



Oy Hedengren Ab



# Annual review

## The year in a nutshell



## CEO's review

*"Our group strategy was revamped during the business year and it will run until 2024. A large number of people, clients and our most important stakeholders from Finland, Sweden, Norway and Estonia participated in the strategy development."*



In economic terms, 2020 was a rather successful year despite the COVID-19 pandemic forcing us to abandon many of our original plans. The pandemic undermined our growth target, but I am delighted to state that our operating margin got close to our initial budget.

We had a great start to the year across all operations in terms of sales and finances. In February, we attended an electricity trade fair in Jyväskylä, where facility automation and system integration featured prominently. The interest of fairgoers and their feedback encouraged us to believe that our development work is on the right track.

After the fair, the world changed in the blink of an eye. We had to reassess our plans and prepare a COVID-19 emergency plan. The priority of our development projects was reconsidered and only the essential ones were realised. Our most significant projects were the completion of the new product information management system and the upgraded CRM. We negotiated reserve limits successfully with our financiers, and at no point did we encounter a situation where we would have been forced to activate our liquidity management emergency plan.

Our direct sales operations were suspended temporarily due to the health risks and we had to lay off the personnel of Direct for four months. We began working from home and only our own people were allowed inside the logistics centre. Our strategy to minimise health risks has been quite effective and we have not had many cases of infection. This also applies to our installation teams who have not taken a toll despite bearing the highest risk of infection.

Under these emergency circumstances, our system and process development from previous years has paid itself back. Our ERPs and business-critical IT systems have worked perfectly and enabled smooth operation whatever the time or the place. The systems have created the conditions for good work performance, but

we must not brush aside our employees' capacity to succeed even under psychologically challenging circumstances. A good example of our employees' great work was how we succeeded in improving our security of supply significantly at group level without investing a substantial amount of working capital. Our security of supply is now at a comfortable level.

The pandemic has not prevented us from investing in our growth potential. We have continued to invest in product development throughout the pandemic and we are already planning on releasing new solutions that will continue the success of products such as the unique evacuation system with changing symbols and other integration solutions launched in 2020. We have also made efforts to become more international. For example, our formerly 25-employee staff in Norway has grown into a 34-person team in a year and our foreign revenue has continued to increase.

Our group strategy was revamped during the business year and it will run until 2024. A large number of people, clients and our most important stakeholders from Finland, Sweden, Norway and Estonia participated in the strategy development. The new spearhead strategy is more focused on growth than our previous strategy. Our most critical spearheads are product and service business development, facility automation, internationalisation, client promise and appreciative culture. The implementation of the spearhead strategy and the development of our core operations help us create the best possible conditions for viable growth in the future.

Predicting the market situation of the ongoing year is difficult at this stage. The economic forecasts are conservatively positive but the time span of the COVID-19 pandemic's impact remains shrouded in uncertainty. We will continue to develop our business and implement our strategy in 2021 with a cautiously optimistic approach.

Marek Hintze

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## Group's key figures

Profit and loss account (EUR 1,000)

	2020	2019
Turnover	59,771	60,720
Other revenues	1,237	1,250
Materials and services	-33,793	-34,458
Personnel costs	-16,130	-17,303
Depreciation, amortization, and impairment losses	-1,689	-1,606
Other business costs	-7,558	-8,236
Operating profit	1,838	367
Financing	-164	-82
Earnings before tax	1,674	285
Tax	-150	-400
Shareholders' interest	-11	-17
Profit for the financial year	1,535	-132
Adjusted profit for the financial year*		1,022

Number of staff 248 258  
\*Adjusted with one-off cost entries resulting from the dissolution of the pension foundation

Balance (EUR 1,000)

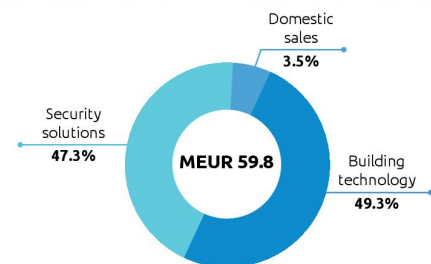
	2020	2019
Capital assets	17,494	18,847
Stocks and work-in-progress	9,843	10,061
Financial assets	8,339	8,718
Disposable assets	437	1,252
Total assets	36,113	38,878
Net assets		
- capital stock	1,036	1,036
- other net assets	16,728	16,145
Shareholders' interest	28	42
Reserves	0	0
Liabilities		
- long-term	8,491	9,370
- short-term	9,830	12,285
Total financing	36,113	38,878

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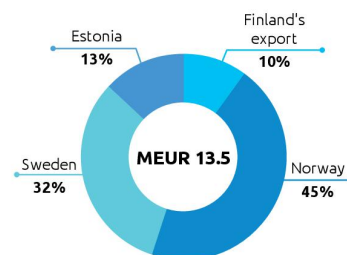
#### Revenue distribution

	2020	2019	2018	19/20
Building technology	29.5	30.1	29.1	-4.6%
Domestic sales	2.1	2.8	3.7	-26.5%
Security solutions	28.3	27	25.2	4.6%



#### Revenue distribution of international business operations

	2020	2019	2018	19/20
Finland's export	1.3	2.0	2.5	-35.1%
Sweden's turnover	4.3	3.2	4.0	33.5%
Norway's turnover	6.1	5.7	4.3	6.2%
Estonia's turnover	1.8	2.1	2.5	-10.8%
<b>Total</b>	<b>13.5</b>	<b>13.0</b>	<b>13.3</b>	<b>3.7%</b>



## Hedtec business review

*"In 2020, we had successes in several important projects. Some of them will also impact our work in 2021."*



The year 2020 was marked by the COVID-19 pandemic and telecommuting. Our early estimates of the pandemic's impact on our turnover fell somewhere between -10% and -30%. In reality, the impact on Hedtec's performance was significantly smaller than expected. However, the pandemic and generalised telecommuting will likely have a long-term impact on e.g. office construction. Physical contact with our clients has always been one of the strengths of Hedtec. The pandemic forced us to adopt digital methods and approach our clients remotely. The current situation is not ideal. We have emphasised these new circumstances in our spring 2021 sales training.

The market remained reasonably good for us despite the cancelled and postponed investments. Our investors did not find office construction or business construction very appealing during the pandemic. Naturally, we were able to finish some projects.

In 2020, Hedtec's turnover declined by 4.6% after two consecutive years of growth. Our final turnover was MEUR 29.5. In terms of results, we exceeded the budgeted EBITDA level. The decrease in fixed costs was a significant factor in this achievement.

Our cables/installation supplies department was even able to grow from the previous year and double its profits. In 2020, we had successes in several important projects. Some of them will also impact our work in 2021. The lighting department had a more challenging year, especially because the shipbuilding industry and its subcontractors put the brakes on procurement.

After the previous year's positive result, the department's result dropped down nearly to zero. The operations of our manufacturing department are heavily dependent of finding suitable projects and their delivery. We were unable to obtain projects that were on the same scale as our projects in 2019. The decline in turnover was considerable, but we were still able to reach an excellent profit level. Facility automation operations suffered from the market and personnel situation and we failed to advance our plans as intended. Nevertheless, we were able to complete our dynamic lighting and KNX pilot projects. The electric car charging pilot initiated in 2020 will be released in 2021.

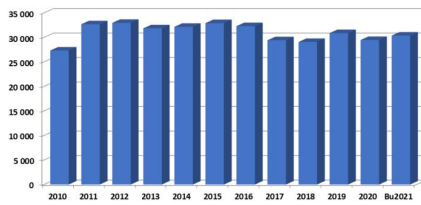
In February, right before the pandemic hit Northern Europe, we attended an electricity trade fair in Jyväskylä. This was a significant but very successful investment from our part. We had the opportunity to exhibit our new products and concepts in a beautiful booth.

Our staff number remained unchanged and everyone was able to stay clear of the coronavirus.

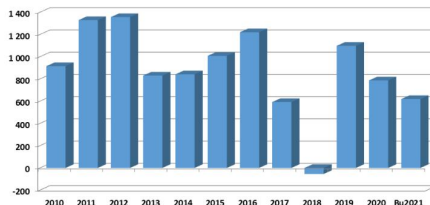
The prolonged pandemic makes predicting our performance in 2021 difficult. Nevertheless, we are anticipating growth and a return back to form with an expected turnover of more than MEUR 30. In addition to keeping our core operations running, we are focusing on the projects introduced by our new spearhead strategy.

Isto Lehmusvuori

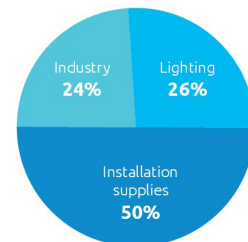
Turnover  
EUR 1,000



Operating profit  
EUR 1,000



Turnover by area



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## Hedengren Security business review

*"We adopted new approaches in our internal operations and customer interface."*

2020 was of course the year of COVID-19 at Hedengren Security and we adopted new approaches in our internal operations and customer interface. Microsoft Teams became part of our everyday life and we used the tool to organise client events and meetings as well as training sessions. Our personnel has successfully steered clear of the pandemic, apart from one or two individual cases of infection. The strategy for 2021-2024 was developed throughout the year and it was finished by the end of 2020.

Hedengren Security's turnover increased by approximately MEUR 1.3, i.e. around 5%. Our final turnover was slightly over MEUR 28, which is considered a good result under these circumstances. Around 4% of the budget remains. Our performance was also at a comfortable level.

International sales increased by roughly 11% and we reached a good level with Hochiki products. The impact of Brexit was still visible in our stock values and we had to keep a keen eye on the fluctuation in the NOK-GBP exchange rate.

Our domestic sales involved some challenges. Our partner sales experienced a nice growth but many projects, especially in contracting, were either suspended or postponed to 2021 due to the pandemic.

The sales of our service units increased by about 12% and we completed several large-scale projects, including the MegaHerts shopping centre and security contracts at OP Rovaniemi, Vaasa and Mikonkatu. We renewed our framework agreement with Kesko. Several units from Onninen also acceded to the agreement. We finished the service supervisor training programme in spring 2020.

The sales of Security Sweden accounted for nearly 13%, which was a great achievement. Price changes decreased our profit level early in the year. In December, our office moved to a more suitable facility in the same building.

The Norwegian branch's budget for 2020 was rather ambitious and, although we achieved growth, we did not reach our sales and performance targets. We reinforced the organisation and, by the end of the year, our Norwegian offices (Leir, Fredrikstad, Bergen, Ålesund) employed a total of 33 professionals.

In Estonia, the competitive situation has not eased up. As a result, we have decided to adopt new approaches regarding our Estonian operations. We must cut costs and focus on our own products.

Our most significant marketing investment was to attend the Jyväskylä Sähkö & Valo trade fair in

February, where we shared a large booth with Hedtec. All other trade fairs and client events were cancelled due to the COVID-19 pandemic. Our online sales passed the one million mark and increased by about 6%.

Popular products included Hedsam X access control system and gate intercom systems. These product groups were very successful: access control systems experienced a whopping 22% increase and the sales of gate intercom systems grew by 14%. In addition, HHL systems had an upward trend in sales with an increase of more than 20%.

Neptolux's new adaptive emergency and step lights were a great addition to our emergency light range. We also launched flush-mount N68 series emergency lights. Prodex FIREscape centres can now be upgraded with new emergency lights and adaptive solutions. The development of a new HHL centre continued.

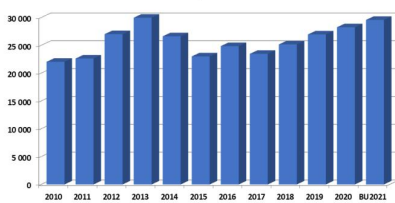
The global shortage of components remains persistent and it has forced us to postpone the delivery of certain products by several months.

Although the COVID-19 pandemic has yet to subside, our outlook for the year 2021 is positive.

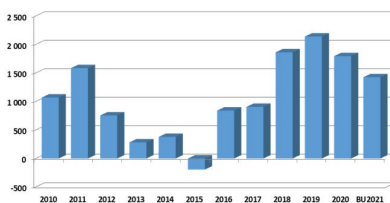
Willy Grönqvist



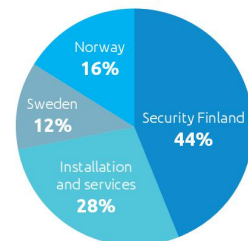
Turnover  
EUR 1,000



Operating profit  
EUR 1,000



Turnover by area



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## Hedengren Direct business review

*“During the business year, we revamped our online retail concept with the aid of Business Finland. Thanks to this new concept, we have succeeded in expanding our production of services.”*

2020 was a challenging business year due to the COVID-19 pandemic, but it did not involve as much drama as we initially anticipated. The new operational management kicked off the year with a bang and the performance of our sales organisation was outstanding. In April, the pandemic changed everything and we had to suspend our operations for four months and lay off most of the personnel. The suspension of direct sales was a heavy blow to our sales representatives who had to face a difficult financial situation. I am proud of how we managed to navigate this crisis together with our partners and their passion to resume work last August.

However, the pandemic has not gone away. Our sales business has involved many challenges and we have had to prioritise our activities very carefully. We were still able to recruit new salespersons and sign new partner contracts. At the end of 2020, our sales were significantly better than anticipated.

During the business year, we revamped our online retail concept with the aid of Business Finland. Thanks to this new concept, we have succeeded in expanding our production of services.

Good work is also reflected in the substantial improvement in results. All things considered, ending the financial year on the positive is a marvelous achievement. This creates trust in our potential to grow our business and improve our results in the post-pandemic world. It is good to continue from here!

Marek Hintze

