



## **AS HARJU ELEKTER**

Interim report 1-9/ 2005

|                                    |   |
|------------------------------------|---|
| 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 2005   |
| End of the reporting period:       | 30 <sup>th</sup> of September 2005  |

*The interim report of Harju Elekter Group on 18 pages*

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

In interim report for 9M 2005 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – Harju Elekter Elektrotehnika, Eltek, Satmatic and Rifas - are consolidated line-by-line and the results of affiliated companies - Keila Kaabel and Saajos Inexa (former Saajos Balti) - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 30.09.2005, Harju Elekter owns significant holdings in the following commercial undertakings:

| Participation %                 |                      |           | 30.09.05 | 31.12.04 | 30.06.04 |
|---------------------------------|----------------------|-----------|----------|----------|----------|
| AS Eltek                        | subsidiary           | Estonia   | 100,0%   | 100,0%   | 100,0%   |
| AS Harju Elekter Elektrotehnika | subsidiary           | Estonia   | 100,0%   | 0%       | 0%       |
| Satmatic OY                     | subsidiary           | Finland   | 100,0 %  | 100,0 %  | 100,0 %  |
| Rifas UAB                       | subsidiary           | Lithuania | 51,0 %   | 51,0 %   | 51,0 %   |
| AS Keila Kaabel                 | associated company   | Estonia   | 34,0 %   | 34,0 %   | 34,0 %   |
| AS Saajos Inexa                 | associated company   | Estonia   | 33,3 %   | 33,3 %   | 33,3 %   |
| PKC Group Oyj                   | financial investment | Finland   | 10,3 %   | 10,6 %   | 10,7 %   |

***Economic environment***

Estonia has made great progress this year in strengthening and balancing its economy. Rapid economic growth continued in Q3 and similar developments are expected for the whole second half of the year. Foreign trade prospects are also good. Thus, Estonia's economic growth may even exceed 8% this year, making Estonia one of the fastest growing economies in the European Union.

The outlooks of international economy are still controversial. Western European economy has not undergone any big changes, but Sweden and Finland, important trading partners for the Baltic States, are for the most part satisfied with their economic situation.

The market situation in the important building sector, incl. electrical installation sector for Harju Elekter was favourable in the reporting period. At the same time, access to qualified work force is becoming an ever more important issue. The shortage of qualified personnel is already affecting big part of the companies. Nevertheless, the volume of work and work orders is expected to continue to grow.

***Important events***

For the purpose of streamlining the management structure of the group as well as better organisation of accounting and analysis, the management of the parent company decided to establish a 100% subsidiary of Harju Elekter, based to the Electrical Equipment Plant of Harju Elekter. Newly founded subsidiary AS Harju Elekter Elektrotehnika started its independent economic activities on 1.04.2005. AS Harju Elekter Elektrotehnika core business is design, manufacturing and marketing of electrical equipment for energy distribution, industrial and construction sector. The company also coordinates the product development in the entire group, incl. in Finland and Lithuania.

The annual general meeting of shareholders was held on 22 April, and 108 shareholders or their authorised representatives participated, who represented 56,2 % of the total number of votes. The general meeting decided to pay dividends to the owners at the rate of EEK 4,40 (EUR 0,28) per share. Dividends paid to the shareholders on 23.05.2005.

The AGM of shareholders accepted the Council's proposal to increase the Company's share capital by means of fund issue on owners' equity. The Company's share capital increased from present 56 million kroons to 168 million kroons by issuing 2 new ordinary shares for every present share. After the fund issue the total number of the shares is 16,8 million. The new shares shall carry applicable shareholder rights as of the financial year which begins on 01 January 2005.

In the Q2, newly completed production buildings totally in 9000 sq m were rented to PKC Eesti and HE Elektrotehnika.

The subsidiary Satmatic OY opened a sales representation in Helsinki in Q3 for sales promotion and better customer service.

The subsidiary UAB Rifas signed a contract for the manufacture of automated control equipment for the Panevežys water treatment plant in September. The contract price is 4,5 million lits or 20 million kroons. The project supplies will be delivered in 2006.

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

The consolidated sales income for the 9 months of 2005 increased by 14% compared to the same period of the previous year, to MEEK 358,9 (MEUR 22,9). Of this, 66% was attributable to the sales of electrical equipment, having increased by 16% compared to the same period of the previous year, to MEEK 236,8 (MEUR 15,13); the sales of sheet metal products and services increased by 8% to MEEK 21,4 (MEUR 1,37) and the sales of telecommunication products increased by 9% to MEEK 16,1 (MEUR 1,03). In summary, the sales of industrial products accounted for 76% while intermediate commercial transactions and services formed 24% of the consolidated sales income.

Sales to the Estonian market accounted for 53%, increasing by 28% to MEEK 190,7 (MEUR 12,2). The biggest export markets were still Finland Republic (turnover MEEK 124,3 or MEUR 7,9) and Lithuania (turnover MEEK 34,9 or MEUR 2,2). 65% of the sales revenue of the group was contributed by Estonian enterprises (an increase in turnover growth by 15% year-on-year), 25% by Finland (turnover growth 5%), and 10% Lithuania (turnover growth 3%).

The group's consolidated net sales for Q3 were MEEK 129,7 or MEUR 8,3 (Q3 2004: MEEK 126,0 or MEUR 8,1). The production segment's sales income might not be evenly distributed across the quarters. The sales volume of an accounting quarter largely depends on during which period large-scale orders or projects are finalised and on the profitability of various projects (products). The impact on the accounting quarter's consolidated results may be substantial. As in the Lithuanian segment, a large-scale and profitable project was sold in Q3 last year, that quarter showed a relatively high sales figure that accounted for 40% of the sales income for the 9 months; this year, it was 36%. In summary, the management assesses the accounting quarter's results to meet the expectations and prognoses.

The consolidated operating expenses for 9M totalled MEEK 43,1 (MEUR 2,8), having increased by MEEK 7,6 (MEUR 0,5), and the Q3 operating expenses were MEEK 14,7 (MEUR 0,9), having increased by MEEK 2,6 (MEUR 0,2), that is 22%. The increase in operating expenses is due to external factors (higher prices of outsourced services, e.g. oil products), on the one hand. On the other hand, the group's development and gradual increase in the volume of sales orders over the years has caused a need for new jobs and boosted product development expenses. The number of employees in the group has increased from 383 (30.9.2004) to 418 (30.9.2005), that is, by 35 persons, of which 14 were hired to the sales and development departments. The Helsinki sales representation of Satamatic OY was launched on 1.8.2005 to promote sales.

The total operating profit of the consolidation group AS Harju Elekter was MEEK 28,6 or MEUR 1,9, increasing by 19% compared to the same period last year and EBIT to net sales 8% (9M 2004: 7,6%). The group's EBIT to net sales for Q3 was 9,8%, which was 1,8 percentage points higher than the average for nine months, although as a result of the more rapid growth of operating expenses than sales income, EBIT for Q3 decreased by MEEK 1,3 (TEUR 86) to MEEK 12,7 (TEUR 814).

The group's consolidated net income for Q3 was MEEK 61,4 or MEUR 3,9 (Q3 2004: MEEK 14,9 or MEUR 1,0). The change in the market price of the share of PKC Group Oyj that is included in the balance sheet may significantly affect the net income for the period. During the H1 2005, the market price of the share of PKC Group Oyj recorded in the balance sheet was stable, but its share price rose by EUR 1,70 (EEK 26,60) in Q3 and financial income from revaluation of the shares amounted to MEEK 48,7 or MEUR 3,1 (the loss for Q3 2004 was MEEK -2,1 or MEUR -0,14). The total financial income from share price fluctuations for 9M was MEEK 52,2 or MEUR 3,3 (9M 2004: MEEK 48,8 or MEUR 3,1). Pursuant to the Finnish Income Tax Act, amended as of 1 January 2005, PKC Group paid an extraordinarily large dividend (MEEK 24,3; MEUR 1,5), while in 2005, they paid in a total of MEEK 5,8, i.e. MEUR 0,37 only. The dividends paid in 2005 were subject to income tax, but in 2004 dividends could be paid tax free. The income tax expenditure totalled MEEK 3,2, i.e. TEUR 202 as reported for the 9M 2005 report in the income statement (9M 2004: TEEK 49, i.e. TEUR 3).

The consolidated net profit for 9M was MEEK 82,2 or MEUR 5,3 (9M 2004: MEEK 94,8 or MEUR 6,1). EPS was 4,89 kroons or 0,31 euros (9M 2004: 5,64 kroons or 0,36 euros)<sup>1</sup> and net profit margin 22,9% (9M 2004: 30,1%).

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

During the accounting period, the Group invested in tangible and intangible assets a total of MEEK 31,2 or MEUR 2,0 (9M 2004: MEEK 24,5 or MEUR 1,6). A total of MEEK 22,4 (MEUR 1,4) were invested in real estate in the 9M 2005; MEEK 3,9 (MEUR 0,25) was invested in plant and equipment, and MEEK 2,6 million (MEUR 0,17) in the acquisition of land.

### ***Financing***

In 9M 2005 AS Harju Elekter entered into two loan agreements in the amount MEUR 1,8 (MEEK 28,2) and MEUR 1,0 (MEEK 15,6). The loans, which were received on favourable terms, were used to refinance earlier loans of MEUR 1,1 (MEEK 17,1). The loan interest is composed of 3 months' Euribor and margins of 0,5% and 0,48%, respectively. As a result of refinancing the existing loans, the mortgage established on the properties located in Haapsalu for the benefit of the bank was released. The loans will be repaid during 5 years. The borrowed money will be used to finance real estate investments.

The company purchased, on the conditions of a financial lease, a sheet metal centre with an acquisition cost of MEEK 1,29 (TEUR 83). The debt is repayable within four years.

In the first 9 months the group repaid long-term bank loans in the total amount of EEK 5,7 million (EUR 0,36 million) and made capital lease payments in the total amount of EEK 1,7 million (EUR 0,11 million).

### ***Employees***

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<sup>1</sup> The indicators have been calculated, taking into account the fund issue in May 2005

The average number of employees in the Group in 9M 2005 was 404 (9M 2004: 372). As of the balance sheet date 30 of September 2005, the number of employees in the Group was 418 (30.09.2004: 383).

**Shares of Harju Elekter<sup>1</sup>**

|                            | EEK     |        |         | EUR     |        |        |
|----------------------------|---------|--------|---------|---------|--------|--------|
|                            | 9M 2005 | 2004   | 9M 2004 | 9M 2005 | 2004   | 9 2004 |
| No of the shares (1000 pc) | 16 800  | 16 401 | 16 266  | 16 800  | 16 401 | 16 266 |
| Nominal value              | 10      | 10     | 10      | 0,64    | 0,64   | 0,64   |
| Low price                  | 48,82   | 34,94  | 34,94   | 3,12    | 2,23   | 2,23   |
| High price                 | 85,80   | 49,50  | 43,03   | 5,48    | 3,16   | 2,75   |
| Closing price              | 68,06   | 47,46  | 36,77   | 4,35    | 3,04   | 2,35   |
| EPS                        | 4,89    | 8,87   | 5,83    | 0,31    | 0,57   | 0,37   |

**Key indicators<sup>2</sup>**

|                                   | 1 000 EEK |         |         | 1 000 EUR |        |        |
|-----------------------------------|-----------|---------|---------|-----------|--------|--------|
|                                   | 9M 2005   | 2004    | 9M 2004 | 9M 2005   | 2004   | 9 2004 |
| <b>Accounting period</b>          |           |         |         |           |        |        |
| Net sales                         | 358 922   | 453 780 | 315 223 | 22 939    | 21 880 | 20 146 |
| Operating profit                  | 28 630    | 31 229  | 24 025  | 1 830     | 1 273  | 1 535  |
| Profit from ordinary activities   | 86 433    | 147 562 | 97 081  | 5 524     | 9 431  | 6 204  |
| Net profit for the current period | 82 178    | 145 365 | 94 820  | 5 252     | 11 214 | 6 060  |

**At the end of the period**

|                      |         |         |         |        |        |        |
|----------------------|---------|---------|---------|--------|--------|--------|
| Total current assets | 153 379 | 142 073 | 162 873 | 9 803  | 9 080  | 10 409 |
| Total fixed assets   | 565 786 | 498 520 | 440 211 | 36 161 | 31 861 | 28 134 |
| Total assets         | 719 165 | 640 593 | 603 084 | 45 964 | 40 941 | 38 544 |
| Total liabilities    | 125 675 | 105 235 | 117 661 | 8 033  | 6 725  | 7 520  |
| Minority interests   | 14 975  | 14 381  | 14 991  | 957    | 919    | 958    |
| Total owners' equity | 578 515 | 520 977 | 470 432 | 36 974 | 33 297 | 30 066 |

|   | 9 k 05 | 2004  | 9 k 04 |
|---|--------|-------|--------|
| <b>Performance indicators (%)</b>                         |        |       |        |
| Net sales growth  | 13,9   | 32,5  | 33,9   |
| Operating profit growth                                   | 19,2   | 56,8  | 70,4   |
| Net profit growth   | -13,3  | -17,2 | -14,4  |
| Return of sales (operating profit/net sales *100)         | 8,0    | 6,9   | 7,6    |
| Net profit margin (net profit /net sales *100)            | 22,9   | 32,0  | 30,1   |
| Owners' equity margin (equity / balance sheet total *100) | 80,4   | 81,3  | 78,0   |

**Personnel**

|   |     |     |     |
|---|-----|-----|-----|
| Average number of employees on the current period | 404 | 378 | 372 |
| Number of employees on 30.09.2005                 | 418 | 405 | 383 |

<sup>2</sup> The indicators have been calculated, taking into account the fund issue in May 2005

## INTERIM FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET

|                                       | Note<br>no | 1 000 EEK      |                | 1 000 EUR     |               |
|---------------------------------------|------------|----------------|----------------|---------------|---------------|
|                                       |            | 30.09.05       | 31.12.04       | 30.09.05      | 31.12.04      |
| <b>ASSETS</b>                         |            |                |                |               |               |
| <b>Current assets</b>                 |            |                |                |               |               |
| <b>Cash and bank</b>                  |            | <b>16 172</b>  | <b>18 786</b>  | <b>1 034</b>  | <b>1 201</b>  |
| <b>Short-term receivables</b>         |            |                |                |               |               |
| Trade receivables                     |            | 57 954         | 49 824         | 3 704         | 3 184         |
| Other short-term receivables          |            | 2 931          | 4 156          | 187           | 266           |
| Accrued expenses                      |            | 0              | 221            | 0             | 14            |
| Prepaid expenses                      |            | 2 068          | 1 136          | 132           | 73            |
| <b>Total short-term receivables</b>   |            | <b>62 953</b>  | <b>55 337</b>  | <b>4 023</b>  | <b>3 537</b>  |
| <b>Inventories</b>                    |            | <b>74 254</b>  | <b>67 950</b>  | <b>4 746</b>  | <b>4 342</b>  |
| <b>Current assets</b>                 |            | <b>153 379</b> | <b>142 073</b> | <b>9 803</b>  | <b>9 080</b>  |
| <b>Fixed assets</b>                   |            |                |                |               |               |
| Long-term investments                 | 7          | 370 007        | 323 138        | 23 648        | 20 652        |
| Investment properties                 | 2          | 121 899        | 86 880         | 7 791         | 5 553         |
| Tangible assets                       | 2          | 72 423         | 86 551         | 4 629         | 5 531         |
| Intangible assets                     | 2          | 1 457          | 1 951          | 93            | 125           |
| <b>Total fixed assets</b>             |            | <b>565 786</b> | <b>498 520</b> | <b>36 161</b> | <b>31 861</b> |
| <b>Total assets</b>                   |            | <b>719 165</b> | <b>640 593</b> | <b>45 964</b> | <b>40 941</b> |
| <b>LIABILITIES AND OWNERS' EQUITY</b> |            |                |                |               |               |
| <b>Liabilities</b>                    |            |                |                |               |               |
| <b>Current liabilities</b>            |            |                |                |               |               |
| Debt obligations                      | 3          | 15 601         | 14 380         | 997           | 919           |
| Prepayments received from customers   |            | 4 010          | 2 666          | 256           | 170           |
| Accounts payable to suppliers         |            | 42 038         | 45 535         | 2 687         | 2 910         |
| Other payables                        |            | 2 351          | 1 750          | 150           | 112           |
| Tax payable                           |            | 8 965          | 7 560          | 573           | 483           |
| Accrued expenses                      |            | 9 577          | 12 044         | 612           | 770           |
| Short-term provision                  |            | 230            | 300            | 15            | 19            |
| Other prepaid revenue                 |            | 1 822          | 3 643          | 117           | 233           |
| <b>Total current liabilities</b>      |            | <b>84 594</b>  | <b>87 878</b>  | <b>5 407</b>  | <b>5 616</b>  |
| <b>Long-term liabilities</b>          | 3          | <b>41 081</b>  | <b>17 357</b>  | <b>2 626</b>  | <b>1 109</b>  |
| <b>Total liabilities</b>              |            | <b>125 675</b> | <b>105 235</b> | <b>8 033</b>  | <b>6 725</b>  |
| <b>Minority interests</b>             |            | <b>14 975</b>  | <b>14 381</b>  | <b>957</b>    | <b>919</b>    |
| <b>Owners' equity</b>                 |            |                |                |               |               |
| Share capital (nominal value)         |            | 168 000        | 56 000         | 10 737        | 3 579         |
| Issue premium                         |            | 6 000          | 6 000          | 384           | 384           |
| Reserve requirement                   |            | 8 600          | 8 600          | 550           | 550           |
| Retained profit                       |            | 395 915        | 450 377        | 25 303        | 28 784        |
| <b>Total owners' equity</b>           | 5          | <b>578 515</b> | <b>520 977</b> | <b>36 974</b> | <b>33 297</b> |
| <b>Total current liabilities</b>      |            | <b>719 165</b> | <b>640 593</b> | <b>45 964</b> | <b>40 941</b> |

**INCOME STATEMENT**

| 1 000 EEK                                | Note no | Q3 2005       | Q3 2004       | 9M 2005       | 9M 2004       |
|--|---------|---------------|---------------|---------------|---------------|
| Net sales                                | 6       | 129 718       | 126 022       | 358 922       | 315 223       |
| Cost of goods sold                       |         | -102 461      | -99 826       | -287 482      | -255 958      |
| <b>Gross profit</b>                      |         | <b>27 257</b> | <b>26 196</b> | <b>71 440</b> | <b>59 265</b> |
| Marketing expenses                       |         | -5 955        | -5 155        | -16 500       | -14 354       |
| Administrative and general expenses      |         | -8 730        | -7 000        | -26 553       | -21 067       |
| Other operating revenue                  |         | 325           | 94            | 832           | 483           |
| Other operating charges                  |         | -167          | -62           | -589          | -302          |
| <b>Operating profit</b>                  | 6       | <b>12 730</b> | <b>14 073</b> | <b>28 630</b> | <b>24 025</b> |
| Net financial incomes/expenses           | 7       | 48 386        | 2 319         | 56 943        | 73 248        |
| Income from associated companies         |         | 911           | 488           | 860           | -192          |
| <b>Profit from ordinary activities</b>   |         | <b>62 027</b> | <b>16 880</b> | <b>86 433</b> | <b>97 081</b> |
| Corporate income tax expense             | 8       | -133          | -16           | -3 166        | -49           |
| <b>Profit after taxes</b>                |         | <b>61 894</b> | <b>16 864</b> | <b>83 267</b> | <b>97 032</b> |
| Minority interests                       |         | -473          | -1 927        | -1 089        | -2 212        |
| <b>Net profit for the current period</b> | 9       | <b>61 422</b> | <b>14 937</b> | <b>82 178</b> | <b>94 820</b> |
| Basic and diluted earnings per share     | 9       | 3,66          | 0,91          | 4,89          | 5,83          |
| <b>1 000 EUR</b>                         |         |               |               |               |               |
| Net sales                                | 6       | 8 291         | 8 054         | 22 939        | 20 146        |
| Cost of goods sold                       |         | -6 548        | -6 380        | -18 373       | -16 359       |
| <b>Gross profit</b>                      |         | <b>1 743</b>  | <b>1 674</b>  | <b>4 566</b>  | <b>3 787</b>  |
| Marketing expenses                       |         | -381          | -329          | -1 054        | -917          |
| Administrative and general expenses      |         | -558          | -447          | -1 697        | -1 347        |
| Other operating revenue                  |         | 21            | 6             | 53            | 31            |
| Other operating charges                  |         | -11           | -4            | -38           | -19           |
| <b>Operating profit</b>                  | 6       | <b>814</b>    | <b>900</b>    | <b>1 830</b>  | <b>1 535</b>  |
| Net financial incomes/expenses           | 7       | 3 092         | 148           | 3 639         | 4 681         |
| Income from associated companies         |         | 58            | 31            | 55            | -12           |
| <b>Profit from ordinary activities</b>   |         | <b>3 964</b>  | <b>1 079</b>  | <b>5 524</b>  | <b>6 204</b>  |
| Corporate income tax expense             | 8       | -8            | -1            | -202          | -3            |
| <b>Profit after taxes</b>                |         | <b>3 956</b>  | <b>1 078</b>  | <b>5 322</b>  | <b>6 201</b>  |
| Minority interests                       |         | -30           | -123          | -70           | -141          |
| <b>Net profit for the current period</b> | 9       | <b>3 926</b>  | <b>955</b>    | <b>5 252</b>  | <b>6 060</b>  |
| Basic and diluted earnings per share     | 9       | 0,23          | 0,06          | 0,31          | 0,37          |



**CASH FLOW STATEMENT**

|  | Note<br>no | 1 000 EEK      |                | 1 000 EUR     |              |
|--|------------|----------------|----------------|---------------|--------------|
|  |            | 9M 2005        | 9M 2004        | 9M 2005       | 9M 2004      |
| <b>Business activities</b>   |            |                |                |               |              |
| Operating profit   |            | 28 630         | 24 025         | 1 830         | 1 535        |
| <u>Adjustments</u>   |            |                |                |               |              |
| Depreciation and value decrease                                      | 2          | 10 764         | 9 307          | 688           | 595          |
| Profit/loss from sales of tangible assets                            |            | -37            | -105           | -2            | -7           |
| Change in payables and prepayments related to business operations    |            | -6 302         | -31 750        | -403          | -2 029       |
| Changes of inventories   |            | -6 306         | -29 138        | -403          | -1 862       |
| Change in liabilities and prepayments related to business operations |            | 2 225          | 31 172         | 142           | 1 992        |
| Taxes paid   |            | -3 229         | -1 123         | -207          | -72          |
| Interests paid   |            | -1 347         | -50            | -86           | -3           |
| <b>Total cash flow from business activities</b>                      |            | <b>24 398</b>  | <b>2 338</b>   | <b>1 559</b>  | <b>149</b>   |
| <b>Investing activities</b>  |            |                |                |               |              |
| Investments in fixed assets  |            | -37 921        | -21 486        | -2 424        | -1 373       |
| Capital gains from fixed assets                                      |            | 156            | 367            | 10            | 23           |
| Payments for financial investments                                   |            | 0              | -8 281         | 0             | -529         |
| Capital gains from sale of fin. investments                          |            | 5 008          | 4 415          | 320           | 282          |
| Long-term loans granted  |            | -13            | -76            | -1            | -5           |
| Repayment of loan receivables  |            | 28             | 94             | 2             | 6            |
| Interests received   |            | 146            | 118            | 9             | 8            |
| Dividends received   |            | 7 113          | 25 133         | 455           | 1 606        |
| <b>Total cash flow from investing activities</b>                     |            | <b>-25 484</b> | <b>284</b>     | <b>-1 629</b> | <b>18</b>    |
| <b>Cash flow from financing activities</b>                           |            |                |                |               |              |
| Loans received   | 3          | 31 023         | 9 099          | 1 983         | 582          |
| Loans repaid   | 3          | -5 700         | -4 685         | -364          | -299         |
| Repayment of princ. amounts of capital lease                         | 3          | -1 671         | -1 543         | -107          | -98          |
| Issued shares  |            | 0              | 8 000          | 0             | 511          |
| Dividends paid   |            | -25 135        | -22 043        | -1 606        | -1 409       |
| <b>Total cash flow from financial activities</b>                     |            | <b>-1 483</b>  | <b>-11 172</b> | <b>-94</b>    | <b>-713</b>  |
| <b>Total cash flow</b>   |            | <b>-2 569</b>  | <b>-8 550</b>  | <b>-164</b>   | <b>-546</b>  |
| <b>Cash at the beginning of the period</b>                           |            | <b>18 786</b>  | <b>26 449</b>  | <b>1 201</b>  | <b>1 690</b> |
| Net increase in cash   |            | -2 569         | -8 550         | -164          | -546         |
| Effect of foreign exchange rate change                               |            | -45            | -37            | -3            | -2           |
| <b>Cash at the end of the period</b>                                 |            | <b>16 172</b>  | <b>17 862</b>  | <b>1 034</b>  | <b>1 142</b> |

**STATEMENT OF CHANGES IN OWNERS' EQUITY**

| 1000 EEK                        | Share<br>capital | Issue<br>premium | Reserve<br>requirement | Retained<br>profit | Total          |
|---------------------------------|------------------|------------------|------------------------|--------------------|----------------|
| <b>Balance as of 31.12.2003</b> | <b>54 000</b>    | <b>0</b>         | <b>8600</b>            | <b>326 612</b>     | <b>389 212</b> |
| Profit for current period       | 0                | 0                | 0                      | 94 820             | <b>94 820</b>  |
| Dividends                       | 0                | 0                | 0                      | -21 600            | <b>-21 600</b> |
| Aktsiaemissioon                 | 2 000            | 6 000            | 0                      | 0                  | <b>8 000</b>   |
| <b>Balance as of 30.09.2004</b> | <b>56 000</b>    | <b>6 000</b>     | <b>8600</b>            | <b>399 832</b>     | <b>470 432</b> |
| <b>Balance as of 31.12.2004</b> | <b>56 000</b>    | <b>6 000</b>     | <b>8 600</b>           | <b>450 377</b>     | <b>520 977</b> |
| Profit for current period       | 0                | 0                | 0                      | 82 178             | <b>82 178</b>  |
| Dividends                       | 0                | 0                | 0                      | -24 640            | <b>-24 640</b> |
| Fund issue                      | 112 000          | 0                | 0                      | -112 000           | <b>0</b>       |
| <b>Balance as of 30.09.2005</b> | <b>168 000</b>   | <b>6 000</b>     | <b>8 600</b>           | <b>395 915</b>     | <b>578 515</b> |
| 1000 EUR                        |                  |                  |                        |                    |                |
| <b>Balance as of 31.12.2003</b> | <b>3 451</b>     | <b>0</b>         | <b>550</b>             | <b>20 874</b>      | <b>24 875</b>  |
| Profit for current period       | 0                | 0                | 0                      | 6 060              | <b>6 060</b>   |
| Dividends                       | 0                | 0                | 0                      | -1 380             | <b>-1 380</b>  |
| Aktsiaemissioon                 | 128              | 383              | 0                      | 0                  | <b>511</b>     |
| <b>Balance as of 30.09.2004</b> | <b>3 579</b>     | <b>383</b>       | <b>550</b>             | <b>25 554</b>      | <b>30 066</b>  |
| <b>Balance as of 31.12.2004</b> | <b>3 579</b>     | <b>384</b>       | <b>550</b>             | <b>28 784</b>      | <b>33 297</b>  |
| Profit for current period       | 0                | 0                | 0                      | 5 252              | <b>5 252</b>   |
| Dividends                       | 0                | 0                | 0                      | -1 575             | <b>-1 575</b>  |
| Fund issue                      | 7 158            | 0                | 0                      | -7 158             | <b>0</b>       |
| <b>Balance as of 30.09.2005</b> | <b>10 737</b>    | <b>384</b>       | <b>550</b>             | <b>25 303</b>      | <b>36 974</b>  |

More information is presented in the note 5.

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

AS Harju Elekter is a company registered in Estonia. The interim report prepared as of 30.09.2005 include AS Harju Elekter and its subsidiaries AS Harju Elekter Elektrotehnika (hereafter: Elektrotehnika), 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 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 31.12.2004.

According to the assessment of the management board, the interim report for 9M 2005 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 31.12.04</b>                        | <b>86 551</b>   | <b>86 880</b>         | <b>1 951</b>      | <b>175 382</b> | <b>5 531</b>    | <b>5 553</b>          | <b>125</b>        | <b>11 209</b> |
| Acquired   | 6 167           | 24 973                | 78                | <b>31 218</b>  | 394             | 1 596                 | 5                 | <b>1 995</b>  |
| Reclassified   | -12 668         | 12 668                | 0                 | <b>0</b>       | -810            | 810                   | 0                 | <b>0</b>      |
| Sold and written-off fixed assets at acquisition value | -617            | 0                     | 0                 | <b>-617</b>    | -39             | 0                     | 0                 | <b>-39</b>    |
| Expenses take into account                             | -7 570          | -2 622                | -572              | <b>-10 764</b> | -483            | -168                  | -37               | <b>-688</b>   |
| Depreciation of sold and written off fixed assets      | 560             | 0                     | 0                 | <b>560</b>     | 36              | 0                     | 0                 | <b>36</b>     |
| <b>Final balance at the end of the current period</b>  | <b>72 423</b>   | <b>121 899</b>        | <b>1 457</b>      | <b>195 779</b> | <b>4 629</b>    | <b>7 791</b>          | <b>93</b>         | <b>12 513</b> |

**Note 3 Debt liabilities**

|  | 1 000 EEK     |               | 1 000 EUR    |              |
|--|---------------|---------------|--------------|--------------|
|  | 30.09.05      | 31.12.04      | 30.09.05     | 31.12.04     |
| Short-term loans   | 12 966        | 8 699         | 829          | 556          |
| Repayment of long-term leasing oblig. during the next period | 2 191         | 3 892         | 140          | 249          |
| Repayments of long-term lease in next period                 | 444           | 1 789         | 28           | 114          |
| <b>Total current liabilities</b>                             | <b>15 601</b> | <b>14 380</b> | <b>997</b>   | <b>919</b>   |
| Long-term bank loans   | 37 239        | 14 482        | 2 380        | 925          |
| Long-term lease payables                                     | 3 842         | 2 875         | 246          | 184          |
| <b>Total long term liabilities</b>                           | <b>41 081</b> | <b>17 357</b> | <b>2 626</b> | <b>1 109</b> |
| <b>Total debt liabilities</b>                                | <b>56 682</b> | <b>31 737</b> | <b>3 623</b> | <b>2 028</b> |

| Changes in debt obligations:    | 1 000 EEK |               | 1 000 EUR |              |
|---------------------------------|-----------|---------------|-----------|--------------|
| <b>Initial balance 31.12.04</b> |           | <b>31 737</b> |           | <b>2 028</b> |
| Changes in short-term loans     |           | 4 268         |           | 273          |
| Received long-term loans        |           | 26 755        |           | 1 710        |
| Long-term loan repaid           |           | -5 700        |           | -364         |
| New leasing obligations         |           | 1 293         |           | 83           |
| New long-term lease liabilities |           | -1 671        |           | -107         |
| <b>Final balance 30.09.05</b>   |           | <b>56 682</b> |           | <b>3 623</b> |

In Q1 2005 Harju Elekter entered into two long-term loan agreements for MEUR 1,8 (MEEK 28,2) and for MEUR 1,0 (MEEK 15,6). The loans, which were received on favourable terms, were used to refinance earlier loans of MEUR 1,1 (MEEK 17,1). The loan interest is composed of 3 months' euribor and margins of 0,5% and 0,48%, respectively (instead of previous agreements 6 months' euribor + 0,75% and 3 months euribor 0 1,35% respectively). The loans will be repaid during 5 years. The borrowed money will be used to finance real estate investments.

**Note 4 Guarantees and pledges**

As a security for new investment loans (Annex 3), an additional amount of 210 000 shares of PKC Group Oyj was pledged with the banks. At the same time, as a result of refinancing the existing loans, the mortgage established on the properties located in Haapsalu for the benefit of the bank was released. As of the balance sheet date of 30 September 2005 the company has pledged 924 000 shares as collaterals for its liabilities with a book value of EUR 11,2 million (EEK 175 million). The balance of the long-term secured loans was EUR 2,52 million (EEK 39,4 million) and the total overdraft limits were EUR 0,67 million (EEK 10 million).

**Note 5 Owners' equity**

In the AGM on the 22.04.2005 shareholders approved the Council's proposal to increase the Company's share capital in the amount 112 million kroons from present 56 million kroons to 168 million kroons by issuing 2 new ordinary shares for every present one. During the fund issue totally 11,2 million shares with the nominal value 10 kroons or 0,64 euros were issued. After the fund issue the total number of the shares is 16,8 million and the share capital 168 million kroons (10,7 mln euros). The maximum number of the shares allowed by the Articles of Associations of Harju Elekter is 20 million.

Based to the results of 2004 the AGM decided to pay dividends to the owners at the rate of EEK 4,40 or EUR 0,28 (2004: EEK 4,00 or EUR 0,26) per share in the total amount of EEK 24,6 million or EUR 1,57 million (2004: EEK 21,6 million or EUR 1,38 million). Dividends transferred to the shareholders accounts on 23.05.2005.

### Note 6 Segmental reporting

Segments of the Groups are differentiated geographically and by areas of activities. The primary segmentation which is based on the areas of activities derives from the structure, management and internal reporting of the Group. Inter-segment price formation is based on market prices.

Results, assets and liabilities of segments include indicators directly related to the activities of the segment and the indicators distributed to segment activities. The most important indicators which cannot be distributed between segments are cash in hand and in bank accounts.

The Group operates in three main business segments.

Segment investments include the costs of assets acquired during the financial year and in use for longer than one year.

#### *Business segments*

Main business segments of the Group are:

*“Production”* – manufacturing and sales of power distribution and control systems to energy, construction and industrial sectors; manufacturing and sales of data and communication systems and fibre optic connection cables to the telecommunications sector; manufacturing and sales of various sheet metal products and subcontracting in the area of sheet metal works; research and development; other services related to the manufacturing intermediary trade in different components;

*“Trade”* – sales of products manufactured by the Harju Elekter Group and associated companies, as well as other products necessary for electric installation works mainly to retail customers and small- and medium-size electrical installation companies;

*“Services”* – real estate development, maintenance and renting, services related to the maintenance of real estate and manufacturing capacity and intermediary trade of those services; managerial services; design of industrial automation equipment, programming of process control automatic equipment and project management of installation works; construction services and installation of automatic control equipment.

#### *Geographical segments:*

By the location of businesses the operations of the Group falls into three geographical segments:

*Estonia* – domicile of the parent company (trade and services) and the subsidiaries Harju Elekter Elektrotehnika (production) and Eltek (production);

*Finland* – domicile of the subsidiary Satmatic (production);

*Lithuania* – domicile of the subsidiary Rifas (production and services).

The income and assets of the geographic segments are reporting according to the geographical location of assets. The income of the segments by markets is reflected on the basis of the location of its customers.

| Business segments                               | Production     |                | Trade         |               | Services      |               | Elimination    |                | Consolidated   |                |
|---|----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
|   | 2005           | 2004           | 2005          | 2004          | 2005          | 2004          | 2005           | 2004           | 2005           | 2004           |
| (thousand croons)                               | 9 M            | 9 M            | 9 M           | 9 M           | 9 M           | 9 M           | 9 M            | 9 M            | 9 M            | 9 M            |
| <b>Business activities</b>                      |                |                |               |               |               |               |                |                |                |                |
| Electrical equipment                            | 236 794        | 204 568        | 0             | 0             | 0             | 0             |                |                | 236 794        | 204 568        |
| Sh.metal products /services                     | 21 436         | 19 912         | 0             | 0             | 0             | 0             |                |                | 21 436         | 19 912         |
| Products for telecom sector                     | 16 064         | 14 769         | 0             | 0             | 0             | 0             |                |                | 16 064         | 14 769         |
| Trade and intermediation                        | 9 339          | 10 675         | 34 374        | 31 064        | 2 191         | 4 686         |                |                | 45 904         | 46 425         |
| Design  | 0              | 0              | 0             | 0             | 2 214         | 288           |                |                | 2 214          | 288            |
| Installation work                               | 0              | 0              | 0             | 0             | 5 515         | 3 663         |                |                | 5 515          | 3 663          |
| Leasing of capital assets                       | 0              | 0              | 0             | 0             | 18 546        | 15 084        |                |                | 18 546         | 15 084         |
| Other services                                  | 3 778          | 3 627          | 0             | 1             | 8 671         | 6 886         |                |                | 12 449         | 10 513         |
| <b>Total revenue from non-concern costumers</b> | <b>287 411</b> | <b>253 551</b> | <b>34 374</b> | <b>31 065</b> | <b>37 137</b> | <b>30 607</b> | <b>0</b>       | <b>0</b>       | <b>358 922</b> | <b>315 223</b> |
| Inter-segment revenue                           | 6 196          | 9 395          | 401           | 404           | 11 083        | 7 397         | -17 680        | -17 195        | 0              | 0              |
| <b>Income from business in segment</b>          | <b>293 607</b> | <b>262 946</b> | <b>34 775</b> | <b>31 469</b> | <b>48 220</b> | <b>38 004</b> | <b>-17 680</b> | <b>-17 195</b> | <b>358 922</b> | <b>315 223</b> |
| <b>Operating profit</b>                         | <b>16 024</b>  | <b>14 866</b>  | <b>1 847</b>  | <b>1 727</b>  | <b>11 237</b> | <b>7 661</b>  | <b>478</b>     | <b>229</b>     | <b>28 630</b>  | <b>24 025</b>  |
| (thousand euros)                                |                |                |               |               |               |               |                |                |                |                |
| <b>Business activities</b>                      |                |                |               |               |               |               |                |                |                |                |
| Electrical equipment                            | 15 134         | 13 074         | 0             | 0             | 0             | 0             | 0              | 0              | 15 134         | 13 074         |
| Sh.metal products /services                     | 1 370          | 1 273          | 0             | 0             | 0             | 0             | 0              | 0              | 1 370          | 1 273          |
| Products for telecom sector                     | 1 027          | 944            | 0             | 0             | 0             | 0             | 0              | 0              | 1 027          | 944            |
| Trade and intermediation                        | 597            | 682            | 2 197         | 1 985         | 140           | 300           | 0              | 0              | 2 934          | 2 967          |
| Design  | 0              | 0              | 0             | 0             | 142           | 18            | 0              | 0              | 142            | 18             |
| Installation work                               | 0              | 0              | 0             | 0             | 352           | 234           | 0              | 0              | 352            | 234            |
| Leasing of capital assets                       | 0              | 0              | 0             | 0             | 1 185         | 964           | 0              | 0              | 1 185          | 964            |
| Other services                                  | 241            | 232            | 0             | 0             | 554           | 440           | 0              | 0              | 795            | 672            |
| <b>Total revenue from non-concern costumers</b> | <b>18 369</b>  | <b>16 205</b>  | <b>2 197</b>  | <b>1 985</b>  | <b>2 373</b>  | <b>1 956</b>  | <b>0</b>       | <b>0</b>       | <b>22 939</b>  | <b>20 146</b>  |
| Inter-segment revenue                           | 396            | 600            | 26            | 26            | 708           | 473           | -1 130         | -1 099         | 0              | 0              |
| <b>Income from business in segment</b>          | <b>18 765</b>  | <b>16 805</b>  | <b>2 223</b>  | <b>2 011</b>  | <b>3 081</b>  | <b>2 429</b>  | <b>-1 130</b>  | <b>-1 099</b>  | <b>22 939</b>  | <b>20 146</b>  |
| <b>Operating profit</b>                         | <b>1 024</b>   | <b>950</b>     | <b>118</b>    | <b>110</b>    | <b>718</b>    | <b>490</b>    | <b>30</b>      | <b>15</b>      | <b>1 830</b>   | <b>1 535</b>   |

*Geographical segments*

| Markets                                   | Estonia        |                | Finland       |               | Lithuania     |               | Consolidated   |                |
|---|----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|
|   | 2005           | 2004           | 2005          | 2004          | 2005          | 2004          | 2005           | 2004           |
| (thousand croons)                         | 9 M            | 9 M            | 9 M           | 9 M           | 9 M           | 9 M           | 9 M            | 9 M            |
| Estonia                                   | 190 656        | 149 497        |               | 0             |               | 0             | 190 656        | 149 497        |
| Finland                                   | 36 732         | 37 645         | 87 576        | 83 594        |               | 0             | 124 306        | 121 239        |
| Lithuania                                 | 630            | 1 119          |               | 0             | 34 257        | 34 893        | 34 888         | 36 012         |
| Other Europe                              | 3 594          | 4 484          | 436           | 184           | 2 616         | 1215          | 6 647          | 5 883          |
| USA                                       | 1 800          | 2 087          |               | 0             |               | 0             | 1 800          | 2 087          |
| Russia                                    | 407            | 505            |               | 0             | 218           | 0             | 625            | 505            |
| <b>Revenue from non-concern costumers</b> | <b>233 819</b> | <b>195 337</b> | <b>88 012</b> | <b>83 778</b> | <b>37 091</b> | <b>36 108</b> | <b>358 922</b> | <b>315 223</b> |
| (thousand euros)                          |                |                |               |               |               |               |                |                |
| Estonia                                   | 12 185         | 9 555          | 0             | 0             | 0             | 0             | 12 185         | 9 555          |
| Finland                                   | 2 348          | 2 406          | 5 597         | 5 343         | 0             | 0             | 7 945          | 7 749          |
| Lithuania                                 | 40             | 72             | 0             | 0             | 2 189         | 2 230         | 2 229          | 2 302          |
| Other Europe                              | 230            | 287            | 28            | 12            | 167           | 78            | 425            | 376            |
| USA                                       | 115            | 133            | 0             | 0             | 0             | 0             | 115            | 133            |
| Russia                                    | 26             | 32             | 0             | 0             | 14            | 0             | 40             | 32             |
| <b>Revenue from non-concern costumers</b> | <b>14 944</b>  | <b>12 484</b>  | <b>5 625</b>  | <b>5 354</b>  | <b>2 370</b>  | <b>2 308</b>  | <b>22 939</b>  | <b>20 146</b>  |

**Note 7 Net financial income**

|                                  | 1 000 EEK     |               | 1 000 EUR    |              |
|----------------------------------|---------------|---------------|--------------|--------------|
|                                  | 9M 2005       | 9M 2004       | 9M 2005      | 9M 2004      |
| Interest charges                 | -1 205        | -1 014        | -77          | -65          |
| Interest return                  | 63            | 106           | 4            | 7            |
| Dividend income                  | 5 821         | 24 252        | 372          | 1 549        |
| Net exchange profit (+)/loss (-) | -45           | -37           | -3           | -2           |
| <i>Marketable investments:</i>   |               |               |              |              |
| Profit from sales of investments | 140           | 1 092         | 9            | 70           |
| Revaluation at fair value        | 52 169        | 48 849        | 3 334        | 3 122        |
| <b>TOTAL</b>                     | <b>56 943</b> | <b>73 248</b> | <b>3 639</b> | <b>4 681</b> |

As of the end of the quarter on 30 of September 2005, the financial investment was revalued at the closing price of the last trading day that is 12,07 euro (188,85 krooni). In the Q3 2005 the revaluation generated financial income in the amount of 48,7 MEEK or 3,1 MEUR (Q3 2004: -2,1 MEEK or -0,14 MEUR).

In Q3 Harju Elekter sold 30 000 shares in PKC Group Oyj for MEEK 5,7 (MEUR 0,35); the net income from the transaction was TEEK 140 (TEUR 9). As of 30 September 2005, Harju Elekter holds 1,83 million shares in PKC Group Oyj.

| Note 8 Corporate income tax expense                    | 1000 EEK     |           | 1000 EUR   |          |
|--|--------------|-----------|------------|----------|
|  | 9M 2005      | 9M 2004   | 9M 2005    | 9M 2004  |
| Allocation of corporate income tax to relevant periods | 325          | 49        | 20         | 3        |
| Tax from dividends (Finland)                           | 873          | 0         | 56         | 0        |
| Tax from dividends (Estonia)                           | 1 968        | 0         | 126        | 0        |
| <b>TOTAL</b>   | <b>3 166</b> | <b>49</b> | <b>202</b> | <b>3</b> |

### Note 9 Basic and diluted earning per share

Basic EPS is calculated on the basis of the ratio between the net profit/loss owned by shareholders and weighted average number of shares not including own shares.

|   | Unit    | EEK     |         | EUR     |         |
|---|---------|---------|---------|---------|---------|
|   |         | 9M 2005 | 9M 2004 | 9M 2005 | 9M 2004 |
| Net profit for the period               | 1000    | 82 178  | 94 820  | 5 252   | 6 060   |
| Average number of shares for the period | 1000 pc | 16 800  | 16 266  | 16 800  | 16 266  |
| <i>Basic and diluted EPS</i>            |         | 4,89    | 5,83    | 0,31    | 0,37    |

*Diluted net profit per share* is calculated by considering the number of potential options. As of the balance sheet date of 30 September 2005, the group did not have potentially issuable common shares. As a result, the diluted net profit (loss) per share in the quarter was equal to the regular earnings per share.

### Note 10 Establishment of the subsidiary

For the purpose of streamlining the management structure of the group, specifying the rights and liability as well as better organisation of accounting and analysis, the management of the parent company decided to establish a 100% subsidiary of Harju Elekter on the basis of the Electrical Equipment Plant of Harju Elekter. The business name of the company is AS Harju Elekter Elektrotehnika. The new company was registred in the Trade Register at 24.03.2005 and it has independent economic activities since 1.04.2005. The financial year of the company will last from 1 January to 31 December. AS Harju Elekter Elektrotehnika continues in its present area of activity which is design, manufacturing and marketing of electrical equipment for energy distribution, industrial and construction sector.

The share capital of AS Harju Elekter Elektrotehnika is MEEK 16, divided into 1,6 million shares with a nominal value of EEK 10 or 0,64 euros. Shares were paid for by monetary contributions into the bank account of the established company. The company purchased all materials required for its operations from the parent company. All claims and liabilities resulting from the economic operations of the plant of electrical equipment until 31 March 2005 remained in the parent company's balance sheet. All the



employees of the Electrical Equipment Plant transferred to the established subsidiary under the currently valid employment contracts.

### Note 11 Transactions with related parties

Related parties to AS Harju Elekter are its subsidiaries AS Harju Elekter Elektrotehnika, AS Eltek, Satmatic Oy and Rifas UAB, associated companies AS Keila Kaabel and AS Saajos Inexa, members of the governing bodies and AS Harju KEK which owns over 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     |               |
|----------------------|---------------|---------------|---------------|---------------|
|                      | 9M 2005       | 9M 2004       | 9M 2005       | 9M 2004       |
|                      | <b>Bought</b> | <b>Sold</b>   | <b>Bought</b> | <b>Sold</b>   |
| Subsidiaries         | 2 924         | 9 826         | 1 840         | 7 393         |
| Associated companies | 7 576         | 9 043         | 7 972         | 9 277         |
| Harju KEK            | 1 453         | 1             | 146           | 104           |
| <b>TOTAL</b>         | <b>11 953</b> | <b>18 870</b> | <b>9 958</b>  | <b>16 774</b> |

| Type of transaction   | 1 000 EEK     |               | 1 000 EUR     |              |
|---|---------------|---------------|---------------|--------------|
|   | <b>Bought</b> | <b>Sold</b>   | <b>Bought</b> | <b>Sold</b>  |
| Goods purchased for resale  | 8 845         | 102           | 565           | 7            |
| Material, components for production needs   | 1 314         | 860           | 84            | 55           |
| Industrial subcontracting (outsourcing)   | 1 362         | 2 454         | 87            | 157          |
| Lease of fixed assets   | 0             | 7 959         | 0             | 509          |
| Management services   | 0             | 3 795         | 0             | 243          |
| Other services (building and communication, repairs and maintenance of real estate) | 432           | 3 700         | 28            | 235          |
| <b>TOTAL</b>  | <b>11 953</b> | <b>18 870</b> | <b>764</b>    | <b>1 206</b> |

### Balance with related parties:

|  | 1 000 EEK       |                 | 1 000 EUR       |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <b>30.09.05</b> | <b>31.12.04</b> | <b>30.09.05</b> | <b>31.12.04</b> |
| <b>Claims</b>  |                 |                 |                 |                 |
| <i>With subsidiaries: goods and services*</i>        | 20 306          | 3 049           | 1 298           | 195             |
| financial lease                                      | 148             | 185             | 9               | 12              |
| <i>With associated companies: goods and services</i> | 2 874           | 4 137           | 184             | 264             |
| <b>Obligations</b>                                   |                 |                 |                 |                 |
| <i>With subsidiaries: goods and services</i>         | 103             | 994             | 7               | 64              |
| <i>With associated companies: goods and services</i> | 1 234           | 1 074           | 79              | 69              |

\* The indicators as of 30.09.2005 include the one-off sale of production stocks to Elektrotehnika. On the balance sheet date, TEEK 18 813 (TEUR 1 202) had not been paid of the sales invoice yet. Additional information is presented in note 10.

**Signatures of the members of the Management Boards to the interim report 1-9/2005**

Management Board of AS Harju Elekter has prepared the consolidated Interim report for 9M 2005 as presented on pp. 3-17

Approval of the Interim report 1-9/2005 as of September 30, 2005 by the Management Board members:

**Management Board**

|                 |                       |             |                                     |
|-----------------|-----------------------|-------------|-------------------------------------|
| Andres Allikmäe | Chairman of the Board | /signature/ | „1 <sup>st</sup> “ of November 2005 |
| Lembit Libe     | Chairman of the Board | /signature/ | „1 <sup>st</sup> “ of November 2005 |
| Karin Padjus    | Chairman of the Board | /signature/ | „1 <sup>st</sup> “ of November 2005 |