

Company AS Harju Elekter Group  
 Type Company Release  
 Category Half-yearly financial report  
 Disclosure time 26 Jul 2023 07:30:00 +0300

## Attachments:

- HEG Interim Report Q2 2023.pdf (<http://oam.fi.ee/en/download?id=7582>)
- HEG vahearuanne II kv 2023.pdf (<http://oam.fi.ee/en/download?id=7583>)

## Currency

Title Harju Elekter Group financial results, 1-6/2023

Harju Elekter Group continued to implement the new strategic plan at the desired level and showed a strong growth trend in the second quarter of 2023. Last quarter, we achieved a record turnover and operating profit. Successful price negotiations in framework procurements, as well as with other contractors helped to secure a strong result. In addition, we have introduced new pricing models to better mitigate the risks of changing input prices. At the same time, supply chains for the production of electrical equipment have improved, and the prices of materials and components have stabilised at higher price levels. The Group continues to improve efficiency to increase profitability.

## Revenue and financial results

As a result of successful sales and production activities, the revenue in the reporting quarter was 35.4% more than a year earlier, 56.8 million euros. Revenue for the six months increased by 28.8% compared to the comparable period, reaching 102.0 (2022 6M: 79.2) million euros. The Group achieved increased sales of low-voltage switchgears, frequency converters, and e-houses. Additionally, larger projects that involved energy-saving solutions for the modernisation and construction of low-carbon ships were successfully completed.

EUR '000	Q2	Q2	+/-	6 M	6 M	+/-
	2023	2022		2023	2022	
Revenue	56,762	41,914	35.4%	102,030	79,235	28.8%
Gross profit	6,611	963	586.5%	11,996	3,949	203.8%
EBITDA	3,243	-1,953	266.1%	5,625	-2,022	378.2%



Operating profit/loss (-) (EBIT)	2,168	-3,048	171.1%	3,477	-4,174	183.3%
Profit/loss (-) for the period	884	-3,197	127.7%	1,633	-4,491	136.4%
Incl. attributable to owners of the parent company	982	-3,209	130.6%	1,763	-4,517	139.0%
Earnings per share (EPS) (euros)	0.05	-0.18	127.8%	0.10	-0.25	140.0%

Operating expenses for the reporting quarter totaled 54.2 (2022 Q2: 45.2), and for the first half of the year were 98.0 (2022 6M: 83.6) million euros. The majority of the increase in operating expenses was caused by the increase in the costs of sales, 22.5% year-on-year and 19.6% in six months. The growth of the costs of sales was significantly lower than the growth rate of revenue in both periods, by 12.9 percentage points in the quarter comparison and 9.2 percentage points in the half year comparison.

In relation to comparable periods, both distribution and administrative costs were reduced by optimising costs. Distribution costs in the reporting quarter were 1.3 (2022 Q2: 1.5) and administration expenses were 2.7 (2022 Q2: 2.8) million euros. The total distribution costs for the first half of the year were 2.7 (2022 6M: 2.9) and administration expenses were 5.3 (2022 6M: 5.4) million euros.

Labour costs also increased in the comparison of quarters and half-years, being 10.7 (2022 Q2: 9.1) and 20.2 (2022 6M: 17.9) million euros, respectively. The majority of the increase in labour costs originates from staff growth, and the growth in average wages was influenced by wage pressure from the overall economy.

The gross profit for the reporting quarter was 6,611 (2022 Q2: 963) thousand euros and the gross margin was 11.6% (2022 Q2: 2.3%). Operating profit (EBIT) was 2,168 (2022 Q2: operating loss -3,048) thousand euros. The business profitability of the second quarter was 3.8% (2022 Q2: -7.3%). The net profit for the reporting quarter was 884 (2022 Q2: net loss -3,197) thousand euros, of which the share of the owners of the parent company was 982 (2022 Q2: -3,209) thousand euros. Net profit per share in the second quarter was 0.05 (2022 Q2: net loss per share -0.18) euros.

The gross profit for the first half of the year was 11,996 (2022 6M: 3,949) thousand euros and the gross margin was 11.8% (2022 6M: 5.0%). During the six months, operating profit (EBIT) was 3,477 (2022 6M: operating loss -4,174) and net profit 1,633 (2022 6M: net loss -4,491) thousand euros. Net profit per share was 0.10 (2022 6M: net loss per share -0.25) euros.

Core business and markets



During the reporting quarter, the Group's core activity - production - accounted for 95.1% of its revenue. The revenue of the production segment increased by 44.3% in the reporting quarter and 37.7% compared to six months, being 54.0 and 96.6 million euros, respectively.

In the second quarter, 5.6 (2022 Q2: 6.9) million euros were earned from Estonia, which was 18.8% less than a year earlier. Compared to six months, the revenue also decreased by 23.5%, to 10.5 million euros. The decrease in revenue in both periods is mostly related to the termination of the retail and project-based sale of electrical products in Estonia.

Compared to both periods, the revenue of the Finnish market was 11% more than a year earlier, amounting to 24.5 in the quarter and 43.1 million euros in the first half of the year. The majority of the increase in revenue came from the sale of automation equipment and low-voltage switchgears to key customers and from the growth of orders for car heating and charging equipment. During the reporting quarter, 43.2% (2022 Q2: 52.6%) of Harju Elekter products and services were sold to the Group's largest market.

The revenue of the Swedish market increased due to the rise in the sale of substations and the growth of project business, being 9.1 (2022 Q2: 3.5) in the reporting quarter and 15.6 (2022 6M: 9.3) million in the half-year. Swedish market accounted for 16.1% (2022 Q2: 8.3%) of the revenue of the reporting quarter.

Sales to the Norwegian market in the second quarter multiplied, achieving the largest sales growth across all markets. Several long-term projects were realised for key customers, allowing revenue to be earned in the amount of 11.5 (2022 Q2: 2.9) million euros in the reporting quarter and 15.5 (2022 6M: 7.4) million euros in the half-year. The Norwegian market accounted for 20.2% (2022 Q2: 6.9%) of the revenue of the reporting quarter.

#### Investments

During the reporting period, the Group invested a total of 2.6 (2022 6M: 2.2) million euros in non-current assets, incl 2.1 (2022 6M: 1.2) in investment properties, 0.4 (2022 6M: 0.7) in property, plant, and equipment and 0.1 (2022 6M: 0.3) million euros in intangible assets. Most of the investments during the reporting period were made in the construction of the production building to be rented out to Reimax Electronics OÜ in the Allika Industrial Park, scheduled to be completed by the end of the year. In addition, investments were made in other real estate objects, production technology equipment, and production and process management systems.

The value of the Group's non-current financial investments totalled 32.6 (31.12.22: 23.7) million euros as of the reporting date. Due to the revaluation of financial assets performed in the reporting quarter, the estimated fair value of OÜ Skeleton Technologies Group's investment increased by 8.8 million euros to 30.6 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 5.0 euros. As of 30 June 2023, AS Harju Elekter Group had 11,174 shareholders. The number of shareholders decreased during the reporting quarter by 58 members.

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

#### Unaudited

EUR '000	30.06.2023	31.12.2022	30.06.2022
ASSETS			
Current assets			
Cash and cash equivalents	2,339	9,152	629
Trade and other receivables	38,447	31,612	31,134
Prepayments	2,143	1,126	1,729
Inventories	46,747	37,068	38,185
Total current assets	89,676	78,958	71,677
Non-current assets			
Deferred income tax assets	985	1,008	762
Non-current financial investments	32,593	23,731	23,596
Investment properties	26,314	24,756	24,647
Property, plant, and equipment	33,919	35,740	25,794
Intangible assets	7,267	7,244	7,711
Total non-current assets	101,078	92,479	82,510
TOTAL ASSETS	190,754	171,437	154,187
LIABILITIES AND EQUITY			
Liabilities			



Borrowings	20,768	24,385	20,398
Prepayments from customers	18,769	16,827	8,558
Trade and other payables	32,034	24,502	27,615
Tax liabilities	4,219	3,478	3,525
Current provisions	1,950	2,103	551
Total current liabilities	77,770	71,295	60,647
<hr/>			
Borrowings	23,780	20,732	14,158
Other non-current liabilities	0	0	33
Total non-current liabilities	23,780	20,732	14,191
<hr/>			
TOTAL LIABILITIES	101,550	92,027	74,838
<hr/>			
Equity			
Share capital	11,523	11,523	11,352
Share premium	2,509	2,509	1,601
Reserves	26,843	17,768	17,913
Retained earnings	48,620	47,771	48,595
Total equity attributable to the owners of the parent company	89,495	79,571	79,461
Non-controlling interests	-291	-161	-112
Total equity	89,204	79,410	79,349
<hr/>			
TOTAL LIABILITIES AND EQUITY	190,754	171,437	154,187
<hr/>			

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	Q2	Q2	6M	6M
----------	----	----	----	----



	2023	2022	2023	2022
Revenue	56,762	41,914	102,030	79,235
Cost of sales	-50,151	-40,951	-90,034	-75,286
Gross profit	6,611	963	11,996	3,949
Distribution costs	-1,313	-1,515	-2,668	-2,866
Administrative expenses	-2,711	-2,764	-5,291	-5,429
Other income	181	322	199	378
Other expenses	-600	-54	-759	-206
Operating profit/loss (-)	2,168	-3,048	3,477	-4,174
Finance income	-7	34	68	74
Finance costs	-1,021	-111	-1,570	-230
Profit/loss (-) before tax	1,140	-3,125	1,975	-4,330
Income tax	-256	-72	-342	-161
Profit/loss (-) for the period	884	-3,197	1,633	-4,491
Profit /loss (-) attributable to:				
Owners of the parent company	982	-3,209	1,763	-4,517
Non-controlling interests	-98	12	-130	26
Earnings per share				
Basic earnings per share (euros)	0.05	-0.18	0.10	-0.25
Diluted earnings per share (euros)	0.05	-0.18	0.10	-0.25

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited



EUR '000	Q2	Q2	6M	6M
	2023	2022	2023	2022
Profit/loss (-) for the period	884	-3,197	1,633	-4,491
Other comprehensive income (loss)				
Items that may be reclassified to profit or loss				
Impact of exchange rate changes of a foreign subsidiaries	164	-86	123	-65
Items that will not be reclassified to profit or loss				
Gain on sales of financial assets	0	169	0	320
Net gain/loss (-) on revaluation of financial assets	8,830	-336	8,866	-858
Total comprehensive income (loss) for the period	8,994	-253	8,989	-603
Other comprehensive income (loss)	9,878	-3,450	10,622	-5,094
Total comprehensive income (loss) attributable to:				
Owners of the Company	9,976	-3,462	10,752	-5,120
Non-controlling interests	-32	12	-130	26

Priit Treial  
CFO and Member of the Management Board  
+372 674 7400

