

AS HARJU ELEKTER

Interim report 1-12/ 2010

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 st of January 2010
End of the reporting period:	31 st of December 2010

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

In interim report for 1-12/ 2010 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 company – Draka Keila Cables - by the equity method. The shares of PKC Group Oyj are recognised on the balance sheet on the fair value basis. As of 31 December 2010, Harju Elekter has substantial holdings in the following companies:

Company		Country	31.12.10	31.12.09
AS Eltek	subsidiary	Estonia	100.0%	100.0%
AS Harju Elekter Elektrotehnika	subsidiary	Estonia	100.0%	100.0%
Satmatic OY	subsidiary	Finland	100.0%	100.0%
Harju Elekter AB	subsidiary	Sweden	90.0%	0.0%
Rifas UAB	subsidiary	Lithuania	51.0%	51.0%
AS Draka Keila Cables	associated company	Estonia	34.0%	34.0%
SIA Energokomplekss	financial investment	Latvia	14.0%	14.0%
PKC Group Oyj	financial investment	Finland	7.2%	8.3%

On 15 June 2010, the constituting act of Harju Elekter AB, a subsidiary of AS Harju Elekter, was signed in Stockholm. The company was entered in the commercial register on 16 August. The share capital of the new subsidiary is 1 million Swedish kronor, whereof 90% belongs to AS Harju Elekter. The establishment of subsidiary Harju Elekter AB increases the presence and sales on the Swedish market, which provides our customers with a wide range of products, especially electrotechnical ones, manufactured by the companies in Harju Elekter Group.

Economic environment

The global economy as a whole finished 2010 in better condition than expected. The threatening signs of a significant slowdown in economic growth, which emerged in summer, did not materialise and were replaced by improvements. This was achieved due, on the one hand, to the pragmatic economic policy aimed at growth in the USA and the euro area and, on the other hand, the high demand of Asian countries that with their fast growth also offered possibilities to developed countries. Gaining control over the spring hotbeds of crises (e.g. Greece's crisis) and their stabilisation cannot be underestimated either. With an improvement in the condition of the global economy, prices of raw materials have also increased.

Recovery of the Latvian and Lithuanian economies became also more broad-based. In both countries, quarter-based growth was noticed already for several successive quarters. Like in Estonia, export was the main driver of growth also in Latvia, where it almost reached the level preceding the recession. Consumption expenses and investments also stabilised. Domestic demand is becoming increasingly more important in supporting the continuing growth, but the condition of the labour market is still fragile and consumption is limited by uncertainty. A slow improvement in the condition of the labour market as well as the need to limit budgetary deficit should be mentioned as the constraints. In Lithuania, a noticeable boom in investments in the second half of the year should be also highlighted as a positive achievement along with export that regained its pre-crisis level, as well as the increase in stock levels.

Although contraction exceeding 20% in Russia's agricultural sector was a disappointment for its economic growth in the second half of the year, the economy is gaining momentum through the support of vigorously increasing investments and domestic consumption. Fast growth in loans, significantly decreased interest rates compared to the pre-crisis level and growth in real wages support growth in domestic consumption. Export is driven by an expected increase in oil prices.

The Nordic countries and Estonia have also recovered from the crisis faster than expected. With the support of strong industrial sector exports, the Estonian economy grew in both 3Q and 4Q by 5% and 6.6% year-over-year, respectively; it may be therefore concluded that Estonia has significantly benefitted from the global economy's return to growth. Adoption of the European single currency in January 2011 has certainly contributed to restoration of Estonia's attractiveness in the eyes of foreign investors. Prospects will remain good for export growth, but broad-based economic growth requires a more significant increase in domestic demand that must be supported by an improved feeling of security among consumers, decrease in unemployment and a fall in the high savings level. Analysts of banks highlight accelerating inflation as a risk factor.

Main events

Finnish subsidiary Satmatic Oy was awarded the certificate "Suomen Vahvimmat 2007-2011" by the client register of Suomen Asiakastieto. The main evaluation criterion of the contest is the company's creditworthiness. The title "Suomen Vahvimmat" is granted to a company that has met the highest requirements of Alfa-rating (AAA or AA+) during five successive years. The number of such companies accounts for about 10% of all companies registered in Finland.

On 8-12 November 2010, the 27th subcontracting fair "Elmia Subcontractor" was held in Jönköping, Sweden. With the support and help of Enterprise Estonia, Harju Elekter Elektrotehnika and Eltek, subsidiaries of AS Harju Elekter, presented their products in the joint booth of Estonian companies; the aforementioned subsidiaries are continuing their work to develop the established contacts through recently founded Swedish subsidiary Harju Elekter AB into well-functioning client relations.

As of 1 October, the Estonian subsidiaries of the Group are using the software programme AX2009 for joint production management and accounting. Subsidiary AS Eltek was the last to adopt the programme. Adoption of the Axapta economic software helps find appropriate cost and time efficient solutions, streamlines the management and timing of information circulating in the organisation, and makes the analysis and involvement of client information more efficient. The ultimate goal is to also apply the joint software in the group companies operating outside Estonia.

In the reporting year, Lithuanian subsidiary UAB Rifas has successfully involved the finances of the EU support funds in the staff training project to increase export of the company (EU support 80%), but also to increase efficiency of new production technologies and work in companies (EU support 40%). The projects will be implemented in 1Q 2011.

In the contest "Baltic Market Award 2010", AS Harju Elekter was nominated in three categories: The Best Investor Relations in NASDAQ OMX Tallinn, the Most Visible Improvement over the Year in the Baltic Countries and the Best Investor Relations Online in the Baltic States. More than 50 listed companies from the Baltic Countries participated in the contest. Each company was evaluated according to over 120 criteria, including annual and periodic reports, announcements to the stock exchange, quality of websites and opinions of analysts. In October, Harju Elekter also participated in the traditional investment fair "Rahakompass 2010" organised by NASDAQ OMX Tallinn Stock Exchange to help and promote people's awareness of investments. The fair was visited by more than 2,000 persons interested in investing.

Satmatic Oy, a Finnish subsidiary, improved the electrotechnical equipment operating on the basis of solar energy and plays an important role in projects using new sources of energy. In October 2010, the construction of a 30 kW solar power plant was completed; it is comprised of 130 solar panels and is located on the roof of the company's factory in Ulvila. The estimated output of the system is 25,000 kWh of electricity per annum. The generated electricity will be used to reduce the factory's expenses related to illumination, cooling and peak hours. Investment costs for the solar plant were approximately 100,000 euros; although grants from the Ministry of Labour and Economic Affairs were also used in the project.

Satmatic Oy has developed remote-controlled vehicle heating panels for car parks. The remote control system enables pre-control of a vehicle heating panel across a greater distance, via the internet or a text message.

In June, the Supervisory Board approved the statutes of the auditing committee of the company and appointed Madis Talgre and Andres Toome to office as members of the committee.

The leading cable manufacturer in the Baltic States, AS Draka Keila Cables, a subsidiary of AS Harju Elekter, opened its factory expansion at the beginning of June. The construction of the AS Draka Keila Cables factory, which was financed and managed by AS Harju Elekter, led to the increase of the production area rented to AS Draka Keila Cables by 3,700 sq.m to 12,300 sq.m and the secondary warehouse to 18,700 sq.m.

In February, subsidiary Satmatic Oy participated in the Sähkö, Tele, Valo and AV Fair 2010, and introduced a wide product range of the company's new products, including vehicle heating panels for car parks, distribution boards and Sivacon board systems. In April, Harju Elekter trade group participated in the international building fair Estbuild 2010.

Operating results

SALES REVENUE

Regardless of the present economic situation and inertness of activity, the financial results of the Group were as expected and the Group was profitable. The consolidated sales revenue of the Group in the fourth quarter was 201.5 million kroons (12.9 million euros), which was 27% more than the result of the comparable period. The sales volume for the twelve months increased in comparison with the reference period by 1.1% to 639.7 million kroons (40.9 million euros).

Segment	Sales revenue by segment:		EEK (in million)				EUR (in million)			
	Growth		Q4		12 months		Q4		12 months	
	Q/Q	12m/12m	2010	2009	2010	2009	2010	2009	2010	2009
Manufacturing	29.8%	1.1%	181.5	139.9	567.9	561.9	11.6	8.9	36.3	35.9
Real estate	16.4%	9.0%	11.3	9.7	41.0	37.6	0.7	0.6	2.6	2.4
Unallocated activities	-1.6%	-7.4%	8.7	8.8	30.8	33.2	0.6	0.6	2.0	2.1
Total	27.2%	1.1%	201.5	158.4	639.7	632.7	12.9	10.1	40.9	40.4

The core business of the Group is the production and sales of electrical distribution systems and control panels as well as other supportive side-activities (hereinafter „Production“), which was traditionally the largest share of sales revenues, almost 90%. The sales revenue on production received from customers outside of the Group increased by 30% to 181.5 million kroons (11.6 million euros) in fourth quarter and by 1% to 567.9 million kroons (36.3 million euros) in 2010. The main reason for growth in the sales revenue of investment properties was an increase in rental premises in the current year. A decline in the sales revenue of other non-segmented activities was caused by a decrease in commercial sales volumes in relation to the slowdown of the building market.

Markets	Sales revenue by markets:		EEK (in million)				EUR (in million)			
	Growth		Q4		12 months		Q4		12 months	
	Q/Q	12m/12m	2010	2009	2010	2009	2010	2009	2010	2009
Estonia	3.2%	-5.8%	66.5	64.4	219.3	232.7	4.2	4.1	14.0	14.9
Finland	44.4%	-4.6%	82.2	56.9	257.6	270.1	5.3	3.6	16.5	17.3
Lithuania	31.6%	-0.1%	23.8	18.1	66.4	66.5	1.5	1.2	4.2	4.2
Other EU countries	103.2%	100.0%	12.4	6.1	46.9	23.4	0.8	0.4	3.0	1.5
Others	29.0%	23.8%	16.6	12.9	49.5	40.0	1.1	0.8	3.2	2.5
Total	27.2%	1.1%	201.5	158.4	639.7	632.7	12.9	10.1	40.9	40.4

Of the markets, the domestic markets (Estonia, Lithuania and Finland) of the Group's companies prevailed, where 85% (90%) of the Group's products and services were sold. 65% (63%) of Group products were sold outside of Estonia. The reporting quarter demonstrated a boom in the Finnish as well as in Lithuanian economy. Sales to the Finnish market increased by 44% and to the Lithuanian market by 32% compared to Q4 2009. In the reporting quarter, sales to the Estonian market increased by 3.2%. The sale volume of the Group to other European Union countries almost doubled and increased by 30% to the other markets in the reporting period compared to Q4 2009. Within the 12 month period, sales to the domestic markets of the Group remained below the sales volume of the reference period. At the same time, the Group has been working on finding new markets. It has increased the share of other markets in the sales revenue of the Group from 10% in 2009 to 15% in 2010. In the current year, sale to other EU countries has almost doubled and a sale outside the EU has grown by more than one-fourth. Portugal, France, Czech Republic and Malaysia - during 2010 the Group has sold its products to those markets totally in amount 50.2 million kroons (3.2 million euros). The Group has also sold its products to Sweden, Latvia and Poland and outside of the EU to the markets of Belarus, Ukraine, Russia and Norway.

Sales revenue by location of business opportunity:

Segment	EEK (in million)						EUR (in million)			
	Growth		Q4		12 months		Q4		12 months	
	Q/Q	12m/12m	2010	2009	2010	2009	2010	2009	2010	2009
Estonia	14.6%	-3.0%	90.4	78.8	286.8	295.8	5.8	5.0	18.3	18.9
Finland	60.6%	13.3%	77.2	48.1	261.1	230.4	4.9	3.1	16.7	14.7
Lithuania	7.8%	-13.9%	33.9	31.5	91.8	106.5	2.2	2.0	5.9	6.8
Total	27.2%	1.1%	201.5	158.4	639.7	632.7	12.9	10.1	40.9	40.4

Sales to the Estonian market increased by 15% within the reporting quarter. The main growth resulted from sales to foreign markets, where 35% (Q4 2009: 28%) of the products were sold. The growth was mainly achieved owing to an increase in the sales of medium voltage distribution and outdoor substation units in Finland. Sales to Finland grew by 15% in the reporting quarter. In 4Q, the Portuguese project was implemented, increasing sales to the other EU states by more than double. The sales revenue of the Estonian segment within the 12 month period was 286.8 million kroons (18.3 million euros), decreasing by 3.0% compared to the reference period.

Signs of recovery may be noticed in the Finnish economy, mainly in export. The domestic investments of Finland during the accounting period were slight as well as Finnish metallurgical and engineering industry enterprises are still struggling. Vehicle heating panels for car parks have become a very good sales article for the Finnish company. In the reporting quarter the market share of the company increased and the sale of products also demonstrates a continuing growing trend. In Q4, the sales volume of the Finnish segment increased by 1.6 times and the 2009 level was outperformed by 13.3% in 2010. While 99% of the sales revenue was received from the Finnish market in 2009, it has dropped to 78% in the current year. The domestic decrease is compensated by the increase in export to Sweden. As a new market was added Malaysia.

In the reporting quarter, the sales volume of the Lithuanian segment exceeded the number of the comparing period by 7.8% and the sales volume within the 12 month period comprised 86% of the results of 2009. In 4Q, signs of enlivening were noticeable in the Lithuanian market and total sales to the domestic market increased by one-third compared to the reference period, reaching the level of 2009 over the year. Within the 12 month period, the decline occurred mainly in foreign markets. In 2009 the Lithuanian company had the large-scale agreements with Norwegian and Danish clients, what gave 27% from the sales volumes of the period. This year supplies to those markets have been

modest. Finland, France and the Czech Republic were added as new markets. Almost 72% of the sales revenue for 2010 was obtained from Lithuanian customers; major part here is on several large-scale projects were carried out in local market in June.

OPERATING EXPENSES

	Growth		EEK (in million)				EUR (in million)			
			Q4		12 months		Q4		12 months	
	Q/Q	12 m/12m	2010	2009	2010	2009	2010	2009	2010	2009
Cost of sales	32.6%	2.8%	172.9	130.4	542.9	528.1	11.0	8.3	34.7	33.8
Distribution costs	13.9%	-4.0%	9.7	8.5	29.5	30.7	0.6	0.5	1.9	2.0
Admin expenses	-1.4%	-5.9%	13.2	13.4	43.3	46.0	0.8	0.9	2.8	2.9
Total expenses	28.6%	1.8%	195.8	152.3	615.7	604.8	12.4	9.7	39.4	38.7
incl. depreciation of fixed assets	6.0%	8.2%	5.4	5.1	21.6	19.9	0.3	0.3	1.4	1.3
Total labour cost	9.2%	-2.7%	41.3	37.8	142.3	146.3	2.6	2.4	9.1	9.4
incl salary cost	10.4%	-3.9%	30.8	27.9	109.9	114.3	2.0	1.8	7.0	7.3

The prices of raw materials have also risen as a result of the recovery of the economy. The accounting period is characterised by a tough price battle on the Baltic and Finnish markets, mainly on the metallurgical market. Companies are trying to make sales at any cost, even with a minimum sales margin. Customers buy the price and the delivery period. While the Group products use metal, the price increase of metal has a certain effect on the profit of the Group. The prices of sheet steel have been going up more than 20% during this year.

As a result of economic downturn, the Group has been engaging in making savings on and optimising both operational and fixed expenses. Distribution costs and administration expenses shrank by 1.4% in Q4 and by 5.9% during the year 2010. The administration expenses have been affected the most by the increase in expenditures on the new software AX2009. The software was taken into use in parent company and subsidiary AS Harju Elekter Elektrotehnika on 1 October 2009; a year later joined the software updates also subsidiary AS Eltek. An increase in sales volumes in the second half of the year also led to an increase in marketing expenses. In 4Q, marketing expenses increased by 13.9%, although expenses decreased by 4% within 12 months. The growth in business expenditures was not in accordance with the growth in sales revenue, mainly due to fixed costs (e.g., depreciation of fixed assets, maintenance costs, heat, electricity, etc.), which had an impact on gross and profit margins. In conclusion, business expenses have increased by 29% in Q4 and by 2% during the year 2010.

In the fourth quarter, there was an average of 420 (445) people working in the Group, included 268 (286) employees in Estonia, 67 (78) employees in Lithuania and 85 (81) employees in Finland. In 2010, the average number of employees was 424 (452). As at the balance day on 31 December, there were 440 people working in the Group, which are 24 employees less than on the beginning of the year. Expenses on staff in Q4 2010 were 41.3 million kroons (2.64 million euros) which is 9.2% more than the comparing period. During the fourth quarter, labour costs increased by 10.4% compared to the comparable period, reaching 30.8 million kroons (1.97 million euros). During the year, expenses on staff decreased by 2.7% reaching 142.3 million kroons (9.10 million euros). In 2010 the employees were paid 109.9 million kroons (7.02 million euros) in salaries, bonuses and compensation, which was 3.9% lower than during the comparable period. The average wage per employee was 21,597 kroons (1,380 euros) and 21,070 kroons (1,346 euros) in the compared period. The Group has stock-based compensation plans which may be settled by way of own equity instruments upon recognition of which in consolidated financial reports IFRS 2 principles have been applied. The value of services (labour input) in the amount of 0.4 million kroons (26,000 euros) received for stock is recognised as labour costs in Q4 2010 and totally in the amount of 1.7 million kroons (106,000 euros) in 2010.

In 2009 over 5,000 sq.m of production spaces were given into use which has brought about the increase in maintenance costs. In the accounting period over 43 million kroons (more than 3 million euros) were invested in fixed assets, in the compared period the number was 29 million kroons (2 million euros). The depreciation of fixed assets in 2010 totalled 21.6 million kroons (1.38 million euros) of operational expenditures, which is 1.6 million kroons (104,000 euros) more than during the compared period, including 5.4 million kroons (350,000 euros) in Q4 and 5.1 million kroons (330,000 euros) in the comparable period.

EARNINGS AND MARGINS

The recovery of the economy in Estonia, as well as neighbouring markets, has positively influenced the sales volumes of the Group in the second half-year of this year, but at the same time have brought about an increase in raw materials, intensified competition and the resultant pressure on the sales prices, leading to a drop in profit margins.

In Q4 2010, the gross profit of the Group was 28.6 million kroons (1.83 million euros), which was 2% more than compared period. The gross profit margin of the reporting period was 14.2% (17.7%). In 2010, the gross profit of the Group was 96.8 million kroons (6.19 million euros), which is 7% lower than in 2009. The gross profit margin was 15.1%, which is 1.4 per cent points lower compared to the year before.

Operating profit of Q4 2010 was 5.5 million kroons (350,000 euros), which was 9% less compared to the Q4 2009. Return of sales for the period was 2.7% (3.8%). In Q4 2010 EBITDA was 10.9 million kroons or 0.70 million euros, which is 0.3 million kroons (20,000 euros) less than in comparable quarter; return of sales before depreciation was 5.4% (7.1%). In 2010 EBIT was 23.8 million kroons (1.52 million euros) and EBITDA was 45.3 million kroons (2.90 million euros); 28.3 million kroons (1.81 million euros) and 48.3 million euros (3.08 million euros) respectively compared to the same periods last year. Return of sales of 2010 was 3.7% (4.5%) and return of sales before depreciation 7.1% (7.6%).

The Group sold 80 (Q1 2009: 100) thousand shares of PKC Group Oyj in Q1. The profit from sales of shares was 8.2 million kroons (0.52 million euros) and 5 million kroons (0.32 million euros) in the compared period. During the second quarter, 8.8 million kroons (560,000 euros) of dividend income was obtained; the dividend income during the comparable period was 3.5 million kroons (0.22 million euros). In total, the net financial income in 2010 was 16.3 million kroons (1.04 million euros) which is 8.3 million kroons (0.53 million euros) more as within the comparable period.

In the fourth quarter the Group consolidated from the related company a profit of 83,000 kroons (5,000 euros), and within the 12 months a profit of 961 thousand kroons (61,000 euros). In Q4 2009 the subsidiary yielded from the subsidiary a loss in amount 105,000 kroons (7,000 euros) and during 12 months the loss was 8.2 million kroons (0.53 million euros).

In 2010 fewer dividends were paid than in 2009, as a result of which the income tax expense was smaller by 500,000 kroons (35,000 euros) in Estonia. As the taxable income in foreign countries dropped, the income tax expense was also smaller by 700,000 kroons (44,000 euros).

Overall, the consolidated net profit of the Q4 2010 was 4.4 million kroons or 0.28 million euros (Q4 2009: 4.5 million kroons or 0.29 million euros), of which the share of the owners of the parent company was 2.7 million kroons or 0.17 million euros (Q4 2009: 3.8 million kroons or 0.25 million euros). EPS of the Q4 was 0.16 kroons or 0.01 euros (Q4 2009: 0.23 kroons or 0.01 euros). The consolidated net profit of 2010 was 35.9 million kroons (2.30 million euros), which is 65.6% more than in compared period. The share of the owners of the parent company was 34.0 million kroons (2.17 million euros), increasing by 76.9% comparing to year 2009. EPS of the reporting period was 2.02 kroons or 0.13 euros (2009: 1.14 kroons or 0.07 euros).

During the fourth quarter, the unrealised profit from financial assets was 90.3 million kroons (5.77 million euros), foreign exchange differences on recalculation of foreign companies (Swedish subsidiary Harju Elekter AB) 100,000 kroons (7,000 euros) and the total comprehensive income of the

reporting quarter was 94.8 million kroons (6.06 million euros). During the comparable period the unrealised profit from financial assets was 34.5 million kroons (2.21 million euros) and the total comprehensive income 39.0 million kroons (2.49 million euros). During the year, the unrealised profit from commercially disposable financial assets was 184.9 million kroons (11.82 million euros), foreign exchange differences on recalculation of foreign companies (Swedish subsidiary Harju Elekter AB) 100,000 kroons (7,000 euros) and the total comprehensive income was 220.9 million kroons (14.12 million euros) which exceeded the numbers of the previous year more than 2 times.

Financial position and cash flows

The amount of the consolidated balance sheet as of 31 December 2010 was 862.3 million kroons or 55.1 million euros (31.12.2009: 618.1 million kroons or 39.5 million euros), increasing by 244.2 million kroons (15.6 million euros) during the year, including total current assets by 37.8 million kroons (2.4 million euros), total non-current assets by 206.4 million kroons (13.2 million euros), total liabilities by 35.5 million kroons (2.3 million euros) and total equity by 208.7 million kroons (13.3 million euros).

During the year business claims increased by 30.6 million kroons (1.95 million euros) and inventories by 5.2 million kroons (0.34 million euros) up to 84.7 million kroons (5.41 million euros); money balances increased by 1.9 million kroons (0.12 million euros) up to 37.6 million kroons (2.40 million euros). At the same time, business-related debts and liabilities increased by 10.4 million kroons (0.66 million euros) during the twelve months. The outflow of cash from the operating activities amounted to 15.1 million kroons (0.97 million euros) and the inflow of cash in the reference period was 79.4 million kroons (5.07 million euros). The quick ratio (1.1) as well as the solvency ratio (1.8) improved during the year by 0.1 and 0.2 points respectively compared to 2009.

During the year the cost of non-current assets increased by 206.4 million kroons (13.19 million euros) up to 636.8 million kroons (40.70 million euros).

During the reporting quarter the market price of the PKC Group share in Helsinki Stock increased by 4.12 euros (64.46 kroons) and by 8.77 euros (137.22 kroons) up to 15.37 euros (240.49 kroons) during 2010. In Q4 2010 the cost of investment in assets and reserves in equity capital increased by the profit of 90.2 million kroons (5.76 million euros) and within 12 months period by 192.1 million kroons (12.28 million euros) received from stock revaluation. The Group sold 80,000 shares of PKC Group Oyj in the Q1 with a book value of 8.2 million kroons (500,000 euros). All in all, the book value of financial assets increased by 183.8 million kroons (11.75 million euros) to 337.0 million kroons (21.54 million euros) during the year. PKC Group Oyj paid dividends 0.40 euros (6.26 kroons) per share, totally 8.8 million kroons (560,000 euros), a year before 0.15 euros (2.35 kroons) per share, totally 3.5 million kroons (220,000 euros).

In 2010 the Group invested 4.7 million kroons (0.30 million euros) in real estate, 36.4 million kroons (2.32 million euros) in tangible fixed assets and 2.1 million kroons (0.14 million euros) in intangible fixed assets, totally 43.2 million kroons (2.76 million euros), of which the cost of assets acquired by way of financial lease formed 29.8 million kroons (1.9 million euros). During the compared period the Group invested 9.2 million kroons (0.59 million euros) in real estate, 16.3 million kroons (1.04 million euros) in tangible fixed assets and 3.8 million kroons (0.25 million euros) in intangible fixed assets, totally 29.3 million kroons (1.88 million euros).

At the beginning of the year, the debt related to the acquisition of investment properties amounted to 2 million kroons (130,000 euros), which was repaid in the current year. By that same amount, the cash flow related to investment properties was also larger than the cost of the investment property acquired in the reporting period. In summary, the inflow of cash from investment activities totalled 3.0 million kroons (0.19 million euros) in the reporting period, the outflow of cash in the reference period amounted to 16.3 million kroons (1.04 million euros).

Interest-bearing debts increased during the twelve months by 27.5 million kroons (1.76 million euros) to 52.7 million kroons (3.37 million euros). During 2010 short-term liabilities were increased by 5.9 million kroons (370,000 euros); in the comparable period short-term liabilities were decreased by 14.9

million kroons (0.95 million euros). Within the reporting period, 3.7 million kroons or 0.24 million euros (2009: 16.3 million kroons or 1.04 million euros) worth of a long-term loan were re-paid. At the end of 2009, the addition of a production building for the Finnish affiliated company was completed. Satmatic Oy rented the former administrative and production spaces from the Town of Ulvila. The Group decided to buy the complex of buildings on the basis of financial lease. The contract value of the buildings was 1.9 million euros (29.8 million kroons). The leasing payments are paid on a monthly basis in equal shares as of January 2010. The contract expires in January 2020. Within the twelve months, 4.5 million kroons or 0.29 million euros (2009: 2.2 million kroons or 0.14 million euros) worth of principal amounts of the financial lease were repaid.

The Group paid the owners dividends in the amount of 14.1 million kroons (900,000 euros), compared to 17.4 million kroons (1.1 million euros) in the reference period. In summary, a total of 16.3 million kroons (1.04 million euros) flowed out from the financing activity, compared to 50.8 million kroons (3.25 million euros) in the reference period.

As at December 31 2010 the total current assets constituted 26% (30%) and the total non-current assets 74% (70%); and the other side external finance 17% (18%) and equity 83% (82%) of the balance sheet total.

Post balance events

To expand its activities and increase its market share in the Kingdom of Sweden, Harju Elekter AB, a subsidiary of AS Harju Elekter, acquired the business of BGB Power Solutions AB in January 2011. The total cost of the contract was 500,000 Swedish kroons, which will be financed from own funds and in accordance with the contract within two years.

Shares of Harju Elekter	EEK		EUR	
	2010	2009	2010	2009
Number of the shares, (1000 pc)	16,800	16,800	16,800	16,800
Nominal value	10.00	10.00	0.64	0.64
High price	49.13	46.78	3.14	2.99
Low price	31.61	10.48	2.02	0.67
Closing price	47.25	32.08	3.02	2.05
Turnover (in million)	84.55	33.51	5.40	2.14
Market value (in million)	793.85	544.13	50.74	34.78
EPS	2.02	1.14	0.13	0.07

Supervisory and management boards

The AGM of AS Harju Elekter appointed the five members Supervisory Board for the next five years in 2007. During the reporting period, there were no changes to the management of AS Harju Elekter. Supervisory Board of Harju Elekter continued in composition: Endel Palla as Chairman of the Supervisory Board and the R&D manager at AS Harju Elekter and members Ain Kabal (Kabal & Partners OÜ, manager), Lembit Kirsme (OÜ Kirschman, manager), Madis Talgre (AS Harju KEK, manager) and Andres Toome (finance consultant).

In 2010 there were no changes in the Management of AS Harju Elekter as well. The Management Board continues with the following membership: Andres Allikmäe as Chairman and members Karin Padjus, the Financial Director, and Lembit Libe, the 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 his contract of service; members of the Management Board receive no special remuneration. The competence and authority of the Management Board are listed in the Articles of Association and there are no specialities nor agreements concluded which state otherwise. The Group does not give the members of the Management Board any benefits related to

pension. Chairman of the Management Board has the right to receive severance pay. No other transactions with members of the Group's governing bodies and people connected to them were carried out.

The amount of remuneration and salaries paid to the member of the Supervisory and Management Boards of AS Harju Elekter in reporting quarter amounted to a total of 0.8 million kroons (0.051 million euros) and in twelve months period 3.5 million kroons (0.221 million euros). In the comparable periods the amounts were 0.7 million kroons (0.046 million euros) and 3.6 million kroons (0.233 million euros) respectively.

More specific information about the education and career of the members of the management and supervisory boards as well as their membership in the management bodies of companies and their shareholdings have been published on the home page of the company at www.harjuelekter.ee

AGM

On 29th of April 2010 was held the AGM where attended by 75 shareholders and their authorised representatives who represented the total of 58.44 % of the total votes. The general meeting approved the annual report of 2009 and profit distribution. On the basis of a decision the owners are paid dividends for 2009 at the rate of 0.80 kroons (0.051 euros) per share in the total amount of 13.44 million kroons (859,000 euros). The dividends were paid to the shareholders on 26 May 2010.

Key indicators

(in million)	EEK				EUR			
	Q4		12 months		Q4		12 months	
	2010	2009	2010	2009	2010	2009	2010	2009
<i>Consolidated income statement</i>								
Net sales	201.5	158.4	639.7	632.7	12.9	10.1	40.9	40.4
EBITDA	10.9	11.2	45.3	48.3	0.7	0.7	2.9	3.1
Operating profit	5.5	6.1	23.8	28.3	0.4	0.4	1.5	1.8
Net profit for the current period	4.4	4.5	35.9	21.7	0.3	0.3	2.3	1.4
Incl. equity holders of the parents	2.7	3.8	34.0	19.2	0.2	0.2	2.2	1.2

(in million)	%	EEK		EUR		
		31.12.	31.12.	31.12.	31.12.	
		2010	2009	2010	2009	
<i>Consolidated statement of financial position</i>						
Total current assets	26.2	30.4	225.5	187.7	14.4	12.0
Total non-current assets	73.8	69.6	636.8	430.4	40.7	27.5
Total assets	100.0	100.0	862.3	618.1	55.1	39.5
Total liabilities	17.4	18.5	149.7	114.1	9.6	7.3
Total equity	82.6	81.5	712.6	504.0	45.5	32.2
Inclusive equity attributable to equity holders of the parent	79.8	77.7	687.8	480.5	44.0	30.7

<i>Growth</i>	Q4		12 months	
	2010	2009	2010	2009
(%)				
Turnover	27.2	-22.6	1.1	-27.4
EBITDA	-2.5	-32.3	-6.0	-30.0
Operating profit (EBIT)	-9.1	-47.8	-16.1	-43.4
Net profit for the current period	-2.7	74.5	65.6	-48.4
incl. equity holders of the parent	-29.4	243.5	76.9	-50.1

Performance indicators (%)

Return of sales before depreciation	5.4	7.1	7.1	7.6
Return of sales (operating profit/turnover *100)	2.7	3.8	3.7	4.5
Net profit margin (net profit/turnover *100)	2.2	2.9	5.6	3.4

Employees

Average number of employees	420	445	424	452
Number of employees in the end of the period	440	464	440	464

INTERIM FINANCIAL STATEMENTS**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

ASSETS	Note	EEK'000 31.12.10	31.12.09	€000 31.12.10	31.12.09
Current assets					
Cash and cash equivalents		37,556	35,640	2,400	2,278
Trade receivables and other receivables		101,376	70,238	6,479	4,489
Prepayments		1,917	2,499	123	160
Inventories		84,659	79,352	5,411	5,071
Total current assets		225,508	187,729	14,413	11,998
Non-current assets					
Investments in associates	2	10,642	9,681	680	619
Other long-term financial investments	2	337,020	153,172	21,539	9,789
Investment property	2	136,298	137,176	8,711	8,768
Property, plant and equipment	2	146,287	124,575	9,350	7,962
Intangible assets	2	6,592	5,815	421	371
Total non-current assets		636,839	430,419	40,701	27,509
TOTAL ASSETS		862,347	618,148	55,114	39,507
LIABILITIES AND EQUITY					
Liabilities					
Interest-bearing loans and borrowings	3	21,093	18,166	1,348	1,161
Trade payables and other payables		81,003	75,890	5,178	4,850
Tax liabilities		14,619	10,367	934	663
Inclusive income tax		296	620	19	39
Short-term provision		1,396	1,157	89	74
Deferred income		0	1,564	0	100
Total current liabilities		118,111	107,144	7,549	6,848
Non-current liabilities	3	31,588	7,016	2,019	448
Total liabilities		149,699	114,160	9,568	7,296
Equity					
Share capital		168,000	168,000	10,737	10,737
Share premium		6,000	6,000	384	384
Reserves		334,781	149,760	21,396	9,571
Retained earnings		178,997	156,770	11,440	10,020
Total equity attributable to equity holders of the parent		687,778	480,530	43,957	30,712
Non-controlling interests		24,870	23,458	1,589	1,499
Total equity		712,648	503,988	45,546	32,211
TOTAL LIABILITIES AND EQUITY		862,347	618,148	55,114	39,507

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EEK'000	Note	1 October - 31 December		1 January - 31 December	
		2010	2009	2010	2009
<u>I Income statement</u>					
Revenue	4	201,467	158,400	639,708	632,675
Cost of sales		-172,855	-130,369	-542,896	-528,071
Gross profit		28,612	28,031	96,812	104,604
Distribution costs		-9,659	-8,478	-29,501	-30,731
Administrative expenses		-13,204	-13,395	-43,334	-46,047
Other income		0	39	455	1,077
Other expenses		-235	-129	-668	-590
Operating profit	4	5,514	6,068	23,764	28,313
Net financing income/costs	5	-218	-35	16,298	7,956
Share of profit of associates	2	83	-105	961	-8,226
Profit before tax		5,379	5,928	41,023	28,043
Allocation of corporate income tax to relevant periods		-978	-1,404	-5,111	-6,356
Profit for the period		4,401	4,524	35,912	21,687
Attributable to:					
Equity holders of the parent		2,704	3,830	34,008	19,226
Non-controlling interests		1,697	694	1,904	2,461
Basic earnings per share (EEK)	6	0.16	0.23	2.02	1.14
Diluted earnings per share (EEK)	6	0.16	0.23	2.00	1.14
<u>II Statement of comprehensive income</u>					
Profit for the period		4,401	4,524	35,912	21,687
Available-for-sale financial assets		90,250	34,504	184,922	80,014
Currency translation differences		110	0	110	0
Total comprehensive income for the period		94,761	39,028	220,944	101,701
Attributable to:					
Equity holders of the parent		93,053	38,334	219,029	99,240
Non-controlling interests		1,708	694	1,915	2,461

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€000	Note	1 October - 31 December		1 January – 31 December	
		2010	2009	2010	2009
<u>I Income statement</u>					
Revenue	4	12,876	10,124	40,885	40,435
Cost of sales		-11,047	-8,332	-34,697	-33,750
Gross profit		1,829	1,792	6,188	6,685
Distribution costs		-618	-542	-1,885	-1,964
Administrative expenses		-844	-856	-2,770	-2,943
Other income		0	2	29	69
Other expenses		-15	-8	-43	-38
Operating profit	4	352	388	1,519	1,809
Net financing income/costs	5	-14	-2	1,042	508
Share of profit of associates	2	5	-7	61	-525
Profit before tax		343	379	2,622	1,792
Allocation of corporate income tax to relevant periods		-62	-90	-327	-406
Profit for the period		281	289	2,295	1,386
Attributable to:					
Equity holders of the parent		173	245	2,173	1,229
Non-controlling interests		108	44	122	157
Basic earnings per share (EUR)	6	0.01	0.01	0.13	0.07
Diluted earnings per share (EUR)	6	0.01	0.01	0.13	0.07
<u>II Statement of comprehensive income</u>					
Profit for the period		281	289	2,295	1,386
Available-for-sale financial assets		5,768	2,205	11,819	5,114
Currency translation differences		7	0	7	0
Total comprehensive income for the period		6,056	2,494	14,121	6,500
Attributable to:					
Equity holders of the parent		5,947	2,450	13,998	6,343
Non-controlling interests		109	44	123	157

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period 1 January - 31 December	Note	EEK'000		€000	
		2010	2009	2010	2009
Cash flows from operating activities					
Operating profit	4	23,764	28,313	1,519	1,809
<u>Adjustments for:</u>					
Depreciation and amortisation	2	21,576	19,941	1,379	1,275
Gain on sale of property, plant and equipment		-43	-111	-3	-7
Share-based payment transactions		1,659	899	106	57
Change in receivables related to operating activity		-30,557	29,847	-1,953	1,908
Change in inventories		-5,236	43,999	-335	2,812
Change in payables related to operating activity		10,360	-35,127	662	-2,245
Corporate income tax paid		-5,435	-7,240	-347	-463
Interest paid		-992	-1,130	-63	-72
Net cash from operating activities		15,096	79,391	965	5,074
Cash flows from investing activities					
Acquisition of investment property		-6,511	-7,209	-416	-461
Acquisition of property, plant and equipment		-6,804	-17,886	-435	-1,143
Acquisition of intangible assets		-2,131	-3,844	-136	-246
Acquisition of other financial investments		0	-178	0	-11
Proceeds from sale of property, plant and equipment		46	2,313	3	148
Proceeds from sale of other financial investments		9,235	6,318	590	404
Interest received		421	746	27	48
Dividends received		8,762	3,474	560	222
Net cash used in investing activities		3,018	-16,266	193	-1,039
Cash flows from financing activities					
Changes in short-term loans	3	5,889	-14,902	377	-953
Repayment of borrowings	3	-3,682	-16,337	-235	-1,044
Payment of finance lease principal	3	-4,515	-2,181	-289	-139
Share issued		163	0	10	0
Dividends paid		-14,106	-17,355	-902	-1,109
Net cash used in financing activities		-16,251	-50,775	-1,039	-3,245
Net cash flows		1,863	12,350	119	790
Cash and cash equivalents at beginning of period					
		35,640	23,379	2,278	1,494
Net increase / decrease		1,863	12,350	119	790
Effect of exchange rate fluctuations on cash held		53	-89	3	-6
Cash and cash equivalents at end of period		37,556	35,640	2,400	2,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EEK '000	Attributable to equity holders of the parent								
	Share capital	Share premium	Capital reserve	Currency translation reserve	Fair value reserve	Retained earnings	Total	Non-controlling interest	TOTAL
At 31 December 2008	168,000	6,000	16,800	0	52,946	153,445	397,191	21,552	418,743
Comprehensive income for period	0	0	0	0	80,014	19,226	99,240	2,461	101,701
Share-based payment	0	0	0	0	0	899	899	0	899
Dividends	0	0	0	0	0	-16,800	-16,800	-555	-17,355
At 31 December 2009	168,000	6,000	16,800	0	132,960	156,770	480,530	23,458	503,988
Comprehensive income for period	0	0	0	99	184,922	34,008	219,029	1,915	220,944
Share-based payment transactions	0	0	0	0	0	1,659	1,659	0	1,659
Dividends	0	0	0	0	0	-13,440	-13,440	-666	-14,106
Purchase of minority interest	0	0	0	0	0	0	0	163	163
At 31 December 2010	168,000	6,000	16,800	99	317,882	178,997	687,778	24,870	712,648
€000									
At 31 December 2008	10,737	384	1,073		3,384	9,808	25,386	1,377	26,763
Comprehensive income for period	0	0	0	0	5,114	1,229	6,343	157	6,500
Share-based payment transactions	0	0	0	0	0	57	57	0	57
Dividends	0	0	0	0	0	-1,074	-1,074	-35	-1,109
At 31 December 2009	10,737	384	1,073	0	8,498	10,020	30,712	1,499	32,211
Comprehensive income for period	0	0	0	6	11,819	2,173	13,998	123	14,121
Share-based payment transactions	0	0	0	0	0	106	106	0	106
Dividends	0	0	0	0	0	-859	-859	-43	-902
Purchase of minority interest	0	0	0	0	0	0	0	10	10
At 31 December 2010	10,737	384	1,073	6	20,317	11,440	43,957	1,589	45,546

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 31.12.2010 comprises 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 associate AS Draka Keila Cables. AS Harju Elekter has been listed at Tallinn Stock Exchange since 30 September 1997; 32.14% of its 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 31.12.2009. The interim report has been prepared under the historical cost convention, as modified by the revaluations of investment property, which are presented at fair value as disclosed in the accounting policies presented in the 2009 annual report.

According to the assessment of the management board, the interim report for 1-12/2010 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.

The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their effect is explained in the respective notes. When the presentation of items in the financial statements or their classification method has been changed, then also the comparative information of previous periods has been restated.

Beginning from 1 January 2010 the Group must follow the revised IAS 27 Consolidated and Separate Financial Statements. In the revised Standard IAS 27 the term 'minority interest' has been replaced by 'non-controlling interest'.

Note 2 Non-current assets

For the period 1 January – 31 December	EEK'000		€000	
	2010	2009	2010	2009
Investments in associate				
At 1 January	9,681	17,907	619	1,144
Profit/loss(-)under the equity method	961	-8,226	61	-525
At 31 December	10,642	9,681	680	619
Other long-term financial investments				
At 1 January	153,172	74,323	9,789	4,750
Additions	0	178	0	11
Sale of shares	-8,261	-4,694	-528	-300
Changes in the fair value reserve	192,109	83,365	12,278	5,328
At 31 December	337,020	153,172	21,539	9,789
Investment property				
At 1 January	137,176	133,737	8,768	8,547
Additions	4,694	9,226	300	590
Depreciation charge	-5,572	-5,787	-357	-369
At 31 December	136,298	137,176	8,711	8,768
Property, plant and equipment				
At 1 January	124,575	123,423	7,962	7,889
Additions	36,365	16,279	2,324	1,040
Disposals	-3	-2,203	0	-141
Depreciation charge	-14,650	-12,924	-936	-826
At 31 December	146,287	124,575	9,350	7,962
Intangible assets				
At 1 January	5,815	3,201	371	205
Additions	2,131	3,844	136	246
Depreciation charge	-1,354	-1,230	-86	-80
At 31 December	6,592	5,815	421	371
Total non-current assets	636,839	430,419	40,701	27,509

Note 3 Interest-bearing loans and borrowings

	EEK'000		€000	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Liabilities				
Short-term bank loans	18,836	12,947	1,204	827
Current portion of long-term bank loans	1,014	3,682	65	235
Current portion of lease liabilities	1,243	1,537	79	99
Total current liabilities	21,093	18,166	1,348	1,161
Long-term bank loans	0	1,014	0	65
Lease liabilities	31,588	6,002	2,019	383
Total non-current liabilities	31,588	7,016	2,019	448
TOTAL	52,681	25,182	3,367	1,609

Changes during the period 1 January - 31 December

	EEK'000		€000	
	2010	2009	2010	2009
Loans and borrowings at the beginning of the year	25,182	58,339	1,609	3,728
Changes in short-term loans	5,889	-14,902	377	-953
Long-term loan repaid	-3,682	-16,337	-235	-1,044
New finance lease	29,807	263	1,905	17
Payment of finance lease principal	-4,515	-2,181	-289	-139
Loans and borrowings at the end of the current period	52,681	25,182	3,367	1,609

Note 4 Segment reporting

Two segments, manufacturing and real estate, are distinguished in the consolidated financial statements.

“*Manufacturing*” – The manufacture and sale of power distribution and control systems as well as services related to manufacturing and intermediary sale of components. The entities in this business segment are AS Harju Elekter Elektrotehnika, AS Eltek, Satmatic Oy and Rifas UAB.

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

EEK'000

For the period 1 January – 31 December

2009	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
Revenue from external customers	561,806	37,634	33,235	0	632,675
Inter-segment revenue	2,764	13,665	3,472	-19,901	0
Total revenue	564,570	51,299	36,707	-19,901	632,675
Operating profit	12,399	17,287	-1,401	28	28,313
2010					
Revenue from external customers	567,916	41,013	30,779	0	639,708
Inter-segment revenue	2,938	15,108	4,899	-22,945	0
Total revenue	570,854	56,121	35,678	-22,945	639,708
Operating profit	7,139	19,290	-2,261	-404	23,764

For the period 1 October -31 December

2009	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
Revenue from external customers	139,864	9,712	8,824	0	158,400
Inter-segment revenue	605	3,865	1,583	-6,053	0
Total revenue	140,469	13,577	10,407	-6,053	158,400
Operating profit	2,861	2,937	258	12	6,068
2010					
Revenue from external customers	181,479	11,304	8,684	0	201,467
Inter-segment revenue	574	4,204	1,142	-5,920	0
Total revenue	182,053	15,508	9,826	-5,920	201,467
Operating profit	3,688	4,144	-1,902	-416	5,514

€000

For the period 1 January – 31 December

2009	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
Revenue from external customers	35,906	2,405	2,124	0	40,435
Inter-segment revenue	177	873	222	-1,272	0
Total revenue	36,083	3,278	2,346	-1,272	40,435
Operating profit	793	1,105	-91	2	1,809
2010					
Revenue from external customers	36,297	2,621	1,967	0	40,885
Inter-segment revenue	187	966	313	-1,466	0
Total revenue	36,484	3,587	2,280	-1,466	40,885
Operating profit	456	1,233	-144	-26	1,519

For the period 1 October -31 December

2009	Manu- facturing	Real estate	Un- allocated activities	Elimi- nations	Consoli- dated
Revenue from external customers	8,939	621	564	0	10,124
Inter-segment revenue	39	247	101	-387	0
Total revenue	8,978	868	665	-387	10,124
Operating profit	182	188	17	1	388
2010					
Revenue from external customers	11,599	722	555	0	12,876
Inter-segment revenue	36	269	73	-378	0
Total revenue	11,635	991	628	-378	12,876
Operating profit	236	265	-122	-27	352

Revenue by markets:

For the period 1 January – 31 December	EEK'000		€000	
	2010	2009	2010	2009
Estonia	219,342	232,741	14,019	14,875
Finland	257,612	270,055	16,464	17,260
Lithuania	66,404	66,475	4,244	4,249
Ohter EU countries	46,894	23,443	2,997	1,498
Non-EU countries	49,456	39,961	3,161	2,553
Total	639,708	632,675	40,885	40,435

For the period 1 October -31 December

Estonia	66,461	64,429	4,248	4,118
Finland	82,152	56,895	5,250	3,636
Lithuania	23,838	18,108	1,524	1,157
Ohter EU countries	12,452	6,130	796	392
Non-EU countries	16,564	12,838	1,058	821
Total	201,467	158,400	12,876	10,124

Revenue by business area:

For the period 1 January – 31 December	EEK'000		€000	
	2010	2009	2010	2009
Electrical equipment	503,783	498,937	32,198	31,888
Sheet metal products and services	18,680	19,577	1,194	1,251
Boxes for telecom sector and services	16,649	17,738	1,064	1,134
Intermediary sale of electrical products and components	52,015	49,950	3,324	3,192
Commerce and mediation of services	10,359	9,206	662	588
Rental income	31,697	29,921	2,026	1,912
Other services	6,525	7,346	417	470
Total	639,708	632,675	40,885	40,435

For the period 1 October -31 December

Electrical equipment	159,970	123,159	10,224	7,872
Sheet metal products and services	4,256	4,888	272	312
Boxes for telecom sector and services	5,206	4,330	333	277
Intermediary sale of electrical products and components	18,330	13,755	1,171	879
Commerce and mediation of services	3,837	2,647	245	169
Rental income	7,544	7,264	482	464
Other services	2,324	2,357	149	151
Total	201,467	158,400	12,876	10,124

Note 5 Net financing income/costs

For the period 1 January -31 December	EEK'000		€000	
	2010	2009	2010	2009
Interest income	421	711	27	45
Interest expense	-989	-1,115	-63	-71
Dividend income	8,762	3,474	560	222
Net loss from foreign exchange differences	-57	-89	-4	-6
<i>Marketable investments:</i>				
Income from sale of investments	8,161	4,975	522	318
TOTAL	16,298	7,956	1,042	508

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.

Diluted earnings per share are calculated by considering the effects of all dilutive potential shares. As at the reporting date on 31.12.2010 the Group had 578.4 thousand dilutive potential shares. In accordance with the decision of the General Meeting of Shareholders held on 23 April 2009 the price of a share was established at the level of 1.10 euros (17.21 kroons). As to the share-based payments regulated by IFRS 2 requirements the subscription price of shares covers the costs of services that employees provide in the future for the share-based payments. The value of service for each issued share determined by an independent expert was 0.55 euros (8.61 kroons). Thus the subscription price per each share within the meaning of IFRS 2 is 1.65 euros (25.82 kroons) and the potential shares become dilutive only after their average market price of the period exceed 1.65 euros (25.82 kroons).

EEK	Unit	1.10 – 31.12		1.01 – 31.12	
		2010	2009	2010	2009
Profit attributable to equity holders of the parent	'000	2,704	3,830	34,008	19,226
Average number of shares outstanding (pc)	'000	16,800	16,800	16,800	16,800
Basic earnings per share		0.16	0.23	2.02	1.14
Adjusted number of shares during the period	'000	17,038	16,965	17,018	16,867
Diluted earnings per share		0.16	0.23	2.00	1.14
€					
Profit attributable to equity holders of the parent	'000	173	245	2,173	1,229
Average number of shares outstanding (pc)	'000	16,800	16,800	16,800	16,800
Basic earnings per share		0.01	0.01	0.13	0.07
Adjusted number of shares during the period	'000	17,038	16,965	17,018	16,867
Diluted earnings per share		0.01	0.01	0.13	0.07

The average market price of the share of 1-12/ 2010 was 41.45 kroons (2.65 euros) and in the forth quarter it was 43.91 kroons (2.81 euros). The issue of shares would account for 14.9 million kroons (954 thousand euros). In order to obtain the same amount 360.26 thousand (14.9/41.45) new shares at the average market price of 12 months and 340.1 thousand new shares at the average market price of the reporting quarter would be issued. The difference between the number of dilutive potential shares and the number of shares issued at the market price which is 218.14 thousand shares (578.4-360.26) in 1-12/ 2010 and 238.3 thousand shares (578.4-340.1) in Q4 2010 could be interpreted as shares granted free of charge and the average number of shares has been adjusted by that number.

Note 7 Transactions with related parties

The related party of AS Harju Elekter includes associated company AS Draka Keila Cables, members of the management and supervisory boards and their close family members and AS Harju KEK which owns 32.14% of the shares of AS Harju Elekter.

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

For the period 1 January – 31 December	EEK '000		€000	
	2010	2009	2010	2009
Purchase of goods and services from related parties:				
- from associates	3,845	4,928	246	315
- from Harju KEK	1,063	1,089	68	70
TOTAL	4,908	6,017	314	385
<i>Inclusive:</i>				
- goods and materials for manufacturing	3,845	4,915	246	314
- lease of property. plant and equipment	1,023	1,062	65	68
- other	40	40	3	3
Sale of goods and services to related parties:				
- to associates	13,940	10,883	891	696
- to Harju KEK	35	0	2	0
TOTAL	13,975	10,883	893	696
<i>Inclusive:</i>				
- goods and materials for manufacturing	428	233	27	15
- lease of property. plant and equipment	9,637	7,227	616	462
- management services	1,709	2,713	109	174
- other	2,201	710	141	45
Balances with related parties at 31 December				
Receivables with associates: goods and services	4,855	2,663	310	170
Payables with associates: goods and services	215	56	14	3

Statement of Management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated interim financial statements of 1-12/2010 as set out on pages 3 to 25 and confirms that to the best of its knowledge, information and belief that:

- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements; and includes the description of major risks and doubts for the parent company and consolidate companies as a Group; and reflects significant transactions with related parties;
- the accounting principles and presentation of information used in preparing the interim financial statements are in compliance with the International Financial Reporting Standards as adopted by the European Union;
- the interim financial statements give a true and fair view of the assets, liabilities, financial position of the Group and of the results of its operations and its cash flows; and
- AS Harju Elekter and its subsidiaries are going concerns.

Andres Allikmäe	Chairman of the Board	/signature/	„28.“ February 2011
Lembit Libe	Member of the Board	/signature/	„28.“ February 2011
Karin Padjus	Member of the Board	/signature/	„28.“ February 2011