



Oy Hedengren Ab



Annual review

The year in a nutshell

March

Security launches new Neptolux emergency lights.

Reformed processes, duties and responsibilities for the order and delivery department as well as financial management are introduced gradually.

April

Well-being at work survey results are published.

The maintenance and management of IT infrastructure as well as end user support are moved to Chilit Oy.

June

Security organizes customer event Security Day on June 5th

The innovation group launches a concept room that simulates the office environment.

It has been 20 years since the company became incorporated. Hedtec organizes a staff party.



August

Digital service channel Hedengren.com is launched.

The parent company's new service region model is put into practice.

September

Digja Enterprise ERP system version change is carried out.

Direct's B2B business operations are closed and Sales Manager Timo Lehtonen assumes responsibility for the operational management of consumer activities.

Payroll calculation and the processing of travel expenses are outsourced to Azets Insight Oy.

October

The staff starts to use workforce management system Quinyx.

CEO's review

"As part of developing our service and quality, we decided to centralize all our support services into the parent company, and this change was carried out during 2019."



The year 2019 was quite successful, consisting of more successes than failures. From the commercial perspective, the year was good, and we carried out many development projects for improving customer experience. We also made a fairly large structural change to improve customer experience, quality and internal efficiency. In addition to this, we launched new and renewed product groups and solutions that are significant from the perspective of business operations.

Hedtec's year was quite good, and there were successes on a wide front. This naturally improved Hedtec's growth, and the performance targets were exceeded by a considerable margin. In addition to commercial activities, Hedtec plays a leading role in developing building automation which is important to us. This development work has progressed well, and we have already carried out a few projects. There are also significant pilot projects underway.

Security's business activities have developed commendably in Norway and well in Sweden. In Norway, we have made company acquisitions, and the organization has grown as a result of the business. The growth in Swedish operations has not met our targets, and this caused slightly more costs than planned. In regard to export, sales to Great Britain did not meet our expectations. In Finland, we had some difficulty to get started at the beginning of the year. The launch of renewed products did not go exactly to plan. However, the development of service sales continued to be positive, and developing the selling of services will be one of the central areas of focus in the coming years for the entire group. Security's good final spurt in selling was not quite good enough to raise the turnover for the whole year to its target level. Even though the speed of growth has not been as planned, Security's improvement in performance level was significant and exceeded the targets set for the business area, which shows that our activities are on the right track.

With regard to Direct, we were forced to take action during the year as it turned out that the development plans and investments did not lead to the desired outcome. We decided to abandon our B2B

concept and streamlined our consumer business activities. We believe that the coming year will be profitable for Direct again.

During the year, we updated our enterprise resource planning system to a new version, and many qualitative development projects were carried out in connection with the version change. Of these, the most critical ones were perhaps the reclamation and delivery process reforms. Through the reclamation process, we can tackle opportunities for growth more quickly and systematically, and with delivery process reforms we were already able to markedly improve the level of delivery reliability at the end of the year.

In 2019, we dissolved our pension foundation and moved the pension liabilities to Mandatum Life Palvelut Oy. In connection with this, we wrote off approximately € 740,000 as a one-off cost as well as approximately € 320,000 as deferred tax levied on the 2019 result.

As part of developing our service and quality, we decided in 2018 to centralize all our support services to the parent company, and this change was carried out during 2019. We believe that by managing and developing service processes in a centralized way we can serve our customers better and produce our services more efficiently. This is also the prerequisite for being able to achieve the growth targets for our international operations. Based on experience, we can conclude that the change has been successful, our service levels have improved, and our development projects are advancing more rapidly and less painfully.

In 2019, we also launched a new digital service channel. In the coming years, the service channel will be at the core of our marketing strategy. Big leaps for 2020 will be the introduction of the service channel in Sweden and also in Norway at a later stage. The market conditions in the coming years are not in our hands. However, the achievements for 2019 ensure that our competitiveness has improved and that, despite the market situation, we are in a better position to grow our business profitably.

Marek Hintze

3 OY HEDENGREN AB | ANNUAL REVIEW 2019

Group's key figures

Profit and loss account (EUR 1000)

	2019	2018
Turnover	60720	58,017
Other revenues	1,250	6,933
Materials and services	-34,458	-34,332
Personnel costs	-17,303	-16,254
Depreciation, amortization, and impairment losses	-1,606	-1,715
Other business costs	-8,236	-8,375
Operating profit	367	4,274
Financing	-82	-150

Earnings before tax	285	4,124
Tax	-400	-860
Shareholders' interest	-17	-29
Profit for the financial year	-132	3,235
Adjusted profit for the financial year*	1022	

Number of staff 249 258

*Adjusted with one-off cost entries resulting from the dissolution of the pension foundation

Balance (EUR 1000)

	2019	2018
Capital assets	18,847	19,741
Stocks and work-in-progress	10,061	9,586
Financial assets	8,718	9,743
Disposable assets	1,252	901
Total assets	38,878	39,971

Net assets		
- capital stock	1,036	1,036
- other net assets	16,145	18,085
Shareholders' interest	42	135
Reserves	0	1,722
Liabilities		
- long-term	9,370	8,334
- short-term	12,285	10,659
Total financing	38,878	39,971

4 OY HEDENGREN AB | ANNUAL REVIEW 2019

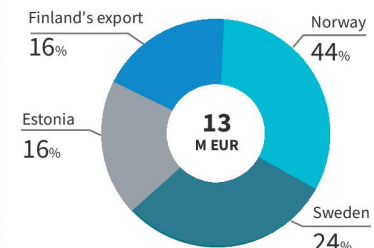
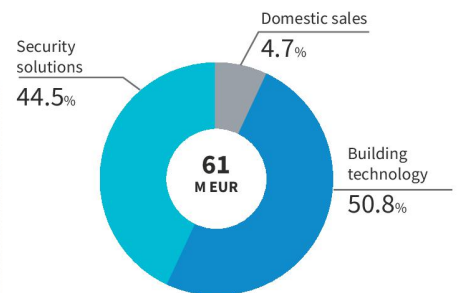


Revenue distribution

	2019	2018	2017	18/19
Building technology	30.1	29.1	28.3	6.17 %
Domestic sales	2.8	3.7	4.2	-23.55 %
Security solutions	27	25.2	24.3	7.05 %

Revenue distribution international business operations

	2019	2018	2017	18/19
Finland's export	2	2.5	2.0	-16.9 %
Sweden's export	3.2	4.0	3.4	-19.7 %
Norway's export	5.7	4.3	3.8	31.6 %
Estonia's export	2.1	2.5	2.5	-18.2 %
Total	13	13.3	11.7	-2.2 %



Hedtec business review

"Our product range and sales organization are good in all areas of our activities, and during the coming years we will continue to strengthen our position in the market."

Growth in residential construction evened out during 2019. In other construction sectors, there was not much growth, similarly to a few previous years during which, however, residential construction increased. At the end of the year, downward trends in permit statistics and launches were also detected. Public construction, however, continued its steady growth at a relatively good level. That is to say, the market in 2019 did not particularly favor Hedtec's core areas, i.e. commercial and office building, or industry. There was a sufficient number of projects, and Hedtec was able to take its share of them.

The year 2019 was the second successive year of growth to Hedtec. Its turnover increased by over 6%, and the €30m limit was exceeded. The year was good in terms of results, too. As in previous years, our turnover was positively affected by the new products of our principals as well as our Industrial unit's strong success in projects. Our cable sales also developed well, although significant projects were conspicuous by their absence. In terms of turnover for Lighting, it was slightly lower than last year, but the improvement in results was significant. In building automation, we start new partnerships both in supplier and contractor directions.

At the time of writing this, we have already installed two dynamic lighting pilot projects in Tampere, and we have the capability to produce services from an IoT platform.

As a whole, our growth was clearly faster than that of the market, while the market growth was close to zero.

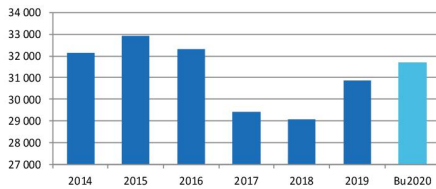
During the year, nine new industry professionals joined our sales organization. On Hedtec's scale, this change is significant.

The year 2020 will be more challenging than the last, at least in light of statistics and forecasts, and particularly because of the corona pandemic. However, we have a good starting point. We are expecting the first significant commercial projects in building automation and smart city solutions. Our product range and sales organization are good in all areas of our activities, and during the coming years we will continue to strengthen our position in the market.

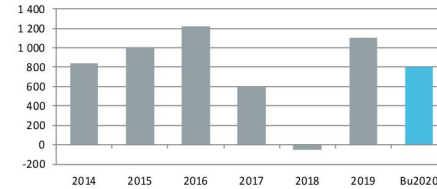
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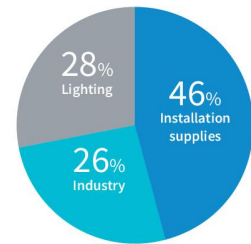
Turnover
€1000



Operating profit
€1000



Turnover by area



Hedengren Security business review

"Domestic sales saw a delightful increase, particularly in the area of fire and emergency lighting systems. The sale of renewed Neptolux products increased by as much as 16%, and we clearly won the market leader's position in Finland."



In 2019, Hedengren Security's turnover increased by approximately 7.5%, that is, approximately 1.8 million, which is a good outcome. We were slightly behind our turnover target, but we exceeded our performance target by far. Our Norwegian unit was responsible for the most part of our international growth. Hochiki experienced challenges in sales, and the development in sales did not meet our expectations. We needed to prepare ourselves for the potential effects of Brexit by increasing the reserve stocks of our fire-related products. In marketing, we made our biggest investment in the renewed website as well as a new online sales platform. For the first time, our online sales exceeded one million euro.

Domestic sales saw a delightful increase, particularly in the area of fire and safety lighting systems. The sale of renewed Neptolux products increased by as much as 16%, and we clearly won the market leader's position in Finland.

In 2019, we decided not to participate in the Finn-Sec trade fair, and instead we organized our own customer event called Security Day that took place in Långvik. Around 120 security professionals participated in the event where they got an overview of Security's latest solutions. At the event, visiting experts gave presentations on the possibilities of

artificial intelligence, crime prevention as well as the requirements for being able to succeed.

The turnover of our service units increased by about 16%, and the result was particularly good. It was a busy year, and the backlog of orders saw a commendable increase. We strengthened our fire-related organization and introduced a regional division with authorized regional managers who coordinate the installation and project work in their own region. We launched supervisor training at the unit, and it will continue in 2020 as well. Our larger contracts consisted of Finavia's camera surveillance projects and shopping center Mega-Herts which opened its doors in March 2020.

During the year, we were faced with challenges in Sweden with the new Gothenburg office. The investment did not bring the expected success, which affected the development of the turnover that did not meet our expectations. We succeeded in increasing our market share in fire-related operations. At the end of the year, we commissioned a market survey on Sweden's burglar alarm and access control market, with a view to increasing the product range on the Swedish market.

The turnover in Norway exceeded the budget, and the increase was an astounding 30%! The rapid

growth also brought challenges with it, particularly in terms of local warehousing and purchasing operations. Thanks to the efforts of the team responsible for the order and delivery process, we were able to get things under control and the processes organized. It is good to continue from here, on our path for growth in 2020.

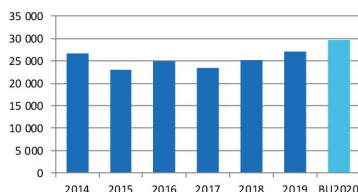
Hedengren Estonia's security business was challenging. The local price competition was tough, and considering the circumstances, we did well. A larger and tougher challenge was the Hedsam access control project for Maakri office buildings.

On the product side, we launched new Neptolux emergency lights, and their production has now moved to Laukamo Oy in Finland. The 'Made in Finland' key flag was granted to Neptolux products at the end of the year. A global shortage of components continues, and the delivery time for some components can be as long as over 12 months.

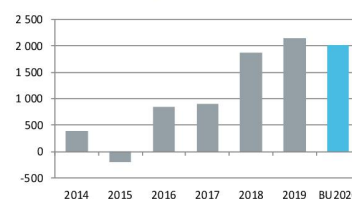
During 2020, we will bring X-ray products on the market as our new product group. We have signed a contract with the world's largest supplier Nucotech, and we will launch the products during 2020. The contract concerns both product sales as well as product servicing and maintenance.

Willy Grönqvist

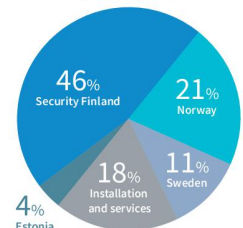
Turnover
€1000



Operating profit
€1000



Turnover by area



Hedengren Direct business review

"As planned, we will invest in the consumer direct sales of LUX brands of which main products are air purifiers, vacuum cleaners and their accessories. In certain respects, we are returning to our roots."

Hedengren Direct's operating year was challenging and eventful. The B2B business that was started in 2018 never achieved its target level of profitability, and it did not bring Direct's business the stimulation that we had hoped for. The investments made to improve the business did not generate the desired outcome either, and the business as a whole continued to be loss-making.

As a result, in the late summer of 2019 we started cooperation consultations with the purpose of finding a comprehensive plan to make the business profitable. As a conclusion of the cooperation consultations, we decided to abandon B2B sales and reform the consumer organization. This led to four employees being laid off, and in conjunction with this it was agreed that the CEO of Hedengren Direct would terminate his duties. Timo Lehtonen was appointed as Commercial Sales Manager who reports operationally to group CEO. The Chairperson of the Board of Directors manages the statutory responsibilities. The one-off costs resulting from the cooperation consultations were recorded in full for 2019, thus the result was weak.

The greatest risk and challenge of the direct sales model concerned the availability of employees. The Lux Business School model was excellent, and we are good at sales knowledge training. However, the number of those interested in the field is very low, and it is challenging to find new people to train. In the new concept, we have changed the recruitment model, and we hope that it will improve our chances of finding new salespeople for our company. We have also signed more contracts with direct sales contractors, as we believe that the number of partners will increase in future, and in this way, we can make the capacity of our sales organization meet our sales targets.

As planned, we will invest in the consumer direct sales of LUX brands of which main products are air purifiers, vacuum cleaners, and their accessories. In certain respects, we are returning to our roots. Our products, solutions and salespeople continue to be the best in their field, and we believe that with a more streamlined operating model and a lower cost level, we will be able to get profitability back to the level we require.

Marek Hintze

