

Company AS Harju Elekter Group
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Attachments:

- Harju Elekter Interim Report Q4_2021.pdf (<http://oam.fi.ee/en/download?id=6082>)
- Harju Elektri vahearuanne IV kv_2021.pdf (<http://oam.fi.ee/en/download?id=6083>)

Currency

Title Harju Elekter Group financial results, 1-12/2021

Commentary from the Management

Harju Elekter's orders and sales volumes, which started to increase in the second half of the year, continued to grow strongly in the fourth quarter. Sales volumes in the last quarter increased by more than 7 million euros, or by a fifth, year-on-year, helping to exceed both the revenue of 2020 and the 150-million-euro mark. Revenue of 152 (2020: 147) million euros exceeds the turnover record achieved by the Group last year.

Despite the growth of volumes, the year as a whole continues to be characterised by shortages of raw materials and components, record prices and low availability which, in turn, led to constant rescheduling in production and delays in customer orders. Although the sheet metal shortage had largely eased by the fourth quarter, the fall in raw material prices could not yet be felt and, combined with the readjustments in production mentioned above, it was not possible to achieve satisfactory profitability.

The objective for 2022 is to achieve sustainable profitability, which will be possible thanks to the downward trend in raw material prices, improved component availability and strong customer relationships. Effective work by the sales department in price negotiations with customers also provides an opportunity for improvement. Obstacles and risks include the ongoing pandemic situation, tensions between major economies and growing competition for skilled labour which, in turn, is creating strong wage pressures.

Revenue, Expenses, and Profit

The revenue of the Group was 43.6 (Q4 2020: 35.2) million euros in the fourth quarter, increasing by 23.6% compared to the comparable period. Revenue increased in all areas of business activity, but the main contribution came from



the sale of electrical equipment, which was 35.6 (Q4 2020: 30.2) million euros. This was mainly due to the increase in the volume of orders from the framework contracts. Despite serious challenges, Harju Elekter's revenue for the year grew by 4.2% year-on-year, to 152.8 (2020: 146.6) million euros, exceeding previous record sales volumes. The revenue from electrical works in the shipbuilding sector increased the most, totaling 6.0 (2020: 4.2) million euros. The revenue of electrical equipment increased by 1.5 million to 126.7 million euros in a year comparison.

EUR'000	Q4	Q4	+/-	12m	12m	+/-
	2021	2020	Q/Q	2021	2020	12m/12m
Revenue	43,561	35,243	23.6%	152,757	146,614	4.2%
Gross profit	4,703	5,585	-15.8%	17,880	21,209	-15.7%
EBITDA	1,939	2,400	-19.2%	7,221	10,340	-30.2%
Operating profit (EBIT)	853	1,335	-36.1%	3,202	6,546	-51.1%
Profit for the period	894	1,159	-22.9%	2,610	5,528	-52.8%
Incl. attributable to owners of the parent	888	1,165	-23.8%	2,598	5,563	-53.3%
Earnings per share (EPS) (euros)	0.05	0.07	-23.8%	0.15	0.31	-53.3%

The total operating expenses for the reporting quarter were 42.8 (Q4 2020: 34.0) million euros. Costs of sales, which accounted for 90.9% of operating expenses, was 38.9 (Q4 2020: 29.7) million euros. In the accounting year as a whole, operating expenses increased by 6.6% year-on-year, to 149.8 (2020: 140.5) million euros. The Group's distribution costs decreased by 10% year-on-year to 5.3 million euros (2020: 5.8 million). Labour costs increased with quarterly and yearly comparison, amounting to 8.4 (Q4 2020: 7.3) and 30.7 (2020: 27.3) million euros, respectively. Labour costs were impacted by the hiring of extra staff, by the increase in additional work, and by the constant readiness to continue the production cycle. The increase in labour costs and average wages was affected by wage pressures due to workforce shortages in all markets and by the rising share of Finnish and Swedish employees in the Group, as wages in Scandinavian countries are significantly higher than in Estonia and Lithuania.

The shortage in raw materials that began at the start of the year, significant price increases for both materials and services, and accelerating growth of labour costs affected profitability also in the last quarter. The gross profit



for the Q4 was 4,703 (Q4 2020: 5,585) thousand euros and the gross profit margin was 10.8% (Q4 2020: 15.8%). Quarterly operating profit (EBIT) was lower than in the comparable quarter, being 853 (Q4 2020: 1,335) thousand euros, operating margin decreased to 2.0% (Q4 2020: 3.8%). The net profit for the Q4 was 894 (Q4 2020: 1,159) thousand euros of which the share of the owners of the parent company was 888 (Q4 2020: 1,165) thousand euros. The earnings per share were 0.05 (Q4 2020: 0.07) euros.

The gross profit for the year 2021 was 17,880 (2020: 21,209) thousand euros and the gross profit margin was 11.7% (2020: 14.5%). In the twelve months, the operating profit (EBIT) was 3,202 (2020: 6,546) thousand euros. In total, the Group's net profit for 2021 was 2,610 (2020: 5,528) thousand euros and earnings per share was 0.15 (2020: 0.31) euros.

Core Business and Markets

The Group's core business, Production, accounted for 87.4% of the Group's revenue in the reporting quarter and in twelve months. The revenue of the production segment increased both by quarter and by year: 7.4 million to 37.7 million euros and by 8.0 million to 133.5 million euros, respectively. The biggest challenges for manufacturing companies came from supply shortages of missing components that were required in projects. A number of large orders were pending, and production cycles had to be reorganised on an ongoing basis.

Sales to the Estonian market remained practically at the same level in the reporting quarter, totalling 6.5 million euros. Revenue increased by 2.5 million to 26.0 million euros in year comparison, accounting for 17.0% (2020: 16.0%) of the Group's revenue. The growth mainly came from the production and supply of prefabricated substations.

The Group's revenue in Finland was 17.9 million euros in the reporting quarter (Q4 2020: 13.8). The increase in revenue in the last quarter was affected by the postponement of orders from the beginning of the year to the second half of the year, due to both the cold winter at the beginning of the year and supply difficulties resulting from material shortages. All in all, year-on-year revenue in the Finnish market increased by 2.2 million, to 70.9 million euros. During the reporting year, 46.4% (2020: 46.9%) of the Group's products and services were sold to the Group's largest market, Finland.

The revenue earned from the Swedish market increased both in the reporting quarter and yearly comparison, amounting to 10.4 (Q4 2020: 9.1) and 27.6 (2020: 26.5) million euros, respectively. In the second half of the year, the production and supply of substations for new framework contract continued at an accelerated pace. Sweden is the Group's second largest market, accounting for 18.1% of the Group's revenue during the year as well as in the previous period. The Group sees market potential in Sweden and is making investments to increase the business activity.

Sales to the Norwegian market continued to recover in the fourth quarter. The



Group sold products and services worth 4.2 (Q4 2020: 2.8) million euros to the Norwegian market. In 2021, the Norwegian market generated revenues of 13.2 million euros (2020: 16,7). The decrease in Norwegian revenue was due to record high orders in the reference period, as well as the slow pace of recovery in the maritime industry. The Norwegian market accounted for 8.6% (2020: 11.4%) of the reporting year revenue.

Investments

During 2021, the Group invested a total of 7.7 (2020: 8.1) million euros in non-current assets, incl 1.3 (2020: 3.1) million euros in investment properties, 5.7 (2020: 4.6) million euros in property, plant, and equipment and 0.7 (2020: 0.3) million euros in intangible assets. The Group directed the majority of the investments during the reporting period, i.e. 2.5 million euros, to the expansion of the Lithuanian plant, which was completed in the summer. The total cost of the investment was 5.5 million euros. In addition, preparations for the construction of the production and storage complex in the Allika Industrial Park, Laohotell III, were launched and investments were made in production technology and in solar power plants. In connection with the expansion of the production of the Elektra electric vehicle chargers in Finland, an additional production area of 1,140 m² was acquired in the reporting quarter in Ulvila, near the current production facilities. As of the reporting date, the total value of the Group's non-current financial investments was 25.2 (31.12.20: 11.9) million euros. The net gain on the revaluation of financial assets in the reporting quarter was 3.9 million euros and in the reporting year 12.3 million euros. During 2021 one million euros was received from the partial sale of securities, of which the realized profit was 0.3 million euros.

Share

The company's share price on the last trading day of the reporting quarter on the Nasdaq Tallinn Stock Exchange closed at 7.44 euros. As at 31 December 2021, AS Harju Elekter had 9,387 shareholders. The number of shareholders increased during the reporting quarter by 448 members.

Dividend Proposal

In coordination with the Supervisory Board, the Group's Management Board will propose to pay dividends to the shareholders 0.14 euros per share, totalling 2.5 million euros and representing 97% of consolidated net profit in 2021.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited

	31	31
EUR '000	December 2021	December 2020
ASSETS		



Current assets		
Cash and cash equivalents	574	2,843
Trade and other receivables	33,689	27,226
Prepayments	1,844	820
Inventories	27,437	18,856
Total current assets	63,544	49,745

Non-current assets		
Deferred income tax assets	690	514
Non-current financial investments	25,222	11,918
Investment properties	23,903	23,605
Property, plant, and equipment	26,654	22,494
Intangible assets	7,544	7,199
Total non-current assets	84,013	65,730

TOTAL ASSETS	147,557	115,475

LIABILITIES AND EQUITY

Liabilities		
Borrowings	16,912	12,056
Prepayments from customers	4,659	4,182
Trade and other payables	24,490	15,837
Tax liabilities	3,156	2,871
Current provisions	35	34
Total current liabilities	49,252	34,980

Borrowings	11,426	7,032



Other non-current liabilities	33	66
Total non-current liabilities	11,459	7,098
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TOTAL LIABILITIES	60,711	42,078
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Equity		
Share capital	11,352	11,176
Share premium	1,601	804
Reserves	18,716	6,709
Retained earnings	55,315	54,858
Total equity attributable to the owners of the parent company	86,984	73,547
Non-controlling interests	-138	-150
Total equity	86,846	73,397
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TOTAL LIABILITIES AND EQUITY	147,557	115,475
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CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	Q4		12m	
	2021	2020	2021	2020
Revenue	43,561	35,243	152,757	146,614
Cost of sales	-38,858	-29,658	-134,877	-125,405
Gross profit	4,703	5,585	17,880	21,209
Distribution costs	-1,260	-2,208	-5,259	-5,847
Administrative expenses	-2,655	-2,140	-9,703	-9,259
Other income	114	213	513	707



Other expenses	-49	-115	-229	-264
Operating profit	853	1,335	3,202	6,546
Finance income	57	21	129	137
Finance costs	-101	-110	-353	-379
Profit before tax	809	1,246	2,978	6,304
Income tax	85	-87	-368	-776
Profit for the period	894	1,159	2,610	5,528

Profit attributable to:				
Owners of the parent company	888	1,165	2,598	5,563
Non-controlling interests	6	-6	12	-35

Earnings per share				
Basic earnings per share (EUR)	0.05	0.07	0.15	0.31
Diluted earnings per share (EUR)	0.05	0.07	0.14	0.31

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

EUR '000	Q4	Q4	12m	12m
	2021	2020	2021	2020

Profit for the period	894	1,159	2,610	5,528
Other comprehensive income				
Items that may be reclassified to profit or loss				
Impact of exchange rate changes of a foreign subsidiaries	-44	128	-57	112
Items that will not be reclassified to profit or				



loss

Gain on sales of financial assets	0	0	265	80
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Net gain/loss (-) on revaluation of financial assets	3,900	3,669	12,269	2,922
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Total comprehensive income for the period	3,856	3,797	12,477	3,114
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Other comprehensive income	4,750	4,956	15,087	8,642
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Total comprehensive income attributable to:

Owners of the Company	4,744	4,962	15,075	8,677
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Non-controlling interests	6	-6	12	-35

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