

Company AS Harju Elekter Group
Type Company Release
Category Half-yearly financial report
Disclosure time 27 Jul 2022 08:00:00 +0300

Attachments:

- HE Interim Report Q2 2022.pdf (<http://oam.fi.ee/en/download?id=6625>)
- HE vahearuanne II kv 2022.pdf (<http://oam.fi.ee/en/download?id=6626>)

Currency

Title Harju Elekter Group financial results, 1-6/2022

In terms of profitability, the second quarter of 2022 turned out to be the most difficult in the history of Harju Elekter. Persistent supply chain problems, in particular in the form of rising material prices and shortages involving several components, affected the profitability. The Group was forced to critically reassess all ongoing works, agreements, and their potential profitability for the coming periods. In addition to the increase in production costs, several projects turned out to be more complex and unprofitable than originally planned, exacerbated by the inefficiencies arising from supply constraints and rising fees for skilled labour.

We have taken a number of steps to cope with the challenges posed by world events. We will continue to reorganise production to ensure efficiency in the face of disrupted supply chains. The relief obtained from framework contract price negotiations has not yet fully been reflected in second quarter results and is more likely to be seen in the second half of the year. On the positive side, the order book is covered for a long period, which is also characterised by continued growth in revenues. The green transition trend and the pressure to ramp up electrification continue to intensify, accelerating investment in electricity networks to ensure reliability and modernisation.

Financial Results

The consolidated revenue for the second quarter of 2022 was 41.9 (Q2 2021: 36.3) million euros, and the revenue for the first half of the year was 79.2 (6M 2021: 67.0) million euros. Comparing both periods, revenue increased in most business areas. Manufacturing and sales of electrical equipment accounted for the majority of the increase, rising by 4.9 million euros in the reporting quarter in yearly comparison and 9.8 million euros in the six-month comparison.



EUR '000	Q2	Q2	+/-	6M	6 M	+/-
	2022	2021		2022	2021	
Revenue	41,914	36,310	15.4%	79,235	67,028	18.2%
Gross profit	963	4,306	-77.6%	3,949	8,151	-51.6%
EBITDA	-1,953	1,638	-219.2%	-2,022	3,124	-164.7%
Operating profit/loss (-) (EBIT)	-3,048	651	-568.2%	-4,174	1,168	-457.4%
Profit/loss (-) for the period	-3,197	488	-755.1%	-4,491	785	-672.1%
Incl. attributable to owners of the parent company	-3,209	485	-761.6%	-4,517	795	-668.2%
Earnings per share (EPS) (euros)	-0.18	0.03	-700%	-0.25	0.04	-725.0%

The Group's operating expenses increased by 26.5% during quarterly and 6 months comparison. The operating expenses in total for the reporting quarter were 45.2 (Q2 2021: 35.8) million euros, and for the first half of the year 83.6 (6M 2021: 66.0) million euros. The majority of the increase in operating expenses was due to the increase in the cost of sales, up 28% in the comparison of both periods. The increased costs of goods and services sold exceeded the growth rate of revenue by 12.6 percentage points. The increase in distribution costs and administrative expenses was lower than the increase in revenue. Distribution costs increased by 0.2 million to 1.5 million euros quarter-on-quarter, making up 3.4% of the Group's operating expenses and 3.6% of revenue. Administrative expenses increased by 0.3 million euros to 2.8 million euros quarter-on-quarter, accounting for 6.1% of the Group's operating expenses and 6.6% of revenue. The total distribution costs for the first half of the year were 2.9 and administrative expenses were 5.4 million euros. Labour costs increased with quarterly and half-yearly comparison, being 9.1 (Q2 2021: 7.6) and 17.9 (6M 2021: 14.9) million euros, respectively. A majority of the growth in labour costs and average wages was attributed to the significant increase in staff and wage pressure due to labour shortages in all markets.

The gross profit for the Q2 was 963 (Q2 2021: 4,306) thousand euros and the gross profit margin was 2.3% (Q2 2021: 11.9%). The consolidated operating loss (EBIT) was -3,048 (Q2 2021: operating profit 651) thousand euros. The operating margin for the second quarter was -7.3% (Q2 2021: 1.8%). The net loss for the Q2 was -3,197 (Q2 2021: net profit 488) thousand euros of which the share of the owners of the parent company was -3,209 (Q2 2021: 485) thousand euros. The earnings per share were -0.18 euros (Q2 2021: 0.03) in the second quarter. The gross profit for the first half of the year was 3,949 (6M 2021: 8,151) thousand euros and the gross profit margin was 5.0% (6M 2021: 12.2%). During the first six months, the operating loss (EBIT) was -4,174 (6M 2021: operating profit



1,168) thousand euros. In total, the Group's net loss for the first half of the year was -4,491 (6M 2021: net profit 785) thousand euros and earnings per share was -0.25 (6M 2021: 0.04) euros.

Core Business and Markets

The Group's core business, production, accounted for 89.3% of the Group's consolidated revenue. Thanks to the growth in sales volumes of companies manufacturing electrical equipment and the support of large-scale special-order work, the sales volume of the production segment increased by 18.3% to 37.4 million euros in the reporting quarter.

Sales of the reporting quarter to the Estonian market remained at the same level as last year, being 6.9 million euros. In six months, revenue increased by 15.1% to 13.8 million euros. The increase was mainly due to the increase in sales of hermetic distribution transformers and distribution cabinets. The Estonian market accounted for 16.4% (Q2 2021: 19.0%) of the consolidated revenue in the reporting quarter.

In the comparison of markets, the sales growth was the highest for the Finnish market. In the reporting quarter, revenue was 3.7 million euros more than the year before, totaling 22.1 million euros. In six months, 38.8 (6M 2021: 33.0) million euros were earned from the Finnish market. The majority of the sales volume in the reporting quarter consisted of the sale of substations to Finnish electricity network companies. The lower-than-usual six-month revenue in the previous year were mainly affected by a decrease in orders due to the snowy and cold winter, the start of new long-term orders, as well as some supply constraints and material shortages. In the reporting quarter, more than half, or 52.6% (Q2 2021: 50.6%) of Harju Elekter's products and services were sold to the Group's largest market.

Sales to the Swedish market decreased by 43% compared to the reporting quarters and by 19% compared to six months, being 3.5 and 9.3 million euros, respectively. The benchmark for the Swedish market was high, as the Swedish subsidiary had more projects underway than usual in the local market in the same period last year. Sweden accounted for 8.3% (Q2 2021: 16.9%) of the consolidated revenue of the reporting quarter.

Order volumes in the shipping sector in Norway are recovering. During the reporting quarter, 2.9 million euros worth of Group products and services were sold on the Norwegian market, which was 45% more than in the same period of the previous year. Compared to six months, revenue doubled to 7.4 million euros. Revenue increases in both periods are due to low order volume in the comparison periods. The Norwegian market accounted for 6.9% (Q2 2021: 5.5%) of the quarter's revenue.

Investments

During the reporting period, the Group invested a total of 2.2 (6M 2021: 3.9)



million euros in non-current assets, incl 1.2 (6M 2021: 0.2) million euros in investment properties, 0.7 (6M 2021: 3.5) million euros in property, plant, and equipment and 0.3 (6M 2021: 0.2) million euros in intangible assets. Most of the investments during the reporting period were directed to the construction of the Laohotell III production and warehouse complex, in the Allika Industrial Park, which today is filled with tenants. In addition, investments were made in production technology equipment and production and process management systems.

The value of the Group's non-current financial investments totaled 23.6 (31.12.21: 25.2) million euros as of the reporting date. The main change were the partial sale of securities and the decrease in fair value of 0.9 million euros in the first half of the year. A total of 1.3 (6M 2021: 1.0) million euros was received from the partial sale of listed securities during the first half of the year, of which the realized profit was 0.32 (6M 2021: 0.27) million euros. Harju Elekter increased its stake in the technology company IGL-Technologies Oy from 5.5% to 10% by 0.2 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 5.43 euros. As of 30 June 2022, AS Harju Elekter had 9,842 shareholders. The number of shareholders increased during the reporting quarter by 97.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited

EUR'000	30.06.2022	31.12.2021	30.06.2021
ASSETS			
Current assets			
Cash and cash equivalents	629	574	1,576
Trade and other receivables	31,134	33,689	27,215
Prepayments	1,729	1,844	1,366
Inventories	38,185	27,437	24,623
Total current assets	71,677	63,544	54,780
Non-current assets			
Deferred income tax assets	762	690	575



Non-current financial investments	23,596	25,222	21,259
Investment properties	24,647	23,903	23,328
Property, plant and equipment	25,794	26,654	24,879
Intangible assets	7,711	7,544	7,224
Total non-current assets	82,510	84,013	77,265
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TOTAL ASSETS	154,187	147,557	132,045
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LIABILITIES AND EQUITY			
Liabilities			
Borrowings	20,398	16,912	15,292
Prepayments from customers	8,558	4,659	1,919
Trade and other payables	27,615	24,490	22,208
Tax liabilities	3,525	3,156	2,946
Current provisions	551	35	73
Total current liabilities	60,647	49,252	42,438
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Borrowings	14,158	11,426	9,469
Other non-current liabilities	33	33	65
Total non-current liabilities	14,191	11,459	9,534
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TOTAL LIABILITIES	74,838	60,711	51,972
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Equity			
Share capital	11,352	11,352	11,176
Share premium	1,601	1,601	804
Reserves	17,913	18,716	15,173
Retained earnings	48,595	55,315	53,080
Total equity attributable to the owners			



of the parent company	79,461	86,984	80,233
Non-controlling interests	-112	-138	-160
Total equity	79,349	86,846	80,073
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TOTAL LIABILITIES AND EQUITY	154,187	147,557	132,045
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CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	Q2	Q2	6M	6M
	2022	2021	2022	2021
Revenue	41,914	36,310	79,235	67,028
Cost of sales	-40,951	-32,004	-75,286	-58,877
Gross profit	963	4,306	3,949	8,151
Distribution costs	-1,515	- 1,315	-2,866	-2,529
Administrative expenses	-2,764	-2,437	-5,429	-4,654
Other income	322	188	378	360
Other expenses	-54	-91	-206	-160
Operating profit/loss (-)	-3,048	651	-4,174	1,168
Finance income	34	51	74	68
Finance costs	-111	-60	-230	-158
Profit/loss (-) before tax	-3,125	642	-4,330	1,078
Income tax	-72	-154	-161	-293
Profit/loss (-) for the period	-3,197	488	-4,491	785
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Profit /loss (-) attributable to:				



Owners of the parent company	-3,209	485	-4,517	795
Non-controlling interests	12	3	26	-10

Earnings per share				
Basic earnings per share (euros)	-0.18	0.03	-0.25	0.04
Diluted earnings per share (euros)	-0.18	0.03	-0.25	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

EUR'000	Q2	Q2	6M	6M
	2022	2021	2022	2021

Profit/loss (-) for the period	-3,197	488	-4,491	785
Other comprehensive income				
Items that may be reclassified to profit or loss				
Impact of exchange rate changes of a foreign subsidiaries	-86	19	-65	-4
Items that will not be reclassified to profit or loss				
Gain on sales of financial assets	169	221	320	265
Net gain/loss (-) on revaluation of financial assets	-336	7,954	-858	8,319
Total comprehensive income for the period	-253	8,194	-603	8,580
Other comprehensive income	-3,450	8,682	-5,094	9,365

Total comprehensive income attributable to:				
Owners of the Company	-3,462	8,680	-5,120	9,375
Non-controlling interests	12	2	26	-10



Tiit Atso
Chairman of the Board
+372 674 7400

