

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 Q4 2022.pdf (<http://oam.fi.ee/en/download?id=7033>)
- HE vahearuanne IV kv 2022.pdf (<http://oam.fi.ee/en/download?id=7034>)

Currency

Title Harju Elekter Group financial results, 1-12/2022

The fourth quarter and year of Harju Elekter are marked by record revenues, increasing by almost 15% compared to previous periods. Annual revenue of 175.3 (2021: 152.8) million euros exceeds the Group's turnover record achieved last year. The growth in sales volumes has been supported by sustained customer relationships based on long-term reliable cooperation. However, by the end of a difficult crisis year, the first loss in company history had to be absorbed. We managed to improve the financial results in the second half of the year, but despite our efforts, we had to make one-time significant reserves and write-offs, which did not allow us to make a profit. Without one-time costs, the operating profit for the last quarter would have been 0.4 (2021 Q4: 0.9) and the second half operating profit would have been 2.5 (2021 II half: 2.0) million euros.

We have laid a solid foundation for 2023 and will continue with the process of creating a cohesively functioning Harju Elekter Group. We have modern factories and equipment in Estonia, Finland, Lithuania, and Sweden. In Västerås a new production building of 6,300 m² was completed at the end of the year, which is the latest addition to our industrial real estate portfolio. With the completion of our modern factory, we decided to consolidate the various units of our Swedish subsidiary in Västerås, to ensure savings and a more cohesive and stronger local unit.

The Group has good liquidity and capitalisation, as well as a strong governance structure. In the last quarter of the year, we established a group management team comprised of experts and began the more centralised management of companies, especially in financial management-control, production-supply chain, and sales-marketing. Harju Elekter's strategy, which is integrated with sustainability goals, will focus on increasing the sales volumes and profitability of industrial production and projects in the coming years.



Revenue and financial results

Harju Elekter earned revenue of 50.0 (2021 Q4: 43.6) million euros in the reporting quarter and 175.3 (2021: 152.8) million in the reporting year. Compared to the comparable periods, the quarterly and annual revenue growth was 14.7% and 14.8%. The majority of the increase in consolidated revenue in the reporting quarter was due to the increase in sales of low-voltage equipment, substations and electric car chargers.

EUR '000	Q4	Q4	+/-	12M	12M	+/-
	2022	2021		2022	2021	
Revenue	49,978	43,561	14.7%	175,293	152,757	14.8%
Gross profit	2,517	4,703	-46.5%	12,269	17,880	-31.4%
EBITDA	-943	1,939	-148.6%	217	7,220	-97.0%
Operating profit/loss (-) (EBIT)	-2,063	853	-341.9%	-4,546	3,202	-242.0%
Profit/loss (-) for the period	-2,482	894	-377.6%	-5,567	2,610	-313.3%
Incl. attributable to owners of the parent company	-2,520	888	-383.8%	-5,544	2,598	-313.4%
Earnings per share (EPS) (euros)	-0.14	0.05	-380.0%	-0.31	0.15	-306.7%

The Group's operating expenses totalled 51.9 (2021 Q4: 42.8) million euros in the reporting quarter and 179.8 (2021: 149.8) million in the reporting year. The majority of the increase in operating expenses was due to the increase in the cost of sales respectively, 22.1% in the quarter and 20.9% in the year. The growth rate of costs of sales exceeded the growth rate of revenue by 7.4 and 6.1 percentage points, respectively, in the comparison of the fourth quarters and years.

Distribution costs increased by 0.2 million to 1.4 million euros compared to the fourth quarter the year before, making up 2.8% of the Group's operating expenses and 2.9% of revenue. Administrative expenses increased by 0.4 million euros to 3.0 million euros year-on-year, making up 5.8% of the Group's operating expenses and 6.1% of the revenue. The total distribution costs for 2022 were 5.6 (2021: 5.3) and general administration costs were 11.1 (2021: 9.7) million euros. The write-down of the goodwill of Energo Veritas OÜ in the value of 0.4 million euros was included in the administrative expenses of the financial year, which also affected the annual depreciation of non-current assets.



In a quarterly comparison, labour costs increased by 8.7%, amounting to 9.1 million euros. In yearly comparison, labour costs increased by 3.8 million, being 34.4 million euros. A majority of the growth in labour costs and average wages was attributed to the significant increase in staff and to wage pressure due to labour shortages in all markets.

The gross profit for the fourth quarter was 2,517 (2021 Q4: 4,703) thousand euros and the gross profit margin was 5.0% (2021 Q4: 10.8%). Operating loss (EBIT) was -2,063 (2021 Q4: operating profit 853) thousand euros. The operating margin of the fourth quarter was -4.1% (2021 Q4: 2.0%). The net loss for the reporting quarter was -2,482 (2021 Q4: net profit 894) thousand euros, of which the share of the owners of the parent company was -2,520 (2021 Q4: 888) thousand euros. Net loss per share in the last quarter was -0.14 (2021 Q4: net profit per share 0.05) euros. The result of the fourth quarter was most affected by a one-time expense of 1.0 million euros of inventory write-down and an increase of the provision to cover unprofitable contracts by 1.5 million euros. The gross profit for 2022 was 12,269 (2021: 17,880) thousand euros and the gross profit margin was 7.0% (2021: 11.7%). The difficult year brought Harju Elekter a first operating loss (EBIT) of -4,546 (2021: operating profit 3,202) and a net loss of -5,567 (2021: net profit 2,610) thousand euros. Net loss per share was -0.31 (2021: net profit per share 0.15) euros.

Core business and markets

The production segment accounted for 92.5% of the revenue for the quarter and 89.9% of the revenue for 2022. The revenue of the production segment increased by 22.7% in the reporting quarter and by 18.0% during the year, being 46.2 and 157.6 million euros, respectively.

Sales to the Estonian market was 7.6 (2021 Q4: 6.5) in the reporting quarter and 30.3 (2021: 26.0) million euros in the reporting year, making up 15.2% and 17.3% of the consolidated revenue, respectively (2021 Q4 and 12M: 15.0% and 17.0%). The growth came mainly from the increase in the sales volume of substations and cable distribution cabinets.

In the reporting quarter, revenue from the Finnish market was 18.7% more than the year before, totaling 21.3 million euros. In 2022, with 81.8 (2021: 70.9) million euros earned, the Finnish market grew the most in monetary value compared to the main markets. In the reporting quarter, 42.5% (2021 Q4: 41.1%) and within the reporting year 46.7% (2021: 46.4%) of Harju Elekter products and services were sold to the Group's largest market.

Sales to the Swedish market decreased by 31.8% compared to the reporting quarters and by 17.3% compared to twelve months, being 7.0 and 22.8 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 14.2% (2021 Q4: 23.8%) of the consolidated revenue of the reporting quarter and 13.0% (2021: 18.1%) of the



year 2022 revenue.

The fourth quarter's revenue from the Norwegian market doubled compared to the previous year, amounting to 8.9 (2021 Q4: 4.2) million euros. The revenue earned in 2022 from the Norwegian market was 21.8 million euros, which is 65.4% more than the previous year. The increase in revenue in both periods is due to the low order volume of the shipping sector in the comparison period. The Norwegian market accounted for 17.8% (2021 Q4: 9.7%) of the consolidated revenue of the reporting quarter and 12.4% (2021: 8.6%) of the annual revenue.

Investments

During the reporting period, the Group invested a total of 15.2 (2021: 7.7) million euros in non-current assets, incl 1.8 (2021: 1.3) million euros in investment properties, 12.9 (2021: 5.7) million euros in property, plant, and equipment and 0.5 (2021: 0.7) million euros in intangible assets. In the last quarter, the Swedish subsidiary acquired a real estate company, LC Development Fastigheter 17 AB, which was created specifically for the construction of the Västerås factory. The total acquisition price of the land and building was 10.5 million euros. During the previous quarters, most of the investments 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, renovating buildings and a 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 holding 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.

Share

The company's share price on the last trading day of the reporting quarter on the Nasdaq Tallinn Stock Exchange closed at 5.01 euros. As of 31 December 2022, AS Harju Elekter had 10,584 shareholders. The number of shareholders increased during the reporting quarter by 417.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited

EUR '000	31.12.2022	31.12.2021
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ASSETS

Current assets



Cash and cash equivalents	9,152	574
Trade and other receivables	31,612	33,689
Prepayments	1,126	1,844
Inventories	37,068	27,437
Total current assets	79,958	63,544

Non-current assets		
Deferred income tax assets	1,008	690
Non-current financial investments	23,731	25,222
Investment properties	24,756	23,903
Property, plant and equipment	35,740	26,654
Intangible assets	7,244	7,544
Total non-current assets	92,479	84,013

TOTAL ASSETS	171,437	147,557

LIABILITIES AND EQUITY		
Liabilities		
Borrowings	24,385	16,912
Prepayments from customers	16,827	4,659
Trade and other payables	24,502	24,490
Tax liabilities	3,478	3,156
Current provisions	2,103	35
Total current liabilities	71,295	49,252

Borrowings	20,732	11,426
Other non-current liabilities	0	33
Total non-current liabilities	20,732	11,459

TOTAL LIABILITIES	92,027	60,711



Equity		
Share capital	11,523	11,352
Share premium	2,509	1,601
Reserves	17,768	18,716
Retained earnings	47,771	55,315
Total equity attributable to the owners of the parent company	79,571	86,984
Non-controlling interests	-161	-138
Total equity	79,410	86,846

TOTAL LIABILITIES AND EQUITY	171,437	147,557

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	Q4		12M	
	2022	2021	2022	2021

Revenue	49,978	43,561	175,293	152,757
Cost of sales	-47,461	-38,858	-163,024	-134,877
Gross profit	2,517	4,703	12,269	17,880
Distribution costs	- 1,449	- 1,260	-5,578	-5,259
Administrative expenses	-3,037	-2,655	-11,194	-9,703
Other income	9	114	351	513
Other expenses	-103	-49	-394	-229
Operating profit/loss (-)	-2,063	853	-4,546	3,202



Finance income	48	57	122	129
Finance costs	-476	-101	-853	-353
Profit/loss (-) before tax	-2,491	809	-5,277	2,978
Income tax	9	85	-290	-368
Profit/loss (-) for the period	-2,482	894	-5,567	2,610

Profit /loss (-) attributable to:				
Owners of the parent company	-2,520	888	-5,544	2,598
Non-controlling interests	38	6	-23	12

Earnings per share				
Basic earnings per share (euros)	-0.14	0.05	-0.31	0.15
Diluted earnings per share (euros)	-0.14	0.05	-0.30	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

EUR '000	Q4		12M	
	2022	2021	2022	2021

Profit/loss (-) for the period	-2,482	894	-5,567	2,610
Other comprehensive income				
Items that may be reclassified to profit or loss				
Impact of exchange rate changes of a foreign subsidiaries	-47	-44	-208	-57
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	20 3,900	-726 12,269
Total comprehensive income for the period	-27 3,856	-614 12,477
Other comprehensive income	-2,509 4,750	-6,181 15,087

Total comprehensive income attributable to:		
Owners of the Company	-2,547 4,744	-6,158 15,075
Non-controlling interests	38 6	-23 12

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