Oy	142	1 651	0	310	9	105	0	20
Keila Kaabel	8 128	9 112	6 667	6 843	519	582	426	437
Saajos Balti	2 810	3 454	1 742	4 936	180	221	111	315
Harju KEK	156	115	1 072	78	10	7	69	5
<b>TOTAL</b>	<b>14 280</b>	<b>24 590</b>	<b>11 778</b>	<b>17 942</b>	<b>913</b>	<b>1 572</b>	<b>753</b>	<b>1 147</b>

Type of transaction	1 000 EEK		1 000 EUR	
	Bought	Sold	Bought	Sold
Goods purchased for resale	7 853	10	502	1
Material, components for production needs	5 755	6 619	368	423
Industrial subcontracting (outsourcing)	162	3 400	10	217
Lease of fixed assets	0	8 173	0	522
Management services	0	4 009	0	256
Other services (building and communication, repairs and maintenance of real estate)	510	2 380	33	152
<b>TOTAL</b>	<b>14 280</b>	<b>24 590</b>	<b>913</b>	<b>1 572</b>

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.

**Financing:**

TEUR 200 (MEEK 3,1) of the loan granted to the subsidiary Satmatic OY was allocated for the increase of the subsidiary's share capital. By the end of the H1 Satmatic returned to the parent company the full long-term loan in the amount of MEEK 2,07 (TEUR 133). In the second quarter Harju Elekter gave to Satmatic Oy a short-term loan in the amount of TEUR 200 (MEEK 3,1), which was returned by the end of the quarter. Loan interest was 5%.

The parent company rented to Eltek a truck on terms of financial lease with the acquisition cost of TEEK 274 (TEUR 17,5) and interest 5,5%. During 12 months Eltek paid financial lease payments to the parent company in the total amount of TEEK 89 (TEUR 5,7).

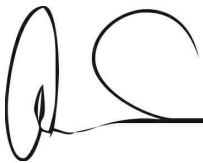



**Balance with related parties:**

<b>Claims</b>	1 000 EEK		1 000 EUR	
	<b>31.12.04</b>	<b>31.12.03</b>	<b>31.12.04</b>	<b>31.12.03</b>
<b>Total loans to subsidiaries</b>	<b>3 235</b>	<b>7 254</b>	<b>199</b>	<b>457</b>
<b>Eltek</b>	<b>1 270</b>	<b>1 684</b>	<b>81</b>	<b>108</b>
Incl. outstanding accounts	1 085	1 684	69	108
short-term loan	186	0	12	0
<b>Satmatic</b>	<b>1 838</b>	<b>5 469</b>	<b>117</b>	<b>350</b>
Incl. outstanding accounts	1 838	257	117	16
long-term loan	0	5 203	0	333
interest of the long-term loan	0	9	0	1
<b>Rifas</b>	<b>127</b>	<b>101</b>	<b>8</b>	<b>6</b>
Incl. outstanding accounts	127	101	8	6
<b>Total loans to associated companies</b>	<b>4 111</b>	<b>6 028</b>	<b>263</b>	<b>385</b>
Incl. outstanding accounts of AS Keila Kaabel	1 840	2 007	118	128
outstanding accounts of AS Saajos Balti	2 271	4 021	145	257
<b>Obligations</b>				
<b>Total loans to subsidiaries</b>	<b>994</b>	<b>237</b>	<b>64</b>	<b>15</b>
Incl. outstanding accounts to Eltek	972	231	62	15
outstanding accounts to Satmatic	22	6	1	0
<b>Total loans to associated companies</b>	<b>1 072</b>	<b>848</b>	<b>69</b>	<b>55</b>
Incl. AS Keila Kaabel	293	401	19	26
AS Saajos Balti	779	447	50	29

**Signatures of the Management Board to the Interim report for 2004**

Management Board of AS Harju Elekter has prepared the consolidated Interim report for 2004 as presented on pp. 3-19

Approval of the Interim report for 2004 as of February 28, 2005 by the Management Board members:

Andres Allikmäe	Chairman of the Board		28 <sup>th</sup> of February 2005
Lembit Libe	Member of the Board		28 <sup>th</sup> of February 2005
Ülo Merisalu	Member of the Board		28 <sup>th</sup> of February 2005
Karin Padjus	Member of the Board		28 <sup>th</sup> of February 2005