

Company AS Harju Elekter Group
Type Company Release
Category Management interim statement or quaterly financial report
Disclosure time 24 Apr 2024 07:00:00 +0300

Attachments:

- HEG Interim Report Q1 2024.pdf (<http://oam.fi.ee/en/download?id=8328>)
- HEG vahearuanne I kv 2024.pdf (<http://oam.fi.ee/en/download?id=8329>)

Currency

Title Harju Elekter Group financial results, 1-3/2024

Commentary from the management

Harju Elekter's 2024 began with more modest results than in the year before. In the longer term, however, it was still a strong first quarter. Despite our efforts to minimise seasonality, the Q1 and Q4 results tend to be weaker than the Q2 and Q3 results. In this year as well, the significant increase in production volumes started in March, and based on orders is expected to continue until the end of autumn.

The biggest contribution to the financial results originated from production in Lithuania, and from production in Estonia to some extent. The Finnish production unit has a number of activities ahead to restore its profitability, and we can be increasingly optimistic about the Swedish unit's return to profitability, which has taken longer time than anticipated. Amendments to the Finnish national energy network regulations that govern distribution networks had a significant economic impact on sales results in Estonia and Finland, resulting in reduced investments for the current and coming years.

On 11 March this year, the Regulation of the European Parliament and of the Council banning the use of fluorinated greenhouse gases (SF6) in electrical equipment from 2026 entered into force. For Harju Elekter, this will very likely mean that a number of electricity grid contracts will be amended or cancelled in 2025. As equipment manufacturers are only starting up their production of SF6-free equipment, a shortage situation could emerge in the market, affecting both the availability of equipment and leading to a sharp increase in prices. This, in turn, will lead to significant fluctuations in the volume of orders for complex substations before and after the commissioning date of said equipment.

By today, we have completed the restructuring commenced in the second half of 2022, which transformed the management of the Group and its subsidiaries,



sharpened the focus on core activities, and provided for other important steps to be ready for the implementation of the new strategic development plan. There is no development without growth, which is why we will keep looking for opportunities to continue profitable growth in both existing and new locations.

Revenue and financial results

The Group's revenue in the first quarter was 46.8 million euros, representing a 3.3% growth compared to the same period last year. Sales of electrical equipment showed stable growth and made a significant contribution to the company's revenue, amounting to 42.2 million euros and accounting for 90.3% of total quarterly revenue. The majority of electrical equipment sales consisted of substations, low-voltage distribution equipment, technical buildings, and subcontracting services.

EUR '000	3M	3M	+/-
	2024	2023	
Revenue	46,775	45,269	3.3%
Gross profit	4,836	5,386	-10.2%
EBITDA	1,941	2,382	-18.5%
Operating profit (EBIT)	976	1,309	-25.4%
Profit for the period	361	749	-51.8%
Earnings per share (EPS) (euros)	0.02	0.04	-50.0%

The Group's operating expenses in the reporting quarter totaled 45.7 (Q1 2023: 43.8) million euros. The main part of the increase in operating expenses came from a 5.2% rise in the costs of goods sold and services, which lagged behind the growth rate of revenue by 1.9 percentage points in the first quarters.

Marketing expenses decreased by 11.8% to 1.2 million euros, representing 2.6% of both the Group's operating expenses and revenue. Administrative expenses decreased by 2.4% to 2.5 million euros compared to previous quarters, representing 5.5% of the Group's operating expenses and 5.4% of revenue for the reporting quarter. Labour costs increased by 5.7% compared to previous quarters, amounting to 10.0 million euros.

While revenue increased, profitability declined compared to the previous year. The three-month gross profit was 4.8 (2023 Q1: 5.4) million euros, resulting in a gross profit margin of 10.3% (2023 Q1: 11.9%). Operating profit (EBIT)



amounted to 1.0 (2023 Q1: 1.3) million euros, with an operating margin of 2.1% (2023 Q1: 2.9%). Net profit for the first quarter was 0.4 (2023 Q1: 0.7) million euros. Earnings per share for the first quarter were 0.02 (2023 Q1: 0.04) euros.

Core business and markets

The Group's core business, Production, accounted for 94.9% of the revenue of the quarter. The production segment's revenue increased by 4.2%, amounting to 44.4 million euros.

The Group's largest target markets, Estonia, Finland, Sweden, and Norway, together accounted for 80.6% of total revenue in the first quarter, representing a significant increase compared to the previous year (2023 Q1: 75.3%).

Estonia and Finland markets were more modest compared to the previous year. In the reporting quarter, revenue from Estonia amounted to 4.5 (2023 Q1: 5.0) million euros, comprising 9.6% (2023 Q1: 10.9%) of consolidated revenue. Sales of substations and cable distribution cabinets to electricity distribution sector clients decreased, while rental income from real estate properties increased. From the Finnish market, revenue amounted to 17.0 million euros, which is 8.9% less than the previous year. The majority portion of the revenue decline was due to reduced sales of electrical equipment and electrical works. Sales of substations to electricity distribution sector customers and electric vehicle chargers remained modest.

There was a significant growth in the Norwegian market, where revenue doubled to 9.3 million euros, primarily from the sale of low-voltage equipment to maritime sector customers. The Norwegian market accounted for 19.9% of consolidated revenue in the reporting quarter. Revenue from the Swedish market also slightly increased, reaching 6.9 (2023 Q1: 6.5) million euros, indicating stable development in this market segment.

Investments

During the reporting period, Harju Elekter invested a total of 0.7 (Q1 2023: 0.6) million euros in non-current assets, including 0.4 (2023 Q1: 0.3) million euros in investment properties, 0.1 (2023 Q1: 0.3) million euros in property, plant, and equipment and 0.2 (2023 Q1: 0.1) million euros in intangible assets. The investments primarily focused on extensive renovation and reconstruction works in the Keila Industrial Park, aimed at meeting the long-term needs of a tenant, Prysmian Group Baltics. Additionally, investments were made in production technology equipment and production and process management systems.

The total value of the Group's long-term financial investments as of the reporting date was 29.3 (31.12.23: 29.2) million euros.

Shares



The company's share price on the last trading day of the reporting quarter on the Nasdaq Tallinn Stock Exchange closed at 4.79 euros. As of 31 March 2024, AS Harju Elekter Group had 11,103 shareholders.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unaudited

EUR '000	31.03.2024	31.12.2023	31.03.2023
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ASSETS

Current assets

Cash and cash equivalents	1,444	1,381	1,028
Trade and other receivables	49,050	38,837	37,627
Prepayments	1,400	1,071	1,945
Inventories	35,900	36,834	44,704
Total current assets	87,794	78,123	85,304

Non-current assets

Deferred income tax assets	868	731	1,002
Non-current financial investments	29,313	29,244	23,767
Investment properties	28,922	28,856	24,766
Property, plant, and equipment	33,549	34,067	35,042
Intangible assets	7,440	7,354	7,284
Total non-current assets	100,092	100,252	91,861

TOTAL ASSETS	187,886	178,375	177,165
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LIABILITIES AND EQUITY

Liabilities

Borrowings	22,576	19,387	18,366
Prepayments from customers	20,946	18,870	21,310



Trade and other payables	27,432	23,159	31,888
Tax liabilities	2,978	3,308	3,033
Current provisions	150	140	1,950
Total current liabilities	74,082	64,864	76,547
Borrowings	23,207	23,481	20,412
Other non-current liabilities	32	32	0
Total non-current liabilities	23,239	23,513	20,412
TOTAL LIABILITIES	97,321	88,377	96,959
Equity			
Share capital	11,655	11,655	11,523
Share premium	3,306	3,306	2,509
Reserves	23,261	23,055	17,815
Retained earnings	52,343	51,982	48,552
Total equity attributable to the owners of the parent company	90,565	89,998	80,399
Non-controlling interests	0	0	-193
Total equity	90,565	89,998	80,206
TOTAL LIABILITIES AND EQUITY	187,886	178,375	177,165

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	3M	3M
	2024	2023
Revenue	46,775	45,269



Cost of sales	-41,939	-39,883
Gross profit	4,836	5,386
Distribution costs	-1,195	-1,356
Administrative expenses	-2,517	-2,580
Other income	19	18
Other expenses	-167	-159
Operating profit	976	1,309
Finance income	92	75
Finance costs	-590	-549
Profit before tax	478	835
Income tax	-117	-86
Profit for the period	361	749

Profit attributable to:		
Owners of the parent company	361	781
Non-controlling interests	0	-32

Earnings per share		
Basic earnings per share (euros)	0.02	0.04
Diluted earnings per share (euros)	0.02	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

EUR '000	3M	3M
	2024	2023

Profit for the period	361	749



Other comprehensive income		
Items that may be reclassified to profit		
Impact of exchange rate changes of a foreign subsidiaries	106	-41
Items that will not be reclassified to profit		
Gain on sales of financial assets	0	0
Net gain on revaluation of financial assets	70	36
Total comprehensive income for the period	176	-5
Other comprehensive income	537	744

Total comprehensive income attributable to:		
Owners of the Company	537	776
Non-controlling interests	0	-32

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