

Company AS Harju Elekter Group
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Category Management interim statement or quaterly financial report
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Attachments:

- HE Interim Report Q3 2022.pdf (<http://oam.fi.ee/en/download?id=6836>)
- HE vahearuanne III kv 2022.pdf (<http://oam.fi.ee/en/download?id=6837>)

Currency

Title Harju Elekter Group financial results, 1-9/2022

Harju Elekter's results in the third quarter gave reason to rejoice for a moment, as the Group achieved record revenue with its main activity and improved its profitability. In today's unstable environment, it is difficult to predict the future and the continuation of profitability, but the positive thing is that Harju Elekter has a record number of orders from customers. We are working every day to raise prices, solve supply problems, and prepare for new framework procurements.

The increase in the revenue of Harju Elekter is due to the increased fulfilment of orders, but also due to successful price negotiations with several international customers. For example, in the framework procurements for substation supplies in Finland and Sweden, customers have been accommodating price corrections and have understood that the sustainability of the supplier is also the customer's concern. The profitability of the third quarter has been improved by price negotiations in previous quarters, and unprofitable contracts being recognised as expenses.

The Group organises management, structure and has set a focus on efficient production. In the structure of the Group's companies, it was decided to proceed with the implementation of changes on the principle of 'one property, one manufacturing enterprise' to increase efficiency. Based on this, the production companies operating in Keila, AS Harju Elekter Elektrotehnika and AS Harju Elekter Teletehnika, will be merged. During the past quarter, we formed a strong and experienced Group Management Team for managing centrally the Group's core functions. To increase the Group's profitability, we will keep the focus on our core business - the design, production, and installation of sustainable electrical power distribution solutions - and continue to exit non-core businesses and areas of activity. In this regard, a number of difficult decisions are ahead for the Group.



Revenue and Financial Results

The consolidated revenue for the third quarter and the first nine months of 2022 was the highest in history for Harju Elekter. Revenue was 46.1 (Q3 2021: 42.2) million euros in the reporting quarter and 125.3 (9M 2021: 109.2) million euros in the nine months. In the comparison of both periods, revenue increased in the areas of activity of manufacturing companies and the real estate sector. Manufacturing and sales of electrical equipment accounted for the majority of the increase, rising by 3.7 million euros in the quarter comparison and 13.5 million euros in the nine-month comparison.

EUR'000	Q3	Q3	+/-	9M	9M	+/-
	2022	2021		2022	2021	
Revenue	46,081	42,168	9.3%	125,315	109,195	14.8%
Gross profit	5,803	5,026	15.5%	9,751	13,177	-26.0%
EBITDA	3,182	2,158	47.5%	1,161	5,281	-78.0%
Operating profit/loss (-) (EBIT)	1,691	1,183	42.9%	-2,482	2,350	-205.6%
Profit/loss (-) for the period	1,406	931	51.0%	-3,085	1,716	-279.8%
Incl. attributable to owners of the parent company	1,493	915	63.2%	-3,024	1,710	-276.8%
Earnings per share (EPS) (euros)	0.08	0.05	60.0%	-0.17	0.10	-270.0%

The Group's business expenses totalled 44.3 (Q3 2021: 41.0) million euros in the reporting quarter and 127.8 (9M 2021: 107.1) million in nine months. The majority of the increase in operating expenses was due to the increase in the cost of sales respectively, 8.4% in the quarter and 20.4% in nine months. The growth rate of the costs of sales was lower than the growth rate of revenue by 0.9 percentage points in the reporting quarter.

Distribution costs decreased by 0.2 million to 1.3 million euros quarter-on-quarter, making up 2.9% of the Group's operating expenses and 2.7% of revenue. Administrative expenses increased by 0.3 million euros to 2.7 million euros quarter-on-quarter, accounting for 6.2% of the Group's operating expenses and 5.9% of revenue. The total distribution costs for the nine months were 4.1 (9M 2021: 4.0) and administrative expenses were 8.2 (9M 2021: 7.0) million euros.

In a quarterly comparison, labour costs increased by 1.8%, amounting to 7.5 million euros. In the nine-month comparison, labour costs increased by 3.0 million, being 25.3 million euros. 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 Q3 was 5,803 (Q3 2021: 5,026) thousand euros and the gross profit margin was 12.6% (Q3 2021: 11.9%). The consolidated operating profit (EBIT) was 1,691 (Q3 2021: 1,183) thousand euros. The operating margin for the third quarter was 3.7% (Q3 2021: 2.8%). The net profit for the Q3 was 1,406 (Q3 2021: 931) thousand euros of which the share of the owners of the parent company was 1,493 (Q3 2021: 915) thousand euros. The earnings per share were 0.08 euros (Q3 2021: 0.05) in the third quarter. Price negotiations conducted in previous quarters and unprofitable contracts being recognised as expenses have significantly improved the profitability of the quarter. The Group continues to focus on improving profitability. The gross profit for the nine months was 9,751 (9M 2021: 13,177) thousand euros and the gross profit margin was 7.8% (9M 2021: 12.1%). During the nine months, the operating loss (EBIT) was -2,482 (9M 2021: operating profit 2,350) thousand euros. In total, the Group's net loss for the nine months was -3,085 (9M 2021: net profit 1,716) thousand euros and earnings per share were -0.17 (9M 2021: 0.1) euros.

Potential Liabilities

The dispute between Energo Veritas OÜ and Enefit Connect OÜ may lead to a liquidity crisis for the subsidiary, which is why Energo Veritas might not be able to meet its obligations within a reasonable time or in full. This necessitates the write-down of the loan claims of the parent company of the Group in the amount of 2.5 million euros and the Group's investment of 1.0 million euros in the subsidiary. In the reporting quarter, the Group wrote down Energo Veritas OÜ's goodwill in the amount of 0.4 million euros. The potential or the realised cost will have no effect on cash flow.

Core Business and Markets

The Group's core business, production, accounted for 89.3% of the Group's consolidated revenue of the reporting quarter and 88.8% of the nine months. The revenue of the production segment increased by 11.4% in the reporting quarter and by 16.2% in nine months, being 41.2 and 111.3 million euros, respectively.

In the third quarter revenue to the Estonian market was 8.9 (Q3 2021: 7.5) and in nine months 22.7 (9M 2021: 19.5) million euros, making up 19.3% and 18.1% (Q3 and 9M 2021: 17.8%) of the consolidated revenue, respectively. The growth mainly came from the increase in the sales volume of substations, cable distribution cabinets and solar panel systems.

In the reporting quarter, revenue in Finland was 1.8 million euros more than the year before, a total of 21.8 million euros. In nine months, 60.6 (9M 2021: 53.0) million euros were earned from the Finnish market. The majority of the increase in revenue came from the sale of substations to Finnish electricity network companies, the growth in the volume of car heating and charging equipment, and solar panel systems. The lower-than-usual revenue in the same



period of 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, 47.3% (Q3 2021: 47.5%) and within nine months 48.3% (9M 2021: 48.6%) of Harju Elekter products and services were sold to the Group's largest market.

Sales to the Swedish market increased by 11.7% compared to the reporting quarters but decreased by 8.5% compared to nine months, being 6.4 and 15.8 million euros, respectively. The nine-month 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 14.0% (Q3 2021: 13.7%) of the consolidated revenue of the reporting quarter and 12.6% (9M 2021: 15.8%) of the nine-month revenue.

During the reporting quarter 5.5 (Q3 2021: 5.1) million euros worth of Group products and services were sold on the Norwegian market. The revenue earned from the Norwegian market in nine months was 12.9 million euros, which was 44% more than in the same period of the previous year. Revenue increases in both periods are due to low order volume in the comparison periods. The Norwegian market accounted for 12.0% (Q3 2021: 12.1%) of the quarter's revenue and 10.3% (9M 2021: 8.2%) of the nine-month revenue.

Investments

During the reporting period, the Group invested a total of 3.1 (9M 2021: 5.0) million euros in non-current assets, incl 1.6 (9M 2021: 0.5) million euros in investment properties, 1.1 (9M 2021: 4.0) million euros in property, plant, and equipment and 0.4 (9M 2021: 0.5) 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, production and process management systems, renovated buildings and plot of land was acquired in Finland.

The value of the Group's non-current financial investments totalled 23.7 (31.12.21: 25.2) million euros as of the reporting date. Harju Elekter increased its stake in the technology company IGL-Technologies Oy from 5.5% to 10% by 0.2 million euros and sold a 14% holding in SIA Energokomplekss, to focus on its core business. A total of 1.3 (9M 2021: 1.0) million euros was received from the SIA Energokomplekss and partial sale of listed securities, of which the realised profit was 0.32 (9M 2021: 0.27) million euros. The fair value of securities decreased by 0.7 million euros in nine months, compared to a year earlier it increased by 0.4 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 5.05 euros. As of 30 September 2022, AS Harju Elekter had 10,167 shareholders. The number of shareholders



increased during the reporting quarter by 325.

CONSOLIDATED STATEMENT OF FINANCIAL
POSITION

Unaudited

EUR'000	30.09.2022	31.12.2021	30.09.2021
ASSETS			
Current assets			
Cash and cash equivalents	504	574	997
Trade and other receivables	34,069	33,689	32,467
Prepayments	1,497	1,844	1,601
Inventories	43,809	27,437	26,150
Total current assets	79,879	63,544	61,215
Non-current assets			
Deferred income tax assets	756	690	572
Non-current financial investments	23,707	25,222	21,321
Investment properties	24,754	23,903	23,369
Property, plant and equipment	25,490	26,654	24,750
Intangible assets	7,372	7,544	7,467
Total non-current assets	82,079	84,013	77,479
TOTAL ASSETS	161,958	147,557	138,694

LIABILITIES AND EQUITY

Liabilities

Borrowings	20,667	16,912	12,585
Prepayments from customers	8,021	4,659	4,958



Trade and other payables	32,720	24,490	23,830
Tax liabilities	3,881	3,156	2,870
Current provisions	535	35	93
Total current liabilities	65,824	49,252	44,336
Borrowings	14,222	11,426	12,252
Other non-current liabilities	32	33	63
Total non-current liabilities	14,254	11,459	12,315
TOTAL LIABILITIES	80,078	60,711	56,651
Equity			
Share capital	11,523	11,352	11,352
Share premium	2,509	1,601	1,601
Reserves	17,756	18,716	14,807
Retained earnings	50,291	55,315	54,427
Total equity attributable to the owners of the parent company	82,079	86,984	82,187
Non-controlling interests	-199	-138	-144
Total equity	81,880	86,846	82,043
TOTAL LIABILITIES AND EQUITY	161,958	147,557	138,694

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	Q3	Q3	9M	9M
	2022	2021	2022	2021
Revenue	46,081	42,168	125,315	109,195



Cost of sales	-40,278	-37,142	-115,564	-96,018
Gross profit	5,803	5,026	9,751	13,177
Distribution costs	-1,264	-1,469	-4,128	-3,999
Administrative expenses	-2,728	-2,393	-8,157	-7,048
Other income	0	39	342	400
Other expenses	-120	-20	-290	-180
Operating profit/loss (-)	1,691	1,183	-2,482	2,350
Finance income	0	3	74	71
Finance costs	-146	-95	-377	-252
Profit/loss (-) before tax	1,545	1,091	-2,785	2,169
Income tax	-139	-160	-300	-453
Profit/loss (-) for the period	-1,406	931	-3,085	1,716

Profit /loss (-) attributable to:				
Owners of the parent company	1,493	915	-3,024	1,710
Non-controlling interests	-87	16	-61	6

Earnings per share				
Basic earnings per share (euros)	0.08	0.05	-0.17	0.10
Diluted earnings per share (euros)	0.08	0.05	-0.17	0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

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EUR '000		Q3	Q3	9M	9M
		2022	2021	2022	2021



Profit/loss (-) for the period	1,406	931	-3,085	1,716
Other comprehensive income				
Items that may be reclassified to profit or loss				
Impact of exchange rate changes of a foreign subsidiaries	-96	-8	-161	-13
Items that will not be reclassified to profit or loss				
Gain on sales of financial assets	0	0	320	265
Net gain/loss (-) on revaluation of financial assets	112	49	-746	8,369
Total comprehensive income for the period	16	41	-587	8,621
Other comprehensive income	1,422	972	-3,672	10,337

Total comprehensive income attributable to:				
Owners of the Company	1,412	956	-3,708	10,331
Non-controlling interests	10	16	36	6

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