



## **AS HARJU ELEKTER**

Interim report 1-6/ 2007

Business name	AS Harju Elekter
Main business area:	production of electrical distribution systems and control panels; production of sheet metal products;wholesale and mediation of goods, retail of light fittings and electrical appliances real estate holding; management assistance and services
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Auditor:	KPMG Baltics
Beginning of the reporting period:	1 <sup>st</sup> of January 2007
End of the reporting period:	30 <sup>th</sup> of June 2007

*The interim report of Harju Elekter Group on 23 pages*

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

In interim report for H1 2007 the financial indicators of AS Harju Elekter (the consolidating entity) and its subsidiaries – Harju Elekter Elektrotehnika, Eltek, Satmatic and Rifas - are consolidated linebyline and the results of affiliated companies – Draka Keila Cables and Saajos Inexa - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 30 June 2007, Harju Elekter has substantial holdings in the following companies:

Participation %			31.06.07	31.12.06	31.06.06
AS Eltek	subsidiary	Estonia	100.0%	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	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 Draka Keila Cables	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	8.9%	10.3%	10.2%

***Economic environment***

The state of the world trade stayed positively stable during the first half of 2007 and the analysts estimate the year of stabilisation to continue. The increasingly improving economic situation in Western Europe is positive for Estonia. Estonia's important trade partners Finland and Sweden are more than content with their economic condition and their future expectations are optimistic. Our southern neighbour Latvia is developing very successfully and the growth also continues in Russia. A certain weakness is observed in the US economy.

The Baltic States are continuously on the top of the economic growth in the European Union. Despite several similar features, we may still say that the economies of the three states are in somewhat different phases of the economic cycle. While the economic growth in Estonia has clearly started to slow down, Latvia is making the first steps on this road and Lithuania is still on an upward trend. The favourable state of the world trade should create additional possibilities for Baltic entrepreneurs to increase their export. It is important to retain competitiveness on conditions where the costs for labour and in some cases also for raw materials are going up.

Based on the economic results disclosed within the last months, the analysts estimate that a so-called soft landing scenario has been launched in Estonia which means that the growth pace is slowly reaching the optimum level (6-8%). The economic growth in the first quarter was smaller by more than one per cent compared to the end of 2006 (10.8%). The growth in the domestic demand slowed down from 19.1% to 15.9% due to stoppage of the growth in investments (from 31.2% to 17.1%), but the growth in consumption costs of households became even faster (18.1%). The latter was caused by the increased employment (1.9% in a year), but the largest contribution was made by the growth of investments (the average growth in salaries reached 20%).

The lack of labour, which has already become more acute for several years, has begun to have more obvious impacts on the actual labour policy of Estonian companies: the creation of new jobs has decreased and this had led to stoppage in the growth of employment. The rate of unemployment and the number of unemployed persons has been on an upward trend within the last months, as the number of those entering the labour market for the first time is increasing. The fact that many new jobs still remain vacant indicates that the qualification of entrees to the labour market still leaves to be desired. As a result of the structural changes in economy, labour is removing in Estonian economy from the

production sector with low added value to the one with higher added value and to the service sector. Although transformation of production gives free working hands, but at the same time it increases demand for more qualified labour whose offer is very limited. Re-qualification requires at least one or two quarters. Due to limited offer of labour, the pressure for an increase in salaries has been strong.

The analysts estimate that the pressure for an increase in salaries will remain very strong also in the coming years, but the stoppage in the growth of employment and the stabilisation and a certain growth of unemployment should restrain the growth in salaries.

### **Events**

On 26 April, the annual general meeting of shareholders took place, in which 96 shareholders or their authorised representatives, who represented 58.7 % of the total number of votes, participated. The general meeting decided to pay the owners dividends in the amount of EEK 1.80 (EUR 0.12) per share. The dividends were paid on 21 May 2007.

Harju Elekter Elektrotehnika AS, a subsidiary of Harju Elekter, entered into a sales contract of low-voltage equipment with Greek company METKA Metal Constructions of Greece S.A. In the framework of the contract, Harju Elekter Elektrotehnika shall prepare various control centres with frequency converters for Kardia and Mavropigisi mines in Macedonia. The volume of the contract is 3.2 million euros (50.1 million kroons). The signed contract is a significant breakthrough to new markets in Europe.

### **Operating results**

#### **TURNOVER**

	<b>Q1 2006</b>	<b>Q2 2006</b>	<b>Q3 2006</b>	<b>Q4 2006</b>	<b>Q1 2007</b>	<b>Q2 2007</b>
Turnover (in million kroons)	123.9	171.0	160.1	167.1	151.6	178.3
Turnover (in million euros)	7.9	10.9	10.2	10.7	9.7	11.4
Growth Q/Q	10.6%	45.9%	23.4%	7.8%	22.4%	4.3%

The sales revenue of the Group in the second quarter of 2007 was 178.3 million kroons (11.4 million euros), growing 4.3% compared to the same period in the previous year. During the first half-year the sales volumes increased 11.9% to 329.9 million kroons (21.1 million euros). The Group's main field of activity is production of electrical equipment and control apparatus for the energy and industry sector. A certain seasonal nature of the Group's business activities is caused by the economic cycle of clients, situation on the construction market and also by weather conditions to some extent. As usual, the first and last quarters of the year are more modest for the Group's companies in terms of sales offers.

#### **Turnover by geographical segment and market**

	EEK (in million)						EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
	Q/Q	6 m/6m	2007	2006	2007	2006	2007	2006	2007	2006
Estonia	28.5%	20.8%	100.3	78.0	177.9	147.3	6.4	5.0	11.4	9.4
Finland	8.7%	20.5%	61.0	56.1	117.7	97.6	3.9	3.6	7.5	6.2
Lithuania	-53.7%	-31.4%	17.0	36.9	34.3	50.0	1.1	2.3	2.2	3.2
<b>Total</b>	<b>4.3%</b>	<b>11.9%</b>	<b>178.3</b>	<b>171.0</b>	<b>329.9</b>	<b>294.9</b>	<b>11.4</b>	<b>10.9</b>	<b>21.1</b>	<b>18.8</b>

The fastest growth pace was in the second quarter in the Estonian segment. Compared to the second quarter of the previous year, the sale of Estonian companies increased 28.5% to 100.3 million kroons (6.4 million euros). The sale to the Estonian market increased 7.8 million kroons (0.5 million euros) in the reporting quarter. The most important sales growth source on the domestic market was that 24 more unit substations were sold compared to the previous year (see below). The majority (14.5 million kroons or 0.9 million euros) of the growth of 22.3 million kroons (1.4 million euros) in the turnover of the Estonian segment was achieved in foreign markets. Several voluminous sales contracts for production of medium and low voltage distribution equipment concluded in the first quarter were implemented. The first part of low voltage control centres with frequency converters were manufactured for the Greek company METKA Metal Constructions of Greece S.A. The sales revenue of the Estonian segment within six months reached 177.9 million kroons (11.4 million euros), growing by 20.8% or 30.6 million kroons (2.0 million euros) compared to the same period in the previous year.

The favourable condition in Finnish economy and also the growth in the given economic sector ensured a continuously large amount of sales orders in the Finnish sector. The lack of production capacities will be an obstructing factor. The sales volume in the second quarter reached 61.0 million kroons (3.9 million euros), which is 4.9 million kroons (0.3 million euros) more than in the reference period and within the first six months products were sold in the total amount of 117.7 million kroons (7.5 million euros), which is 20.1 million kroons (1.3 million euros) more than in the previous year.

The situation on the Lithuanian domestic market was not favourable at the beginning of the year for electrical engineering companies. A lot of construction objects were transferred to a later period. As usual, the first quarter is modest in terms of the volumes of sales orders and the increase in volume starts in April. The year of 2006 was exceptional for Lithuanian subsidiaries – already in the first quarter of the year two voluminous general contracts for the manufacture and installation of electrical equipment were concluded, the initial supplies for this contract remained in the second quarter of 2006 and were realised to a large extent at the end of 2006. The contracts concluded this year will be implemented mainly from the third quarter and in a somewhat smaller amount. Based on the foregoing, the sales revenue of the Lithuanian segment in the second quarter was smaller by 19.9 million kroons (1.2 million euros) compared to the corresponding indicator in the second quarter of 2006, leading the growth pace and sales volumes of the entire half-year to a decreasing trend on the Lithuanian market (see below).

Of the markets, the domestic markets of the Group's companies dominated, where 87.5% and 92.6% of the Group's products and services were sold in the second quarter and within six months, respectively, the corresponding indicators for the reference period in 2006 being 97.6% and 96.9%, respectively.

	EEK (in million)						EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
	Q/Q	6 m/6m	2007	2006	2007	2006	2007	2006	2007	2006
Estonia	12.0%	16.2%	70.3	62.8	135.9	116.9	4.5	4.0	8.7	7.5
Finland	4.5%	12.8%	71.2	68.2	138.6	122.9	4.6	4.4	8.9	7.9
Lithuania	-58.6%	-32.7%	14.9	35.9	30.9	45.9	0.9	2.3	2.0	2.9
EU	669.4%	233.1%	16.3	2.1	17.9	5.4	1.0	0.1	1.1	0.3
Others	180.4%	74.8%	5.6	2.0	6.6	3.8	0.4	0.1	0.4	0.2
<b>Total</b>	<b>4.3%</b>	<b>11.9%</b>	<b>178.3</b>	<b>171.0</b>	<b>329.9</b>	<b>294.9</b>	<b>11.4</b>	<b>10.9</b>	<b>21.1</b>	<b>18.8</b>

As a result of the successful selling efforts of the companies in the Estonian segment, the sale in the second quarter has increased the most in Estonia and the European Union as well as on other markets. As a new market, Greece (the EU) was added in the second quarter. Concerning other markets, the growth was influenced by selling the low voltage distribution equipment of Harju Elekter Elektrotehnika with the cost of 5.4 million kroons (0.3 million euros) to a US company that will supply the equipment to Russia.

#### *Turnover by business activities*

Traditionally, the largest share of the sales revenue accounted for production, which is the main area of activity of the Group

	EEK (in million)						EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
	Q/Q	6 m/6m	2007	2006	2007	2006	2007	2006	2007	2006
Production	2.9%	11.0%	147.9	143.8	270.2	243.4	9.5	9.2	17.3	15.5
Real estate	8.6%	6.0%	8.6	7.9	17.6	16.6	0.5	0.5	1.1	1.1
Trade	17.5%	25.8%	17.7	15.1	34.9	27.8	1.1	0.9	2.2	1.8
Other	-2.8%	0.9%	4.1	4.2	7.2	7.1	0.3	0.3	0.5	0.4
<b>Total</b>	<b>4.3%</b>	<b>11.9%</b>	<b>178.3</b>	<b>171.0</b>	<b>329.9</b>	<b>294.9</b>	<b>11.4</b>	<b>10.9</b>	<b>21.1</b>	<b>18.8</b>

A somewhat increased growth in the demand of private clients resulting from a rapid growth in salaries had a positive impact on the sales volumes of the Group's trade segment. Therefore, the strongest growth pace in the trade segment occurred in the second quarter (17.5%) as well as in the first half-year (25.8%). As a result of decreasing sales volumes of the Lithuanian segment in the second quarter of 2007, the growth in sales revenue of the production segment remained modest.

#### EXPENSES

	EEK (in million)						EUR (in million)			
	Growth		Q2		6 months		Q2		6 months	
	Q/Q	6 m/6m	2007	2006	2007	2006	2007	2006	2007	2006
Cost of sales	1.9%	11.2%	-144.9	-142.2	-270.9	-243.5	-9.3	-9.1	-17.3	-15.6
Distribution costs	22.8%	20.9%	-8.3	-6.7	-14.9	-12.3	-0.5	-0.4	-1.0	-0.8
Admin expenses	13.4%	11.8%	-12.0	-10.6	-21.9	-19.6	-0.8	-0.7	-1.4	-1.2
Financing income/costs			-0.2	0.4	-0.3	0.4	0.0	0.0	0.0	0.0
<b>Total expenses</b>	<b>3.9%</b>	<b>12.0%</b>	<b>-165.4</b>	<b>-159.1</b>	<b>-308.0</b>	<b>-275.0</b>	<b>-10.6</b>	<b>-10.2</b>	<b>-19.7</b>	<b>-17.6</b>
incl. depreciation of fixed assets	7.3%	8.6%	4.4	4.1	-8.8	-8.1	-0.3	-0.3	-0.6	-0.5
Total labour cost	35.6%	32.1%	40.2	29.6	72.6	54.9	2.6	1.9	4.6	3.5
incl salary cost	33.9%	30.6%	29.5	22.0	55.2	42.2	1.9	1.4	3.5	2.7

The expenditure related to the sold products increased within the second quarter of 2007 by 1.9% to 144.9 million kroons (9.3 million euros) and within the first six months by 11.2% to 270.9 million kroons (17.3 million euros). The fastest growth pace concerned marketing and general administration costs. Operating costs increased in total 3.9% or 6.3 million kroons (0.4 million euros) in the second quarter, remaining by the growth pace behind the growth in sales revenue (4.3%), and 12% or 33.0 million kroons (2.1 million euros) within the first half-year.

The continuing growth in economy and consumption has brought about the growth in sales volumes, but has also increased the need for qualified labour. Due to limited labour, the pressure for an increase in salaries has been strong in the Group. In the first quarter, the average number of employees in the Group was 416 (Q 1 of 2006: 421), in the second quarter the number of employees increased on average by 17 people to 433 employees (Q 2 of 2006: by 18 to 439). As of the balance sheet date, 30 June 2007, the Group had 447 employees (30.06.2006: 448). Expenses for labour increased in the second quarter of 2007 by 35.6% to 40.2 million kroons (2.6 million euros) and in the first half-year by 32.1% to 72.6 million kroons (4.6 million euros) compared to the same period in the previous year. The growth in expenses may be explained on the one hand by the addition of employees (in Finland and Estonia) and the growth in salaries and on the other hand by changes in the structure of the Group in the previous financial year. In connection with the purchase of a production unit in Finland in the second quarter of 2006, the number of employees in Finland increased by 11 people. As of 30 June 2007, 79 people (30.06.2006: 66) were working in Finland. In the last quarter of 2006, a subsidiary with 32 employees was sold in Lithuania. In the first half-year, on average 59 people (first half-year of 2006: 88) were working in the Lithuanian subsidiary. It is a known fact that the salary level in Finland is significantly higher than that in Estonia and Lithuania. The number of employees working in Estonian companies is also larger by 14 people as of 30 June 2007 compared to the previous year. To sum up, the average number of the Group's employees in the first half-year was 425 (first half-year of 2006: 430).

In the second quarter, depreciation of fixed assets was expensed in the total amount of 4.4 million kroons (0.3 million euros), in the reference period - 4.1 million kroons (0.3 million euros) and in the first half-year - 8.8 million kroons (0.6 million euros), within six months of the previous year - 8.1 million kroons (0.5 million euros).

## PROFIT

	Q1 2006		Q2 2006		Q3 2006		Q4 2006		Q1 2007		Q2 2007	
( in million)	EEK	EUR	EEK	EUR	EEK	EUR	EEK	EUR	EEK	EUR	EEK	EUR
Gross profit	22.6	1.4	28.8	1.8	28.7	1.8	31.8	2.0	25.7	1.6	33.4	2.1
EBITDA	12.0	0.8	16.0	1.0	17.0	1.1	16.8	1.1	13.4	0.9	17.3	1.1
Operating profit	8.0	0.5	11.8	0.8	12.8	0.8	12.5	0.8	9.0	0.6	12.9	0.8

The total profit of the Group in the second quarter was 33.4 million kroons (2.1 million euros), growing 16.0% compared to the previous year. The margin of the total profit for the second quarter was 18.7% (Q 2 of 2006: 16.5%) and for the first half year - 17.9%, which 0.7% better than in the reference period.

The operating profit for the second quarter increased 8.8% to 12.9 million kroons (0.8 million euros) and operating profitability was 7.2% (6.9%). The Group's operating profit within 6 months increased 10.6% to 21.9 million kroons (1.4 million euros) compared to the same period of the previous year and the operating profitability was 6.6%, being at the level of the previous year.

The Group's pre-tax profit for the reporting quarter was 60.0 million kroons (3.8 million euros), which is by 34.9 million kroons (2.2 million euros) larger than in the reference period. The Group sold in the second quarter the shares in PKC Group Oyj. The realised profit from the sale of shares was 32.6 million kroons (2.1 million euros), but no shares were sold in the reference period. The dividend income in the second quarter was 12.7 million kroons (0.81 million euros), remaining at the level of the previous year. Profit consolidated from related companies in the second quarter was by 1.3 million kroons (84 thousand euros) larger than a year ago. The group's total pre-tax profit for the first six months was 69.2 million kroons (4.4 million euros), being 39.3 million kroons (2.5 million euros) in the reference period.

The following table presents information on profits earned from usual economic activities, eliminating on-off income from the sale of shares:

	Growth		EEK (in millions)				EUR (in millions)			
			Q2		6 months		Q2		6 months	
	Q/Q	6 m/6m	2007	2006	2007	2006	2007	2006	2007	2006
Profit before tax	138.8%	76.1%	60.0	25.1	69.2	39.3	3.8	1.6	4.4	2.5
Single financial income from the sale of shares (-)		529.4%	32.6	0.0	32.8	5.2	2.1	0.0	2.1	0.3
<b>Profit from ordinary business operations</b>	<b>9.1%</b>	<b>6.7%</b>	<b>27.4</b>	<b>25.1</b>	<b>36.4</b>	<b>34.1</b>	<b>1.7</b>	<b>1.6</b>	<b>2.3</b>	<b>2.2</b>
Income tax expense	22.9%	23.1%	-7.5	-6.1	-7.9	-6.4	-0.5	-0.4	-0.5	-0.4
Corrected net profit	5.0%	3.1%	19.9	19.0	28.5	27.7	1.2	1.2	1.8	1.8
Attributable to minority interest	-82.0%	-46.2%	0.3	1.6	0.9	1.7	0.0	0.1	0.0	0.1
<b>Equity holders of the parents</b>	<b>13.0%</b>	<b>6.3%</b>	<b>19.6</b>	<b>17.4</b>	<b>27.6</b>	<b>26.0</b>	<b>1.2</b>	<b>1.1</b>	<b>1.8</b>	<b>1.7</b>
EPS	13.6%	5.8%	1.17	1.03	1.64	1.55	0.07	0.07	0.11	0.1

To sum up, the consolidated after-tax profit for the second quarter was 52.5 million kroons or 3.3 million euros (Q2 2006: 19.0 million kroons or 1.2 million euros), of which the proportion of the owners of the parent company accounted for 52.2 million kroons or 3.3 million euros (Q2 2006: 17.4 million kroons or 1.2 million euros). The net profit per share in the second quarter was 3.11 kroons or 0.20 euros (Q2 2006: 1.03 kroons or 0.07 euros). The net profit for the first half-year was 61.3 million kroons or 3.9 million euros (H1 2006: 32.9 million kroons or 2.1 million euros), of which the proportion of the owners of the parent company accounted for 60.4 million kroons or 3.9 million euros (H1 2006: 31.2 million kroons or 2.0 million euros) and the net profit per share was 3.60 kroons or 0.23 euros (H1 2006: 1.86 kroons or 0.12 euros).

### **Balance sheet**

The amount of the consolidated balance sheet as of 30 June 2007 was MEEK 744.4 (47.6 million euros), decreasing by MEEK 13.3 (0.8 million euros) in the first six months.

Current assets have increased 64.9% (4.1 million euros) within the half-year, incl. cash on bank accounts 20.9 (1.3), receivables from operating activities 15.8 (1.0) and stocks 28.1 million kroons (1.8 million euros), to 234.3 million kroons (15.0 million euros), comprising 31.5% of the cost of assets. The continuing growth of the sales orders resulted in a growth of the components as well as the stocks of products in progress and finished products, and the receivables and liabilities related to operating activities in the balance sheet.



The cost of fixed assets decreased within the same period 78.2 million kroons (5.0 million euros) to 510.1 million euros (32.6 million euros), comprising 68.5% of the balance sheet volume. The main reason for a decrease in fixed assets was a change in the market price of shares of PKC Group Oyj and the sale of the shares in the first half-year. In the reporting period, the Group has sold 220 thousand shares in PKC Group Oyj and the market price has declined 1.71 euros (26.76 kroons). As of the balance sheet day, 30 June 2007, the Group had in its ownership 8.9% of the shares in PKC Group Oyj or 1.58 million shares. The cost of investment in the balance sheet has decreased within the half-year by 84.4 million kroons (5.4 million euros).

Payables to suppliers and other liabilities related to operating activities have increased within six months by 42.6 million kroons (2.7 million euros), incl. prepayments of purchasers 22.1 million kroons (1.4 million euros) and payables to suppliers 14.1 million kroons (0.9 million euros), up to 116.1 million kroons (7.4 million euros). The Group's liabilities increased within the first half-year 28.8% to 172.2 million kroons (11.0 million euros), comprising 23.1% of the balance sheet volume.

Being influenced by a decrease in the market price of the financial asset, the owner's equity (of the owners of the parent company) decreased 51.2 million kroons (3.3 million euros) to 554.4 million kroons (35.4 million euros), comprising 74.5% of the cost of the assets.

#### *Cash flows, investments and financing*

In the first half-year, the cash flow from operating activities was 22.4 million kroons (1.4 million euros) and in the reference period 10.3 million kroons (0.7 million euros), from investing activities 37.0 million kroons (2.4 million euros) and in the reference period 1.5 million kroons (0.1 million euros), and the outgoing cash flow from financing activities was -38.4 million kroons (-2.4 million euros) and in the reference period -27.0 million kroons (-1.7 million euros).

Cash and cash equivalents increased in the first six months by MEEK 21.0 (1.3 million euros) to MEEK 27.6 (1.8 million euros) and decreased in the comparable period by MEEK -15.2 (-1.0 million euros) to MEEK 10.7 (0.7 million euros).

The following investments were made in the fixed assets of the Group during the reporting period:

H1 2007	EEK'000		EUR'000	
	2007	2006	2007	2006
Property, plant and equipment	11,486	10,363	734	662
Investment property	303	375	20	24
Intangible assets	472	2 305	30	147
<b>Total</b>	<b>12,261</b>	<b>13,043</b>	<b>784</b>	<b>833</b>

The reconstruction of the production building located in Keila was started in the first quarter and extension of plant in Lithuania in the second quarter. As of 30 June, the cost of construction in progress was MEEK 5.9 (0.4 million euros) in the balance sheet. During the six months investments on plant totalled 8.0 million kroons (0.5 million euros) and equipment and vehicles 1.9 million kroons (0.1 million euros). The cost of fixed assets acquired by financial lease was EEK 423 000 (27 000 euros), in the comparable period EEK 0 (0 euros).

In the first half-year, the revenue from the sale of financial investments was 35.8 million kroons (2.3 million euros), in the reference period 5.6 million kroons (359 thousand euros). In the second quarter, the amount of dividends received was 12.7 million kroons (0.8 million euros), in the reference period 12.7 million kroons (0.8 million euros).

Long-term loans were repaid within six months in the amount of 5.0 million kroons (321 thousand euros) and in the reference period in the amount of 4.4 million kroons (280 thousand euros) and leasing payments were paid in the amount of 543 thousand kroons (34 thousand euros) and in the reference period in the amount of 722 thousand kroons (46 thousand euros).

Within the first half-year, the Group paid dividends in the total amount of 31.7 million kroons (2.0 million euros), in the reference period 27.4 million kroons (1.8 million euros), of the prevailing part in the amount of 31.5 million kroons (2.0 million euros) was paid in the second quarter. The payment of dividends brought about an income tax liability for the Group's companies in the total amount of 6.4 million kroons (0.4 million euros), in the reference period 5.9 million kroons (0.4 million euros).

#### ***Supervisory Board and Management Board***

The general meeting elected a new Supervisory Board and determined the remuneration for the members of the Supervisory Board. The Supervisory Board consists of five members. Endel Palla (R&D manager of AS Harju Elekter) was re-elected as the Chairman of the Supervisory Board and members: Ain Kabal (president of Estonian Association of SME's), Lembit Kirsme (Ch of the Supervisory Board of AS Harju KEK), Madis Talgre (Ch of the Management Board of AS i Harju KEK) and Andres Toome (financial consultant). The Chairman of the Supervisory Board continues working with a partial work load as the R&D manager of AS Harju Elekter.

During 2007 there were no changes in the management of AS Harju Elekter. The Management Board consists Andres Allikmäe (chairman) and members Karin Padjus (financial manager) and Lembit Libe (chief economist). All members of the Management Board belong to the executive management of the company. The Chairman of the Board receives remuneration in accordance with the contract of service; members of the Management Board receive no special remuneration.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in H1 2007 amounted to a total of 1.7 million kroons (107 thousand euros) and in the comparable period 1.5 million kroons (93 thousand euros). When the contract of service of a member of the Supervisory or Management Board expires or is prematurely terminated the company has no obligation to pay any other compensation, except for that prescribed by law. A service contract has been concluded with the chairman of the management board, specifying social guarantees payable upon resigning from the office.

*Statistical summary*

<i>Shares of Harju Elekter</i>	EEK			EUR		
	6 m 2007	6 m 2006	2006	6 m 2007	6 m 2006	2006
Average number of shares. 1000 pc	16,800	16,800	16,800	16,800	16,800	16,800
Nominal value	10.00	10.00	10.00	0.64	0.64	0.64
Lowest price	51.95	51.63	51.63	3.32	3.30	3.30
Highest price	71.97	69.47	69.47	4.60	4.44	4.44
Closing price	55.55	57.11	64.93	3.55	3.65	4.15
EPS	3.60	1.86	2.81	0.23	0.12	0.18

<i>Consolidate income statement</i> (in million)	EEK					EUR				
	Q 2		6 months		year	Q 2		6 months		year
	2007	2006	2007	2006	2006	2007	2006	2007	2006	2006
Accounting period										
Turnover	178.3	171.0	329.9	294.9	622.1	11.4	10.9	21.1	18.8	39.8
EBITDA	17.3	16.0	30.7	27.9	61.7	1.1	1.0	2.0	1.8	3.9
Operating profit	12.9	11.9	21.9	19.8	45.2	0.8	0.8	1.4	1.3	2.9
Net profit for the current period	52.5	19.0				3.4	1.2			
incl. equity holders of the parent			61.3	32.9	52.0			3.9	2.1	3.3
	52.2	17.4	60.4	31.2	47.3	3.3	1.1	3.9	2.0	3.0

<i>Consolidated balance sheet</i> (in million)	Structure (%)			EEK			EUR		
	30.06. 2007	31.12. 2006	30.06. 2006	30.06. 2007	31.12. 2006	30.06. 2006	30.06. 2007	31.12. 2006	30.06. 2006
	Current assets	31.5	22.3	23.5	234.3	169.3	183.1	15.0	10.8
Fixed assets	68.5	77.7	76.5	510.1	588.4	597.5	32.6	37.6	38.2
Total assets	100.0	100.0	100.0	744.4	757.7	780.6	47.6	48.4	49.9
Expenses	23.1	17.6	19.7	172.2	133.7	153.9	11.0	8.5	9.8
Owner's equity	76.9	82.4	80.3	572.2	624.0	626.7	36.6	39.9	40.1
Incl. owner's equity belonging to the parent	74.5	79.9	78.1	554.4	605.6	609.5	35.4	38.7	39.0

<i>Growth</i> (%)	Q2		6 months		year
	2007	2006	2007	2006	2006
Turnover	4.3	45.9	11.9	28.6	21.1
EBITDA	8.2	26.0	10.0	21.7	17.6
Operating profit (EBIT)	8.8	30.6	10.6	24.7	20.5
Net profit for the current period	176.8	67.2	86.6	83.8	18.5
incl. equity holders of the parent	200.7	56.4	93.8	80.6	13.5

<i>Performance indicators (%)</i>					
Return of sales before depreciation	9.7	9.4	9.3	9.5	9.9
Return of sales (operating profit/turnover *100)	7.2	6.9	6.6	6.7	7.3
Net profit margin (net profit/turnover *100)	29.3	10.2	18.3	10.6	7.6

<i>Employees</i>					
Average number of employees	433	439	425	430	439
Number of employees in the end of the period	447	448	447	448	427

**INTERIM FINANCIAL STATEMENTS****CONSOLIDATED BALANCE SHEET**

		EEK'000		€000	
	Note	30.06.2007	31.12.2006	31.06.2007	31.12.2006
<b>Current assets</b>					
Cash and cash equivalents		27,645	6,712	1,767	429
Trade receivables and other receivables		98,606	82,765	6,302	5,290
Prepayments		861	845	55	54
Inclusive income tax		2	2	0	0
Inventories		107,140	79,030	6,847	5,050
<b>Total current assets</b>		<b>234,252</b>	<b>169,352</b>	<b>14,971</b>	<b>10,823</b>
<b>Non-current assets</b>					
Investments in associates		28,001	25,187	1,790	1,610
Other long-term financial investments		260,476	344,884	16,647	22,042
Investment property	2	122,684	127,268	7,841	8,134
Property, plant and equipment	2	95,446	87,446	6,101	5,589
Intangible assets	2	3,538	3,595	226	230
<b>Total non-current assets</b>		<b>510,145</b>	<b>588,380</b>	<b>32,605</b>	<b>37,605</b>
<b>TOTAL ASSETS</b>		<b>744,397</b>	<b>757,732</b>	<b>47,576</b>	<b>48,428</b>
<b>Liabilities</b>					
Interest-bearing loans and borrowings	3	14,159	20,772	905	1,328
Trade payables and other payables		116,138	73,496	7,423	4,697
Tax liabilities		14,214	12,268	908	784
Inclusive income tax		3,125	2,401	200	154
Short-term provision		294	100	19	6
<b>Total current liabilities</b>		<b>144,805</b>	<b>106,636</b>	<b>9,255</b>	<b>6,815</b>
Non-current liabilities		26,891	26,568	1,719	1,698
Other non-current liabilities		469	469	30	30
<b>Total non-current liabilities</b>	3	<b>27,360</b>	<b>27,037</b>	<b>1,749</b>	<b>1,728</b>
<b>Total liabilities</b>		<b>172,165</b>	<b>133,673</b>	<b>11,004</b>	<b>8,543</b>
<b>Equity</b>					
Share capital		168,000	168,000	10,737	10,737
Share premium		6,000	6,000	384	384
Reserves		252,500	331,552	16,137	21,190
Retained earnings		127,864	100,078	8,172	6,396
<b>Total equity attributable to equity holders of the parent</b>		<b>554,364</b>	<b>605,630</b>	<b>35,430</b>	<b>38,707</b>
Minority interest		17,868	18,429	1,142	1,178
<b>Total equity</b>		<b>572,232</b>	<b>624,059</b>	<b>36,572</b>	<b>39,885</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>744,397</b>	<b>757,732</b>	<b>47,576</b>	<b>48,428</b>

**CONSOLIDATED INCOME STATEMENT**

EEK'000	Note	For period 4-6 ended 30 June		For period 1-6 ended 30 June	
		2007	2006	2007	2006
Revenue	4	178,287	170,959	329,898	294,854
Cost of sales		-144,931	-142,208	-270,840	-243,482
<b>Gross profit</b>		<b>33,356</b>	<b>28,751</b>	<b>59,058</b>	<b>51,372</b>
Distribution costs		-8,263	-6,728	-14,930	-12,347
Administrative expenses		-12,039	-10,621	-21,858	-19,557
Other income		250	551	345	588
Other expenses		-402	-97	-684	-231
<b>Operating profit</b>	4	<b>12,902</b>	<b>11,856</b>	<b>21,931</b>	<b>19,825</b>
Net financing income/costs	5	44,760	12,257	44,447	17,168
Share of profit of associates		2,327	1,004	2,814	2,260
<b>Profit before tax</b>		<b>59,989</b>	<b>25,117</b>	<b>69,192</b>	<b>39,253</b>
Allocation of corporate income tax to relevant periods		-7,497	-6,153	-7,861	-6,384
<b>Profit for the period</b>		<b>52,492</b>	<b>18,964</b>	<b>61,331</b>	<b>32,869</b>
<b>Attributable to:</b>					
Equity holders of the parent	6	52,204	17,363	60,426	31,186
Minority interests		288	1,601	905	1,683
Basic and diluted earnings per share	6	3.11	1.03	3.60	1.86
<b>€000</b>					
Revenue	4	11,395	10,926	21,084	18,845
Cost of sales		-9,263	-9,088	-17,309	-15,561
<b>Gross profit</b>		<b>2,132</b>	<b>1,838</b>	<b>3,775</b>	<b>3,284</b>
Distribution costs		-528	-430	-954	-789
Administrative expenses		-769	-679	-1,397	-1,250
Other income		16	35	22	38
Other expenses		-26	-6	-44	-16
<b>Operating profit</b>	4	<b>825</b>	<b>758</b>	<b>1,402</b>	<b>1,267</b>
Net financing income/costs	5	2,861	783	2,841	1,097
Share of profit of associates		148	64	179	145
<b>Profit before tax</b>		<b>3,834</b>	<b>1,605</b>	<b>4,422</b>	<b>2,509</b>
Allocation of corporate income tax to relevant periods		-479	-393	-502	-408
<b>Profit for the period</b>		<b>3,355</b>	<b>1,212</b>	<b>3,920</b>	<b>2,101</b>
<b>Attributable to:</b>					
Equity holders of the parent	6	3,336	1,110	3,862	1,993
Minority interests		19	102	58	108
Basic and diluted earnings per share	6	0.20	0.07	0.23	0.12

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period 1-6 ended 30 June	Note	EEK'000		€000	
		2007	2006	2007	2006
<b>Cash flows from operating activities</b>					
Operating profit	4	21,931	19,825	1,402	1,267
<u>Adjustments for:</u>					
Depreciation and amortisation	2	8,787	8,110	562	518
Gain on sale of property, plant and equipment		-435	-396	-28	-25
Change in receivables related to operating activity		-15,676	-30,062	-1,002	-1,922
Change in inventories		-28,111	-6,732	-1,797	-430
Change in payables related to operating activity		44,130	26,912	2,820	1,720
Corporate income tax paid		-7,137	-6,508	-456	-416
Interest paid		-1,121	-862	-72	-55
<b>Net cash from operating activities</b>		<b>22,368</b>	<b>10,287</b>	<b>1,429</b>	<b>657</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		-11,163	-8,991	-714	-575
Acquisition of investment property		-303	-375	-19	-24
Acquisition of intangible assets		-472	-2,305	-30	-147
Net cash flows incurred by acquisition of production unit		0	-5,714	0	-365
Proceeds from sale of property, plant and equipment		433	459	28	29
Proceeds from sale of other financial investments		35,770	5,616	2,286	359
Loans given		-50	-8	-3	-1
Repayment of loans given		11	8	1	1
Interest received		127	176	8	11
Dividends received		12,663	12,679	809	810
<b>Net cash used in investing activities</b>		<b>37,016</b>	<b>1,545</b>	<b>2,366</b>	<b>98</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		0	7,000	0	447
Repayment of borrowings	3	-6,170	-5,905	-395	-377
Payment of finance lease principal	3	-543	-722	-34	-46
Dividends paid		-31,706	-27,397	-2,026	-1,751
<b>Net cash used in financing activities</b>		<b>-38,419</b>	<b>-27,024</b>	<b>-2,455</b>	<b>-1,727</b>
<b>Net cash flows</b>		<b>20,965</b>	<b>-15,192</b>	<b>1,340</b>	<b>-972</b>
<b>Cash and cash equivalents at beginning of period</b>					
Net increase / decrease		20,965	-15,192	1,340	-972
Effect of exchange rate fluctuations on cash held		-32	-38	-2	-2
<b>Cash and cash equivalents at end of period</b>		<b>27,645</b>	<b>10,710</b>	<b>1,767</b>	<b>684</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

EEK '000	Attributable to equity holders of the parent							
	Share capital	Share premium	Capital reserve	Fair value reserve	Retained earnings	Total	Minority interest	TOTAL
For period 1-6/ 2006								
<b>Balance at 31 December 2005</b>	<b>168,000</b>	<b>6,000</b>	<b>8,600</b>	<b>287,526</b>	<b>82,069</b>	<b>552,195</b>	<b>16,138</b>	<b>568,333</b>
Profit for period	0	0	0	0	31,186	<b>31,186</b>	1,683	<b>32,869</b>
Income recognized directly in equity	0	0	0	53,023	0	<b>53,023</b>	0	<b>53,023</b>
Total income for period	0	0	0	53,023	31,186	<b>84,209</b>	1,683	<b>85,892</b>
Dividends	0	0	0	0	-26,880	<b>-26,880</b>	-651	<b>-27,531</b>
Amounts transferred to reserves	0	0	2,400	0	-2,400	<b>0</b>	0	<b>0</b>
<b>Balance at 30 June 2006</b>	<b>168,000</b>	<b>6,000</b>	<b>11,000</b>	<b>340,549</b>	<b>83,975</b>	<b>609,524</b>	<b>17,170</b>	<b>626,694</b>
For period 1-6/2007								
<b>Balance at 31 December 2006</b>	<b>168,000</b>	<b>6,000</b>	<b>11,000</b>	<b>320,552</b>	<b>100,078</b>	<b>605,630</b>	<b>18,429</b>	<b>624,059</b>
Profit for period	0	0	0	0	60,426	<b>60,426</b>	905	<b>61,331</b>
Income recognized directly in equity	0	0	0	-81,452	0	<b>-81,452</b>	0	<b>-81,452</b>
Total income for period	0	0	0	-81,452	60,426	<b>-21,026</b>	905	<b>-20,121</b>
Dividends	0	0	0	0	-30,240	<b>-30,240</b>	-1,466	<b>-31,706</b>
Amounts transferred to reserves	0	0	2,400	0	-2,400	<b>0</b>	0	<b>0</b>
<b>Balance at 30 June 2007</b>	<b>168,000</b>	<b>6,000</b>	<b>13,400</b>	<b>239,100</b>	<b>127,864</b>	<b>554,364</b>	<b>17,868</b>	<b>572,232</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

€000	Attributable to equity holders of the parent							
For period 1-6/ 2006	Share capital	Share premium	Capital reserve	Fair value reserve	Retained earnings	Total	Mino- rity interest	TOTAL
<b>Balance at 31 December 2005</b>	<b>10,737</b>	<b>384</b>	<b>550</b>	<b>18,376</b>	<b>5,245</b>	<b>35,292</b>	<b>1,031</b>	<b>36,323</b>
Profit for period	0	0	0	0	1,993	<b>1,993</b>	108	<b>2,101</b>
Income recognized directly in equity	0	0	0	3,389	0	<b>3,389</b>	0	<b>3,389</b>
Total income for period	0	0	0	3,389	1,993	<b>5,382</b>	108	<b>5,490</b>
Dividends	0	0	0	0	-1,718	<b>-1,718</b>	-42	<b>-1,760</b>
Amounts transferred to reserves	0	0	153	0	-153	<b>0</b>	0	<b>0</b>
<b>Balance at 30 June 2006</b>	<b>10,737</b>	<b>384</b>	<b>703</b>	<b>21,765</b>	<b>5,367</b>	<b>38,956</b>	<b>1,097</b>	<b>40,053</b>
For period 1-6/ 2007								
<b>Balance at 31 December 2006</b>	<b>10,737</b>	<b>384</b>	<b>703</b>	<b>20,487</b>	<b>6,396</b>	<b>38,707</b>	<b>1,178</b>	<b>39,885</b>
Profit for period	0	0	0	0	3,862	<b>3,862</b>	58	<b>3,920</b>
Income recognized directly in equity	0	0	0	-5,206	0	<b>-5,206</b>	0	<b>-5,206</b>
Total income for period	0	0	0	-5,206	3,862	<b>-1,344</b>	58	<b>-1,286</b>
Dividends	0	0	0	0	-1,933	<b>-1,933</b>	-94	<b>-2,027</b>
Amounts transferred to reserves	0	0	153	0	-153	<b>0</b>	0	<b>0</b>
<b>Balance at 30 June 2007</b>	<b>10,737</b>	<b>384</b>	<b>856</b>	<b>15,281</b>	<b>8,172</b>	<b>35,430</b>	<b>1,142</b>	<b>36,572</b>



**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 30.06.2007 comprise AS Harju Elekter (the "parent company") and its subsidiaries AS Eltek, AS Harju Elekter Elektrotehnika, Satmatic Oy and Rifas UAB (together referred to as the "Group") and the Group's interest in associates AS Draka Keila Cables and AS Saajos Inexa. AS Harju Elekter has been listed at Tallinn Stock Exchange since 30 September 1997; 30.17% of its shares is 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 31.12.2006 except the presentation of financial information of segments (see below).

According to the assessment of the management board, the interim report for 1-6/2007 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 presentation currency is the Estonian kroon (EEK). The consolidated interim financial statement has been drawn up in thousands of Estonian kroons and all the figures have been rounded to the nearest thousand, unless indicated otherwise. In accordance with Tallinn Stock Exchange Rules, the annual financial statement is also presented in euros. As the Estonian kroon is pegged to the euro at the rate of EEK 15.6466 to €1 presentation of the statements does not entail differences in the exchange rate. In the statement the abbreviation EEK'000 means a thousand kroons and abbreviation €000 means a thousand euros.

**Note 2 Property, plant and equipment, investment property and intangible assets**

For the period 1-6 ended 30 June EEK'000	Property, plant and equipment		Investment property		Intangible assets	
	2007	2006	2007	2006	2007	2006
<b>Balance at 1 January</b>	<b>87,446</b>	<b>70,731</b>	<b>127,268</b>	<b>123,625</b>	<b>3,595</b>	<b>1,560</b>
Additions	11,486	10,363	303	375	472	2,305
Additions through business combinations	0	6,259	0	0	0	0
Transfer from investment property	2,496	3,508	-2,496	-3,508	0	0
Disposals	-115	-63	0	0	0	0
Amortisation change for the period	-5,867	-5,556	-2,391	-2,121	-529	-433
<b>Balance at the end of the current period</b>	<b>95,446</b>	<b>85,242</b>	<b>122,684</b>	<b>118,371</b>	<b>3,538</b>	<b>3,432</b>
€000						
<b>Balance at 1 January</b>	<b>5,589</b>	<b>4,521</b>	<b>8,134</b>	<b>7,901</b>	<b>230</b>	<b>100</b>
Additions	734	662	20	24	30	147
Additions through business combinations	0	400	0	0	0	0
Transfer from investment property	160	224	-160	-224	0	0
Disposals	-7	-5	0	0	0	0
Amortisation change for the period	-375	-354	-153	-136	-34	-28
<b>Balance at the end of the current period</b>	<b>6,101</b>	<b>5,448</b>	<b>7,841</b>	<b>7,565</b>	<b>226</b>	<b>219</b>

**Note 3 Interest-bearing loans and borrowings**

	EEK'000		€000			
	30.06.07	31.12.06	30.06.06	30.06.07	31.12.06	30.06.06
<b>Liabilities</b>						
Short-term bank loans	8,548	9,702	10,345	546	620	661
Current portion of long-term bank loans	5,038	10,054	4,805	322	643	307
Current portion of lease liabilities	573	1,016	664	37	65	43
<b>Total current liabilities</b>	<b>14,159</b>	<b>20,772</b>	<b>15,814</b>	<b>905</b>	<b>1,328</b>	<b>1,011</b>
Long-term bank loans	24,999	24,999	35,053	1,597	1,597	2,240
Lease liabilities	1,892	1,569	1,402	122	101	90
<b>Total non-current liabilities</b>	<b>26,891</b>	<b>26,568</b>	<b>36,455</b>	<b>1,719</b>	<b>1,698</b>	<b>2,330</b>
<b>Total interest-bearing loans and borrowings</b>	<b>41,050</b>	<b>47,340</b>	<b>52,269</b>	<b>2 624</b>	<b>3,026</b>	<b>3,341</b>
Changes during the period 01.01. – 30.06.						
	EEK'000		€000			
			2007	2006	2007	2006
<b>Loans and borrowings at the beginning of the year</b>			<b>47,340</b>	<b>51,896</b>	<b>3,026</b>	<b>3,317</b>
Changes in short-term loans			-1,154	-1,524	-74	-97
Received long-term loans			0	7,000	0	447
Long-term loan repaid			-5,016	-4,381	-321	-280
New finance lease liabilities			423	0	27	0
Payment of finance lease principal			-543	-722	-34	-46
<b>Loans and borrowings at the end of the current period</b>			<b>41,050</b>	<b>52,269</b>	<b>2,624</b>	<b>3,341</b>

**Note 4 Segment reporting**

Segment reporting is presented in respect of the Group's business and geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on the basis of market prices.

**Group's geographical segment report – primary segment**

Segment reporting is presented in respect of the Group's business and geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on the basis of market prices.

**Estonia** – the domicile of AS Harju Elekter and its subsidiaries AS Harju Elekter Elektrotehnika and AS Eltek;

**Finland** – the domicile of the subsidiary Satmatic Oy;

**Lithuania** – the domicile of the subsidiary Rifas UAB.

In presenting information on the basis of markets, segment revenue is based on the geographical location of customers.

For the period 1-6 ended 30 June

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Revenue from external customers	177,941	147,251	117,701	97,645	34,256	49,958	0	0	329,898	294,854
Inter-segment revenue	8,575	9,366	6	36	380	291	-8,961	-9,693	0	0
<b>Total revenue</b>	<b>186,516</b>	<b>156,617</b>	<b>117,707</b>	<b>97,681</b>	<b>34,636</b>	<b>50,249</b>	<b>-8,961</b>	<b>-9,693</b>	<b>329,898</b>	<b>294,854</b>
Segment result	16,478	14,793	3,142	1,053	2,318	3,980	-7	-1	21,931	19,825

€000

Revenue from external customers	11,373	9,411	7,523	6,241	2,188	3,193	0	0	21,084	18,845
Inter-segment revenue	548	599	0	2	25	19	-573	-620	0	0
<b>Total revenue</b>	<b>11,921</b>	<b>10,010</b>	<b>7,523</b>	<b>6,243</b>	<b>2,213</b>	<b>3,212</b>	<b>-573</b>	<b>-620</b>	<b>21,084</b>	<b>18,845</b>
Segment result	1,053	945	201	68	148	254	0	0	1,402	1,267

**Segment revenue based on the geographical location of customers**

For the period 1-6 ended 30 June

EEK'000	Estonia		Finland		Lithuania		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Estonia	135,924	116,732	0	36	332	506	-387	-327	135,869	116,947
Finland	30,597	34,609	114,900	96,609	867	0	-7,775	-8,354	138,589	122,864
Lithuania	1,585	1,298	0	0	30,085	45,579	-799	-1,012	30,871	45,865
EU countries	12,744	2,292	2,807	263	2,391	2,832	0	0	17,942	5,387
Other	5,666	1,686	0	773	961	1,332	0	0	6,627	3,791
<b>Total</b>	<b>186,516</b>	<b>156,617</b>	<b>117,707</b>	<b>97,681</b>	<b>34,636</b>	<b>50,249</b>	<b>-8,961</b>	<b>-9,693</b>	<b>329,898</b>	<b>294,854</b>

€000

Estonia	8,687	7,461	1	2	21	32	-25	-21	8,684	7,474
Finland	1,956	2,212	7,343	6,174	55	0	-497	-534	8,857	7,852
Lithuania	101	83	0	0	1,923	2,914	-51	-65	1,973	2,932
EU countries	815	146	179	17	153	181	0	0	1,147	344
Other	362	108	0	50	61	85	0	0	423	243
<b>Total</b>	<b>11,921</b>	<b>10,010</b>	<b>7,523</b>	<b>6,243</b>	<b>2,213</b>	<b>3,212</b>	<b>-573</b>	<b>-620</b>	<b>21,084</b>	<b>18,845</b>

**Group's business segment report – secondary segment**

As at 30 June 2007 the Group was active in the following fields and the accompanying risks and rewards were very different. Every field of activity had enough weight to form a separate segment:

*“Manufacturing”* – The manufacture and sale of power distribution and control systems as well as data and communications systems and fibre optic cables and various sheet metal products and subcontracting in the area of sheet metal works; research and development; services related to manufacturing and intermediary sale of components.

*“Trade”* – Retail- and wholesale of products necessary for electrical installation works, mainly to retail customers and small- and medium-sized electrical installation companies;

*“Real estate”* – real estate development, maintenance and rental. Real estate has been identified as a reportable segment because its result and assets are more than 10% of the total result and assets of all segments.

*Unallocated items* – management 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. Other activities are less significant for the Group and none of them constitutes a separate reporting segment.

**Business segment revenue in areas of activity:**

For the period 1-6 ended 30 June

EEK'000	Revenue		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006
Manufacturing	274,477	246,071	-4,275	-2,709	270,202	243,362
Real estate	23,592	22,058	-5,976	-5,440	17,616	16,618
Trade	35,001	27,993	-109	-246	34,892	27,747
Unallocated activities	8,980	10,405	-1,792	-3,278	7,188	7,127
<b>Total revenue</b>	<b>342,050</b>	<b>306,527</b>	<b>-12,152</b>	<b>-11,673</b>	<b>329,898</b>	<b>294,854</b>
€000						
Manufacturing	17,542	15,632	-273	-78	17,269	15,554
Real estate	1,508	1,410	-382	-348	1,126	1,062
Trade	2,237	1,789	-7	-15	2,230	1,774
Unallocated activities	574	665	-115	-210	459	455
<b>Total revenue</b>	<b>21,861</b>	<b>19,496</b>	<b>-777</b>	<b>-651</b>	<b>21,084</b>	<b>18,845</b>

**Note 5 Net financing income/costs**

For the period 1-6 ended 30 June	EEK'000		€000	
	2007	2006	2007	2006
Interest income	121	145	8	9
Interest expense	-1,121	-832	-72	-53
Dividend income	12,663	12,679	809	810
Net loss from foreign exchange differences	-32	-38	-2	-2
<i>Marketable investments:</i>				
Income from sale of investments	32,816	5,214	2,098	333
<b>TOTAL</b>	<b>44,447</b>	<b>17,168</b>	<b>2,841</b>	<b>1,097</b>

**Note 6 Basic and diluted earnings per share**

*Basic earnings* per share have been calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the period.

For the period 1-6 ended 30 June	2007	2006	2007	2006
Profit attributable to equity holders of the parent	EEK'000	€000		
	60,426	31,186	3,862	1,993
Average number of shares outstanding during the period	'000	'000		
	16,800	16,800	16,800	16,800
Basic and diluted earnings per share	EEK	€		
	3.60	1.86	0.23	0.12

Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding, both adjusted for the effects of all dilutive potential shares. At 30 June 2006, the Group did not have any potential shares. Therefore, diluted earnings per share are equal to basic earnings per share.

**Note 7 Transactions with related parties**

The related parties of AS Harju Elekter include associated companies AS Draka Keila Cables and AS Saajos Inexa; members of the management and supervisory boards and their close family members; and AS Harju KEK which owns 30.17 percent of the shares of AS Harju Elekter.

Group has purchased goods and services from and sold goods and services to related parties as follows:

<b>For the period 1-6 ended 30 June</b>	EEK '000		€000	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Purchase of goods and services from related parties:</b>				
- from associates	6,401	6,620	409	419
- from Harju KEK	344	66	22	8
<b>TOTAL</b>	<b>6,745</b>	<b>6,686</b>	<b>431</b>	<b>427</b>
<i>Inclusive:</i>				
- goods and materials for manufacturing	6,388	6,445	408	411
- lease of property, plant and equipment	291	51	19	3
- other	66	190	4	13
<b>Sale of goods and services to related parties:</b>				
- to associates	7,332	6,560	469	419
- from Harju KEK	35	0	2	0
<b>TOTAL</b>	<b>7,367</b>	<b>6,560</b>	<b>471</b>	<b>419</b>
<i>Inclusive:</i>				
- goods and materials for manufacturing	1,310	610	84	39
- lease of property, plant and equipment	3,630	3,439	232	220
- management services	1,357	1,767	87	113
- other	1,070	744	68	47
<b>Balances with related parties</b>	<b>30.06. 2007</b>	<b>31.12. 2006</b>	<b>30.06. 2007</b>	<b>31.12. 2006</b>
Receivables with associates: goods and services	4,079	4,070	261	260
Payables with associates: goods and services	3,671	4,175	235	267

## Statement of Management responsibility

The management board of AS Harju Elekter acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-6/ 2007, as set out on pages 12 to 22, and confirms that to the best of its knowledge, information and belief that:

- the policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements give a true and fair view of the financial position of the Group and of the results of its operations and its cash flows;
- all significant events that occurred before the date on which the consolidated financial statements were authorised for issue (07 August 2007) have been properly recognised and disclosed; and
- AS Harju Elekter and its subsidiaries are going concerns.

### Management Board

Andres Allikmäe	Chairman of the Board	/signature/	„07.“ August 2007
Lembit Libe	Member of the Board	/signature/	„07.“ August 2007
Karin Padjus	Member of the Board	/signature/	„07.“ August 2007