

Company AS Harju Elekter Group
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Attachments:

- HEG Interim report Q2 2024.pdf (<http://oam.fi.ee/en/download?id=8596>)
- HEG vahearuanne Q2 2024.pdf (<http://oam.fi.ee/en/download?id=8597>)

Currency

Title Harju Elekter Group financial results, 1-6/2024

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The Group's results for the second quarter of 2024 were strong, as predicted. After a weak start to the year, we achieved historically high operating profit in the second quarter. The correct direction of the Group is also validated by the 7.8% operating profit margin, which gives us the opportunity to increase profitability to the desired level, promote business in a sustainable manner, and distribute profits to owners in the future.

The largest contributors to the financial results were once again the business units in Lithuania and Estonia, and, as could be expected during the high season, profitability was also restored in Finland. We will continue with the targeted strengthening of the team, completion of the delayed projects, and increasing the volume of new orders to improve the results in Sweden.

Despite the positive first half of the year, the orders volumes are showing signs of stabilisation, thus we don't expect business volume growth in the second half of the year. The reduced orders from the Finnish distribution networks continue to affect us both this year and in the upcoming years, although we have been able to partially replace these orders with new customers and projects. The number of inquiries indicates strong investments in the electrification sector and an increase in workload regarding the orders for next year.

Revenue and financial results

The Group's results for the second quarter and the first half of the year show that the company's revenue has remained at the same level compared to the previous year, but there has been a significant increase in profit and efficiency. These are the company's best second-quarter and six-month results



over the years, surpassing previous revenue records in both periods. The revenue for the reporting quarter was 56.8 (2023 Q2: 56.8) million euros, and for the first half of the year, it reached 103.6 (2023 6M: 102.0) million euros.

EUR'000	Q2	Q2	+/-	6M	6M	+/-
	2024	2023		2024	2023	
Revenue	56,801	56,762	0.1%	103,577	102,030	1.5%
Gross profit	8,172	6,611	23.6%	13,008	11,996	8.4%
EBITDA	5,450	3,243	68.1%	7,389	5,625	31.3%
Operating profit/loss (-) (EBIT)	4,450	2,168	105.3%	5,425	3,477	-56.0%
Profit/loss (-) for the period	3,467	884	292.2%	3,827	1,633	-134.4%
Incl. attributable to owners of the parent company	3,467	982	253.0%	3,827	1,763	117.1%
Earnings per share (EPS) (euros)	0.19	0.05	280.0%	0.21	0.10	-110.0%

The Group's operating expenses decreased by 3.7% compared to the previous quarters, reaching 52.2 (2023 Q2: 54.2) million euros. The most significant reduction was due to a decrease in the cost of sales by 1.5 million, totaling 48.6 million euros, and a reduction in administrative expenses by 0.5 million euros, amounting to 2.2 million euros. In the first half of the year, operating expenses totaled 97.8 (2023 6M: 98.0) million euros. The cost of sales increased by 0.5 million over the six months, reaching 90.6 million euros, with the increase primarily occurring in the first quarter.

Distribution costs, labour costs, and depreciation of non-current assets remained at the same level as the previous year, totaling 1.3 million, 1.0 million, and 10.6 million euros, respectively, in the second quarter. Distribution costs and administrative expenses decreased by a combined 0.7 million euros over the six months, totaling 2.5 million and 4.7 million euros, respectively. Labour costs increased by 0.4 million compared to the first six months, totaling 20.6 million euros. The increase in labour costs was largely influenced by a significant reduction in the number of employees at the Estonian and Lithuanian production units, which included severance payments and compensations.

Gross profit reached 8.2 (2023 Q2: 6.6) million euros, with a gross profit margin of 14.4% (2023 Q2: 11.6%). Operating profit (EBIT) doubled to 4.5 (2023



Q2: 2.2) million euros, resulting in an operating margin of 7.8% (2023 Q2: 3.8%). Net profit for the second quarter was 3.5 (2023 Q2: 0.9) million euros, and the net profit margin was 6.1% (2023 Q2: 1.6%). The reason for the increase in profitability is the resolution of supply chain difficulties we experienced last year and the optimisation of the number of employees, which has enabled us to increase production efficiency. Also, the factories were operating at near maximum capacity and production was more efficient than last year.

During the first half of the year, the Group earned revenue of 103.6 (2023 6M: 102.0) million euros, which remained quite similar to the results from the same period last year, increasing by 1.5%. The six-month gross profit was 13.0 (2023 6M: 12.0) million euros.

Core business and markets

The Group's core segment, production, did not contribute to revenue growth. In the second quarter, the production segment generated 54.3 (2023 Q2: 54.0) million euros, and for the first six months, it reached 98.7 (2023 6M: 96.6) million euros. The largest growth in sales was in the Lithuanian production unit, which focuses on developing electrical distribution and frequency inverter equipment and solutions for the maritime and industrial sectors. The production segment accounted for 95.3% of the Group's revenue for the quarter and the half-year.

In the reporting quarter, revenue from Estonia was 6.9 (2023 Q2: 5.6) million euros, which was 24% higher than the previous year. For the first six months of the year, revenue grew more modestly by 8.1%, reaching 11.4 (2023 6M: 10.5) million euros. The increase in revenue in Estonia was mainly due to higher sales of compact substations to electrical distribution network customers.

Revenue from Finland was 20.6 (2023 Q2: 24.5) million euros in the second quarter and 37.5 (2023 6M: 43.1) million euros for the first six months, representing a decrease of 16% and 13%, respectively, compared to the previous year. The decline in revenue in Finland was due to lower demand for compact substations, resulting from changes in utility price control methods implemented at the beginning of 2024.

Revenue from Sweden was relatively stable, reaching 8.7 (2023 Q2: 9.1) million euros in the second quarter and 15.6 (2023 6M: 15.6) million euros for the first six months. The modest decrease in sales in Sweden was due to changes in the business model and the decision to stop selling EPC projects (turnkey solutions) and focus on factory products. The Swedish market accounted for 15% (2023 Q2: 16% and 2023 6M: 15%) of the Group's consolidated revenue for the quarter and the half-year.

Revenue from Norway decreased to 8.0 (2023 Q2: 11.5) million euros compared to the second quarter of the previous year due to a reduction in sales of drive cabinets and MCC-s (Motor control centers) to maritime sector contractual clients. This decline was mainly due to a high comparison base, caused by



overcapacity at the Lithuanian production unit in 2023 and a lower volume of orders this year. For the first six months, revenue from Norway was 17.3 (2023 6M: 15.5) million euros. The Norwegian market accounted for 14.0% (2023 Q2: 20.2%) of the Group's revenue for the quarter and 16.7% (2023 6M: 15.2%) for the half-year.

Investments

During the reporting period, Harju Elekter invested a total of 1.5 (2023 6M: 2.6) million euros in non-current assets, including 0.7 (2023 6M: 2.1) million euros in real estate investments, 0.4 (2023 6M: 0.4) million euros in property, plant, and equipment, and 0.4 (2023 6M: 0.1) million euros in intangible assets. The investments included large-scale renovation and reconstruction work at the Keila industrial park, aimed at meeting the needs of the long-term tenant, Prysmian Group Baltics. Additionally, production technology equipment was acquired, and production and process management systems were developed.

As of the reporting date, the value of the Group's long-term financial investments was 27.7 (31.12.23: 29.2) million euros. During the reporting quarter, most of the listed securities were sold, generating a total of 1.6 million euros from their sale, with a realized profit of 0.2 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 4.74 euros. As of 30 June 2024, AS Harju Elekter Group had 11,025 shareholders.

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

Unaudited

EUR '000	30.06.2024	31.12.2023	30.06.2023
ASSETS			
Current assets			
Cash and cash equivalents	1,632	1,381	2,339
Trade and other receivables	48,655	38,837	38,447
Prepayments	1,173	1,071	2,143
Inventories	28,745	36,834	46,747



Total current assets	80,205	78,123	89,676
Non-current assets			
Deferred income tax assets	722	731	985
Non-current financial investments	27,715	29,244	32,593
Investment properties	28,901	28,856	26,314
Property, plant, and equipment	33,275	34,067	33,919
Intangible assets	7,576	7,354	7,267
Total non-current assets	98,189	100,252	101,078
TOTAL ASSETS	178,394	178,375	190,754
LIABILITIES AND EQUITY			
Liabilities			
Borrowings	17,272	19,387	20,768
Prepayments from customers	13,495	18,870	18,769
Trade and other payables	27,970	23,159	32,034
Tax liabilities	4,598	3,308	4,219
Current provisions	185	140	1,980
Total current liabilities	63,520	64,864	77,770
Borrowings	23,207	23,481	23,780
Other non-current liabilities	54	32	0
Total non-current liabilities	23,261	23,513	23,780



TOTAL LIABILITIES	86,781	88,377	101,550
Equity			
Share capital	11,655	11,655	11,523
Share premium	3,306	3,306	2,509
Reserves	23,063	23,055	26,843
Retained earnings	53,589	51,982	48,620
Total equity attributable to the owners of the parent company	91,613	89,998	89,495
Non-controlling interests	0	0	-291
Total equity	91,613	89,998	89,204
TOTAL LIABILITIES AND EQUITY	178,394	178,375	190,754

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Unaudited

EUR '000	Q2	Q2	6M	6M
	2024	2023	2024	2023
Revenue	56,801	56,762	103,577	102,030
Cost of sales	-48,629	-50,151	-90,569	-90,034
Gross profit	8,172	6,611	13,008	11,996
Distribution costs	-1,328	-1,313	-2,524	-2,668
Administrative expenses	-2,227	-2,711	-4,744	-5,291



Other income	75	181	94	199
Other expenses	-242	-600	-409	-759
Operating profit/loss (-)	4,450	2,168	5,425	3,477
Finance income	11	-7	104	68
Finance costs	-540	-1,021	-1,131	-1,570
Profit/loss (-) before tax	3,921	1,140	4,398	1,975
Income tax	-454	-256	-571	-342
Profit/loss (-) for the period	3,467	884	3,827	1,633

Profit /loss (-) attributable to:				
Owners of the parent company	3,467	982	3,827	1,763
Non-controlling interests	0	-98	0	-130

Earnings per share				
Basic earnings per share (euros)	0.19	0.05	0.21	0.10
Diluted earnings per share (euros)	0.19	0.05	0.21	0.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited

EUR '000	Q2	Q2	6M	6M
	2024	2023	2024	2023
Profit/loss (-) for the period	3,467	884	3,827	1,633

Other comprehensive income (loss)				
Items that may be reclassified to profit or loss				
Impact of exchange rate changes of a foreign subsidiaries	-46	164	60	123



Items that will not be reclassified to profit or loss

Gain on sales of financial assets	185	0	185	0
Net gain/loss (-) on revaluation of financial assets	-141	8,830	-72	8,866
Total comprehensive income (loss) for the period	-2	8,994	173	8,989
Other comprehensive income (loss)	3,465	9,878	4,000	10,622

Total comprehensive income (loss) attributable to:				
Owners of the Company	3,465	9,976	4,000	10,752
Non-controlling interests	0	-98	0	-130

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