

Company AS Harju Elekter Group  
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Attachments:

- HEG Interim Report Q4 2023.pdf (<http://oam.fi.ee/en/download?id=8023>)
- HEG vahearuanne IV kv 2023.pdf (<http://oam.fi.ee/en/download?id=8024>)

Currency

Title Harju Elekter Group financial results, 1-12/2023

Commentary from the management

2023 will remain in Harju Elekter's history as a year of transformation. We managed to turn the deep loss of the previous year into a strong profit, while achieving the largest operating profit in the Group's history and a satisfactory net profit despite increased interest rates.

The fourth quarter results were weaker than usual due to the seasonality of the business, but compared to the same period last year, the results have continued to improve. In particular, we can be content with the change in operating profit (EBIT), which remained at a satisfactory level even after the year-end revaluation of the profitability of the projects and assets. Instead of losses in 2022, the Group earned both operating and net profit in 2023.

The year was marked by a number of fundamental decisions and pivotal changes to be proud of. The merger of the Estonian subsidiaries was more successful than expected, as demonstrated by the strong financial results. We can also be proud of the Lithuanian manufacturing company, which by today has grown to become the largest unit in the Group, and which we can commend for the strongest financial performance among all companies of the Group. In Finland, which continues to be our principal market, we exited from lower-volume business lines last year and focused on core activities and the strengthening thereof. Although the anticipated forecasts of turning the Swedish unit profitable did not materialise in the reporting year, we will continue our determined work towards making the company profitable in 2024.

As a whole, the structural reforms launched at the end of 2022 and introduced last year, as well as the implementation of the Strategic Action Plan, have been successful. In the spring, we will start setting the strategic targets for the Group's next growth period, driven by the need to increase the Group's EBIT



margin and, in line with the expectations of shareholders, by the continued desire to increase the dividend. The Group's central strategic objective in the coming years will be profitable growth.

#### Revenue and financial results

The Group's revenue in the fourth quarter was 50.7 million euros, similar to the previous year's revenue result of 50.0 million euros. However, in a full year comparison, we achieved faster increase in revenue at 19.2% per year. This was underpinned by strong framework agreements and increased demand for the Group's services. In total, the Group's revenue for 2023 was 209.0 (2022: 175.3) million euros.

EUR '000	Q4	Q4	+/-	12M	12M	+/-
	2023	2022		2023	2022	
Revenue	50,737	49,978	1.5%	209,014	175,293	19.2%
Gross profit	4,218	2,517	67.6%	23,588	12,269	92.3%
EBITDA	1,920	-943	303.6%	12,444	217	5634.6%
Operating profit/loss (-) (EBIT)	758	-2,063	136.7%	8,078	-4,546	277.7%
Profit/loss (-) for the period	135	-2,482	105.4%	5,160	-5,567	192.7%
Earnings per share (EPS) (euros)	0.01	-0.14	105.3%	0.28	-0.31	191.7%

The Group's operating expenses decreased by 2.9% comparing the fourth quarters, being a total of 50.4 million euros. Lower costs were observed in all cost groups, especially in distribution costs and administrative expenses. Labour costs, on the other hand, increased by 15%.

Distribution costs were 1.3 (Q4 2022: 1.4) and administrative expenses 2.7 (Q4 2022: 3.0) million euros in the quarter. The total distribution costs of the year were 5.3 (2022: 5.6) million euros and administrative expenses 10.1 (2022: 11.2) million euros.

Labour costs increased in both periods, being 10.5 (Q4 2022: 9.1) and 39.9 (2022: 34.4) 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 quarter was 4,218 (Q4 2022: 2,517) thousand euros and



the gross profit margin was 8.3% (Q4 2022: 5.0%). The fourth quarter operating profit (EBIT) was 758 (Q4 2022 operating loss: -2,063) thousand euros and the operating margin was 1.5% (Q4 2022: -4.1%). Net profit for the fourth quarter was 135 (2022: -2,520) thousand euros, which is 0.01 euros per share. This is a significant improvement compared to the fourth quarter of 2022, when net profit per share was -0.14 euros.

The gross profit for the year was 23,588 (2022: 12,269) thousand euros and the gross margin was 11.3% (2022: 7.0%). During the year, operating profit (EBIT) of 8,078 (2022: operating loss -4,546) and net profit of 5,160 (2022: net loss -5,544) thousand euros were earned. Net profit per share was 0.28 (2022: net loss per share -0.31) euros.

#### Core business and markets

The Group's core business, Production, accounted for 94.0% (Q4 2022: 92.5%) of the revenue of the quarter. The production segment's revenue increased by 3.2% quarterly and by 25.6% annually, amounting to 47.7 and 197.9 million euros respectively.

The Group's largest target markets are Estonia, Finland, Sweden, and Norway, where a total of 78.4% (Q4 2022: 89.7%) of the Group's products and services were sold in the quarter.

In the fourth quarter, 5.2 (Q4 2022: 7.6) million euros were earned from Estonia, which was 2.4 million euros less than a year earlier. Compared to year before, the revenue decreased by 9.4 million to 20.9 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 but sales of electrical equipment to contract customers also decreased. The increased volume in the previous year originated mainly from the contract for hermetic distribution transformers and distribution cabinets. The Estonian market accounted for 10.3% (Q4 2022: 15.2%) of the revenue of the quarter.

Compared to the quarters, revenue in Finland decreased by 7.7% to 19.6 (Q4 2022: 21.3) million euros. Revenue growth was hindered by a decline in investment in electricity networks due to regulatory changes in network charges. During the year, a total of 83.3 (2022: 81.8) million euros were earned from Finland, mainly from the supply of package substations and low-voltage distribution equipment. The Group's largest market sold 38.7% (Q4 2022: 42.5%) of Harju Elekter products and services in the reporting quarter.

The revenue of the Swedish market increased due to the rise in the sale of substations and the growth of project business, being 9.2 (Q4 2022: 7.1) in the quarter and 32.5 (2022: 22.8) million euros in the summary of the year. Sweden accounted for 18.1% (Q4 2022: 14.2%) of the revenue of the reporting quarter.

Revenue from the Norwegian market was 5.7 (Q4 2022: 8.9) in the quarter, and 33.8 (2022: 21.8) million euros during the year. Revenue was mainly generated



from the production of frequency converter systems and electrical and automation panels for the maritime and shipping sector. The Norwegian market accounted for 11.3% (Q4 2022: 17.8%) of the revenue of the reporting quarter.

Revenue from other markets increased by 5.8 to 11.0 million euros year-on-year. Revenue increased mainly from the Germany and Netherlands markets. In annual comparison, revenue from other markets increased by 20.0 million euros to 38.5 million euros. Most of the growth came from sales to the USA, where frequency converter equipment and MCC systems were shipped to the United States Steel Corporation's Big River Steel plant. Other markets accounted for 21.6% (Q4 2022: 10.3%) of the revenue of the reporting quarter.

#### Investments

During the reporting period, the Group invested a total of 6.9 (2022: 15.2) million euros in non-current assets, incl 5.2 (2022: 1.8) in investment properties, 1.4 (2022: 12.9) in property, plant, and equipment and 0.4 (2022: 0.5) 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, which was completed at 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 29.2 (31.12.22: 23.7) million euros as of the reporting date. The main part of the revaluation of financial assets in 2023 came from the estimated fair value change of OÜ Skeleton Technologies Group's investment, which increased by 5.4 million euros to 27.2 million euros. The fair value of listed securities increased by 0.1 million euros during the year, compared to a decrease by 0.7 million euros a year earlier. There were no acquisitions or sales of listed securities during the year.

#### Share

The company's share price on the last trading day of the reporting quarter on the Nasdaq Tallinn Stock Exchange closed at 4.97 euros. As of 31 December 2023, AS Harju Elekter Group had 11,164 shareholders. During the quarter, the number of shareholders decreased by 105 and increased by 580 during the entire year.

#### Dividend Proposal

In coordination with the Supervisory Board, the Group's Management Board will propose to pay dividends to the shareholders 0.13 euros per share, totalling 2.4 million euros and representing 47% of consolidated net profit in 2023.

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited



EUR '000	31.12.2023	31.12.2022
ASSETS		
Current assets		
Cash and cash equivalents	1,381	9,152
Trade and other receivables	38,837	31,612
Prepayments	1,071	1,126
Inventories	36,834	37,068
Total current assets	78,123	78,958
Non-current assets		
Deferred income tax assets	731	1,008
Non-current financial investments	29,244	23,731
Investment properties	28,856	24,756
Property, plant, and equipment	34,067	35,740
Intangible assets	7,354	7,244
Total non-current assets	100,252	92,479
TOTAL ASSETS	178,375	171,437
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	19,387	24,385
Prepayments from customers	18,870	16,827
Trade and other payables	23,159	24,502
Tax liabilities	3,308	3,478
Current provisions	140	2,103
Total current liabilities	64,864	71,295



Borrowings	23,481	20,732
Other non-current liabilities	32	0
Total non-current liabilities	23,513	20,732
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TOTAL LIABILITIES	88 377	92 027
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Equity		
Share capital	11,655	11,523
Share premium	3,306	2,509
Reserves	23,055	17,768
Retained earnings	51,982	47,771
Total equity attributable to the owners of the parent company	89,998	79,571
Non-controlling interests	0	-161
Total equity	89,998	79,410
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TOTAL LIABILITIES AND EQUITY	178,375	171,437
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#### CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	Q4		12M	
	2023	2022	2023	2022
Revenue	50,737	49,978	209,014	175,293
Cost of sales	-46,519	-47,461	-185,426	-163,024
Gross profit	4,218	2,517	23,588	12,269
Distribution costs	-1,260	-1,449	-5,320	-5,578
Administrative expenses	-2,657	-3,037	-10,112	-11,194



Other income	495	2	314	308
Other expenses	-38	-96	-392	-351
Operating profit/loss (-)	758	-2,063	8,078	-4,546
Finance income	456	5	97	78
Finance costs	-624	-433	-2,103	-809
Profit/loss (-) before tax	590	-2,491	6,072	-5,277
Income tax	-455	9	-912	-290
Profit/loss (-) for the period	135	-2,482	5,160	-5,567
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Profit /loss (-) attributable to:				
Owners of the parent company	135	-2,520	5,160	-5,544
Non-controlling interests	0	38	0	-23
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Earnings per share				
Basic earnings per share (euros)	0.01	-0.14	0.28	-0.31
Diluted earnings per share (euros)	0.01	-0.14	0.28	-0.30
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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

EUR '000	Q4		Q4		12M		12M	
	2023	2022	2023	2022	2023	2022	2023	2022
Profit/loss (-) for the period	135	-2,482	5,160	-5,567				
Other comprehensive income (loss)								
Items that may be reclassified to profit or loss								



Impact of exchange rate changes of a foreign subsidiaries	-212	-47	-139	-208
Items that will not be reclassified to profit or loss				
Gain on sales of financial assets	0	0	0	320
Net gain/loss (-) on revaluation of financial assets	-3,266	20	5,516	-726
Total comprehensive income (loss) for the period	-3,478	-27	5,377	-614
Other comprehensive income (loss)	-3,343	-2,509	10,537	-6,181
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Total comprehensive income (loss) attributable to:				
Owners of the Company	-3,343	-2,547	10,537	-6,158
Non-controlling interests	0	38	0	-23
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