

DELETE GROUP OYJ

Interim Review January–March 2022 (IFRS, unaudited)

PROFITABILITY IMPROVING, OUTLOOK REMAINS POSITIVE

KEY POINTS: JANUARY–MARCH 2022

- Net sales decreased by 7% to EUR 21.0 (Q1 2021: 22.6) million due to divestment of W-Tech Entreprenad AB. Organic growth was +3%
- EBITDA increased by EUR 1.0 million to EUR 0.2 (-0.8) million
- EBIT increased by EUR 1.0 million to EUR -3.0 (-4.0) million
- Operative cash flow decreased by EUR 6.0 million to EUR -2.8 (3.2) million
- Net debt decreased by EUR 0.8 million to EUR 77.8 million (78.6)

KEY FIGURES

	1–3/2022	1–3/2021	Change	1–12/2021
Net sales, MEUR	21.0	22.6	-7%	131.3
EBITDA ¹⁾ , MEUR	0.2	-0.8	121%	9.9
Adjusted ²⁾ EBITDA, MEUR	0.7	-0.3	334%	13.0
Adjusted EBITDA, % of sales	3.6%	-1.4%	5.0ppt	9.9%
EBIT, MEUR	-3.0	-4.0	25%	-3.1
Adjusted EBIT, MEUR	-2.5	-3.5	30%	0.0
Adjusted EBIT, % of sales	-11.7%	-15.5%	3.8ppt	0.0%
Profit (-loss) for the period, continued operations MEUR	-4.3	18.1	-123%	14.0
Profit (-loss) for the period, MEUR	-4.3	16.3	-126%	11.9
Operative cash flow, MEUR	-2.8	3.2	-188%	13.9
Net debt ³⁾ , MEUR	77.8	78.6	-1%	72.0

Information about the formulas and Alternative Performance Measures are presented in the notes section of this Interim Review. All figures presented are statutory unless stated otherwise.

OUTLOOK FOR 2022 (UNCHANGED)

The underlying demand for Cleaning Services and Recycling Services is expected to grow in 2022. Delete Group's efficiency and productivity are expected to improve compared to the previous year.

Delete Group's operating profit is expected to improve in 2022.

Due to the coronavirus pandemic and the geopolitical developments, the outlook contains more uncertainty than usual and is based on the assumption that there are no material changes in the operating environment, postponements of scheduled work, or cancellations due to the pandemic.

SIRPA OJALA, CEO OF DELETE GROUP:

"The first quarter was a typical slow season for our businesses. I am reasonably satisfied with our performance given the continuing challenges we faced from the coronavirus pandemic, especially in Sweden, with sick leaves burdening our ability to deliver efficiently. With the winter passing in late March, we saw some good development in services' demand levels and are preparing for an active high season in the second quarter with fewer coronavirus related hindrances expected.

The geopolitical development in Europe had only limited impact on our business, at least so far, and we have no direct exposure to sanctioned parties or conflict regions. The increasing fuel prices and general cost inflation impacted our margins to some degree in the first quarter, but these will be mitigated with a temporary fuel surcharge, effective gradually in the second quarter.

The divestment of W-Tech business in late 2021 affected the reported net sales of Cleaning Services in the first quarter, but on a comparable basis, our Cleaning Services business grew organically by 4% from the previous year. Despite the coronavirus-related issues with delivery efficiency and fuel cost increase, we managed to improve our Cleaning Services' EBITDA-% to 4% from the previous year's 2%.

Recycling Services had a slow start to the year with incoming waste volumes and the net sales declining in the first quarter. The activity picked up speed towards the spring season in March. Our Recycling Services' profitability remained very strong, even improving despite the lower volumes, on the back of solid productivity and favourably developing REF and wood material demand.

We will continue to enforce tight cost and cash flow controls for quick manoeuvring, should the geopolitical development or the coronavirus pandemic-related issues interfere with the planned 2022 assignments. We will continue to follow the health and safety precautions every day, protecting not only our employees but also our customers and partners with whom we are in contact.

I look forward to continuing the development of our operations and collaborating with our customers in the upcoming busy season. We received a very good net promotion score from our customers in an extensive study conducted in the first quarter and have set an ambitious target to improve further, aiming to be the best partner to our customers also for the years to come."

OPERATING ENVIRONMENT

Cleaning services

The coronavirus pandemic impacts are gradually passing and the overall demand has normalised. The underlying long-term core demand is relatively resilient and stable. Customers continue to demand capabilities to handle increasingly complex assignments with high-quality environmental, health and safety standards, which favours large professional players like Delete Group. The recent and ongoing fuel and general cost inflation increases uncertainty for the short and mid-term.

Recycling services

Regulatory development in the EU Circular Economy Action plan and national legislation as well as generally increasing sustainability awareness continue to support the growing demand for recycling services. The market demand for recycled fuel (REF) and wood products has increased in recent periods and is expected to develop favourably through 2022. The recent and ongoing fuel and general cost inflation increases uncertainty for the short and mid-term.

NET SALES

In the first quarter, Delete Group's net sales were EUR 21.0 (22.6) million, representing a year-on-year decline of 7%, mainly due to the divestment of W-Tech operations at year end 2021. Organically, the net sales grew 3%.

As usual, net sales of Cleaning Services were low during the winter period, EUR 16.0 (17.5) million. Organically, Cleaning Services grew 4%, but the reported revenues declined by 12% due to the W-Tech divestment. The coronavirus still had some unfavourable effects, especially in Sweden, during Q1 with a wave of sick leaves impeding demand and deliveries in January and February.

Recycling Services' net sales declined by 12% to EUR 5.2 (5.8) million due to a slow start to the year with incoming construction and demolition waste volumes declining.

NET SALES BY SEGMENT

MEUR	1-3/2022	1-3/2021	Change	1-12/2021
Cleaning Services	16.0	17.5	-9%	110.2
Recycling Services	5.2	5.8	-12%	25.0
Eliminations	-0.2	-0.8	78%	-3.8
Group total	21.0	22.6	-7%	131.3

FINANCIAL PERFORMANCE

The Group's adjusted operating profit (EBIT) during the first quarter of 2022 improved by EUR 1.0 million from the previous year to EUR -2.5 (-3.5) million. The cost base efficiency programme completed at year end 2021 had a meaningful favourable effect, as did the divestment of loss making W-Tech operations.

In the first quarter, Cleaning Services' EBIT-% improved to -9% (-12%), favourably affected by the W-Tech divestment. Cleaning Services' field productivity was on a fair level, although adversely affected, especially in Sweden, by coronavirus-related sick leaves. Furthermore, fuel and general cost inflation had a somewhat unfavourable impact on the margins.

Recycling Services' profitability continued at an improved level in the first quarter with EBIT-% of 9% (6%). Profitability improved on the back of well developing production efficiency improvements and the favourably developing REF and wood demand on the back of green transition, accelerated to some degree by the geopolitical sanctions in Europe.

Administration costs were clearly on a lower level than in the previous year, to some degree due to the efficiency programme effects, but the main reason being the previous year's considerable non-recurring costs related to divestments and capital restructuring.

EBITDA BY SEGMENT

MEUR	1-3/2022	1-3/2021	Change	1-12/2021
Cleaning Services	0.6	0.4	45%	12.5
Recycling Services	1.2	1.1	15%	5.1
Administration	-1.6	-2.3	30%	-7.7
Group total	0.2	-0.8	121%	9.9

EBIT BY SEGMENT

MEUR	1-3/2022	1-3/2021	Change	1-12/2021
Cleaning Services	-1.5	-2.0	26%	2.7
Recycling Services	0.5	0.3	42%	2.0
Administration	-2.0	-2.3	15%	7.8
Group total	-3.0	-4.0	25%	3.1

In January–March, net financial expenses amounted to EUR -1.3 (22.2) million, the previous year favourably affected by the EUR 24.8 million write-down of the nominal value of senior secured notes. Gross financial expenses were EUR -1.3 (-2.6) million. The decrease was mainly driven by a significantly lower amount of interest-bearing debt.

In January–March, profit before taxes amounted to EUR -4.3 (18.2) million and net result for the financial period amounted to EUR -4.3 (16.3) million. The previous year's profit before taxes and net result were favourably affected by the notes' write-down.

FINANCING AND FINANCIAL POSITION

In January–March, cash flow from operating activities was EUR -2.8 (3.2) million, with most of the year-on-year difference coming from the non-recourse factoring arrangement ramped-up in 2021. The balance of non-recourse factoring receivables at the end of the first quarter was EUR 9.1 (7.8) million.

Delete Group's cash and cash equivalents at the end of March 2022 were EUR 2.4 (4.4) million. The Group's interest-bearing debt was EUR 80.3 (83.1) million, consisting mainly of EUR 60.0 million in secured notes, a EUR 10.0 million drawn revolving credit (SSRCF) and lease liabilities of EUR 11.2 million. At the end of March, the Group had drawn fully its EUR 10.0 million SSRCF facility, used for general corporate purposes, acquisitions, and capital expenditure. In January 2022, Delete extended its SSRCF facility duration with Collector Bank to February 2023, with the existing terms.

At the end of the first quarter, the only covenant for the senior secured notes and the SSRCF was complied with. After allowed pro forma EBITDA adjustments for divested W-Tech Entreprenad AB losses (EUR 0.4 million) and pro forma EBITDA effects of the efficiency programme related to the divestment of the Demolition Business (EUR 1.2 million), leverage was below 5.00x.

At the end of March 2022, the Group's net debt amounted to EUR 77.9 (78.6) million. The balance sheet total at the end of March 2022 was EUR 124.9 (135.2) million, decreasing mainly because of the sale of W-Tech Entreprenad AB and the related impairment of assets and sustained net losses on retained earnings. Property, plant and equipment totalled EUR 23.8 (28.3) million, decreasing due to deferred capital expenditure during the coronavirus pandemic period. The equity ratio⁵⁾ at the end of March 2022 declined to 12.7% (18.1%).

Key figures	1–3/2022	1–3/2021	Change	1–12/2021
Return on Equity, %	-23.7	144.6	-168.2ppt	131.4%
Net debt, MEUR	77.8	78.6	-1%	72.0
Equity ratio, %	12.7%	18.1%	-5.4ppt	15.8%

CAPITAL EXPENDITURE AND CORPORATE TRANSACTIONS

In January–March 2022, capital expenditure in intangible and tangible assets excluding acquisitions was EUR 0.6 (0.5) million.

There were no acquisitions during January–March 2022.

R&D EXPENDITURE

In January–March 2022, R&D-related expenditure was immaterial and related to minor development of processes and tools.

CHANGES IN MANAGEMENT

The composition of Delete Group Oyj's Management Team has changed. Composition of the Group Management Team as of 1 January 2022: Sirpa Ojala, CEO, Ville Mannola, CFO and Peter Revay, Country Manager, Sweden. Additionally, Janika Vilkmán returned to the company as General Counsel and member of the Group Management Team in February 2022.

KEY EVENTS AFTER THE REPORTING PERIOD

No key events after the reporting period.

SUMMARY OF SIGNIFICANT RISKS AND RISK MANAGEMENT

Delete Group conducts an extensive annual risk assessment analysis, as a result of which, risk management capabilities are updated and reviewed and approved by the Board of Directors.

The Group's key risks are divided into strategic, operational, and financing risks.

Operational risks are mainly related to uncertainty and a lack of visibility and resourcing due to the coronavirus pandemic, geopolitical developments in Europe, project execution, and the integration of acquired businesses, both in terms of quality and financially. The Group's business operations also inherently involve risks, such as environmental, health and safety risks, as well as dependence on suppliers and clients. The internal control environment is under constant development to improve preventative measures.

Financing risks are mainly related to refinancing, credit and liquidity, all of which may be further affected by coronavirus pandemic-related uncertainties.

Other uncertainties are related to the market environment and inflation of costs, especially for energy and fuel, as well as the successful implementation of the Group's transformation strategy, including risks related to the outcome of the operational improvement plan for increased profitability, uncertainty related to capturing synergies, and risks related to targeted bolt-on acquisitions, personnel, and recruitments.

The Group has not identified other relevant changes that can be expected to have a significant influence on the business, given the risks mentioned herein, at the end of the first quarter in 2022.

SHARES AND SHAREHOLDERS

At the end of the first quarter 2022, the number of registered shares in Delete Group Oyj was 1,085,859,500 P-shares and 308,964,900 C-shares. Each share carries one vote. The Group is owned by Ax DEL Oy (86% of the shares) and a group of key employees and other minority investors (14%). The Group does not hold any of its own shares.

ANNUAL GENERAL MEETING AND BOARD AUTHORISATIONS IN EFFECT

The Annual General Meeting of Delete Group Oyj Shareholders held after the reporting period on 28 April 2022 adopted the Financial Statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 1 January–31 December 2021. The Annual General Meeting resolved that no dividend will be paid for the fiscal year 2021.

Martin Forss, Åsa Söderström Winberg, Ronnie Neva-aho and Christian Schmidt-Jacobsen were re-elected as members of Board of Directors. Convening after the Annual General Meeting, the Board of Directors elected Martin Forss as its chairman.

KPMG Oy Ab was elected to continue as the Auditor of the company and Ari Eskelinen, Authorised Public Accountant, will act as the Principal Auditor.

The Chairman of the Board will be paid EUR 50,000 and the Board members EUR 22,000 as remuneration for 2021. The appointed members of the Audit Committee and the ESG Committee will be paid EUR 4,000 as additional remuneration and the appointed members of the Remuneration Committee EUR 2,000. Axcel Management's Christian Schmidt-Jacobsen will not be paid remuneration. It was resolved that the remuneration for the Auditor shall be paid according to the Auditor's invoice.

STATEMENT OF ACCOUNTING POLICIES FOR INTERIM REVIEW

Delete Group Oyj complies with half-yearly reporting according to the Finnish Securities Markets Act and discloses interim reviews for the first three and nine-month periods of the year, in which key information regarding the company's financial situation and development will be presented. The financial information presented in this interim review is unaudited.

FINANCIAL CALENDAR 2022

Delete Group Oyj will publish the half-year financial report for January–June 2022 on 24 August 2022 and the interim review for January–September 2022 on 11 November 2022.

ALTERNATIVE PERFORMANCE MEASURES USED IN FINANCIAL REPORTING

Delete Group Oyj has adopted the guidelines of the European Securities and Market Authority (ESMA) on Alternative Performance Measures. In addition to the IFRS-based key figures, the company will publish certain other generally used key figures that may, as a rule, be derived from the profit and loss statement and balance sheet. The calculation of these figures is presented below. According to the company's view, these key figures supplement the profit and loss statement and balance sheet, providing a better picture of the company's financial performance and position.

MEUR	1–3/2022	1–3/2021	1–12/2021
EBIT	-3.0	-4.0	-3.1
Adjustments	0.6	0.5	3.2
Adjusted EBIT	-2.5	-3.5	0.0

MEUR	1–3/2022	1–3/2021	1–12/2021
EBITDA	0.2	-0.8	9.9
Adjustments	0.6	0.5	3.2
Adjusted EBITDA	0.7	-0.3	13.0

MEUR	1–3/2022	1–3/2021	1–12/2021
Restructuring & Relocation	0.2	-0.2	1.1
Operating systems	0.0	0.0	0.1
Disputes and litigation	0.0	0.0	0.2
Corporate transactions	0.1	0.7	0.6
Discontinued businesses*	0.0	0.0	0.8
Other	0.2	0.0	0.4
Adjusting items	0.6	0.5	3.2

FORMULAS

¹⁾ *EBITDA = operating profit + depreciation and amortisation costs*

²⁾ *Adjustment definition: adjustments are material items outside the ordinary course of business affecting comparability, such as acquisition-related expenses, restructuring-related expenses, and other material extraordinary costs.*

³⁾ *Net debt = interest bearing liabilities, lease liabilities and instalment credit liabilities – cash and cash equivalent assets*

⁴⁾ *Organic growth: net sales from acquired businesses are considered inorganic for 12 months after the acquisition, and not accounted for as contributing to organic growth for the said period.*

⁵⁾ *Equity ratio = equity / (assets – prepayments)*

⁶⁾ *Net working capital = other than cash and cash equivalent current assets – other than net debt-related current liabilities*

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Amounts in thousands of euros
Continuing operations

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TEUR	Q1 2022	Q1 2021	Q1-4 2021
Net sales	20 972	22 572	131 328
Other operating income	61	172	536
Materials and services	-8 383	-9 878	-57 076
Employee benefit expenses	-9 223	-10 549	-51 996
Depreciation, amortisation and impairment	-3 209	-3 180	-13 011
Other expenses	-3 248	-3 164	-12 911
Operating profit	-3 029	-4 026	-3 131
Financial income	30	24 784	24 075
Financial expenses	-1 313	-2 555	-6 954
Net financial expenses	-1 283	22 223	17 121
Profit (-loss) before taxes	-4 313	18 197	13 990
Income taxes	59	-51	-18
Profit (-loss) for the financial year from the continuing operations	-4 253	18 146	13 972
Profit (-loss) for the financial year from the discontinued operations	0	-1 834	-2 048
Profit (-loss) for the financial year	-4 253	16 312	11 924
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation difference	80	81	53
Other comprehensive income (-loss), net of tax			
Total comprehensive income (-loss) for the year	-4 174	16 393	11 977

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TEUR	31.3.2022	31.3.2021	31.12.2021
ASSETS			

Non-current assets

Goodwill	73 949	74 167	74 140
Intangible assets	2 527	3 456	2 767
Property, plant and equipment	23 789	28 333	24 699
Right of use assets	10 905	10 825	9 957
Investments	7	7	7
Deferred tax assets	1 689	1 971	1 690

Total non-current assets	112 865	118 758	113 261
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Current assets

Inventories	1 154	1 388	1 185
Trade and other receivables	8 455	10 618	7 221
Cash and cash equivalents	2 418	4 434	5 151

Total current assets	12 028	16 440	13 556
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Assets held for sale	0	0	0
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Total assets	124 893	135 198	126 817
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TEUR	31.3.2022	31.3.2021	31.12.2021
EQUITY AND LIABILITIES			

Equity

Share capital	80	80	80
Reserve for invested non-restricted equity	79 662	79 662	79 662
Retained earnings	-58 905	-70 829	-70 829
Profit and loss for the year	-4 253	16 312	11 924
Translation difference	-694	-746	-774

Total equity	15 890	24 479	20 063
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Liabilities

Non-current liabilities

Interest-bearing financial liabilities	60 000	60 000	60 000
Lease liabilities	6 231	6 160	5 111
Instalment credit	9	135	19
Derivative liabilities	0	41	0
Deferred tax liabilities	2 010	2 477	2 181

Current liabilities

Interest-bearing financial liabilities	9 084	11 853	6 995
Lease liabilities	4 929	4 868	5 036
Prepayments	8	8	8
Trade payables	10 383	10 737	7 975
Instalment credit	6	47	10
Other payables	6 380	2 606	7 715
Accrued expenses	9 965	11 787	11 705

Total liabilities	109 003	110 719	106 754
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Liabilities directly attributable to assets held for sale

Total equity and liabilities	124 893	135 198	126 817
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Q1 2022	Q1 2021	Q1-4 2021
Cash flows from operating activities			
Net profit (loss) before taxes	-4 313	18 890	13 990
Adjustments:			
Depreciation and amortisation	3 209	3 180	13 011
Financial income and expenses	1 283	-23 193	-17 121
Other adjustments	-35	-86	739
Change in net working capital	-1 725	5 443	11 898
Net financial items	-1 158	-1 243	-8 513
Income taxes paid	-101	230	-100
Cash flows from operating activities (A)	-2 839	3 220	13 906
Cash flows from investing activities			
Investments and divestments in fixed assets	-556	-457	-1 811
Proceeds from sale of subsidiary	0	6 373	6 373
Change in other receivables	0	0	0
Cash flows from investing activities (B)	-556	5 916	4 562
Cash flows from financing activities			
Increase in equity	0	10001	10001
Proceeds from loans and borrowings	0	0	0
Repayments of loans and borrowings	-28	-47	-148
Change in long- and short-term liabilities	2 130	-20 732	-24 406
Principal elements of lease payments	-1 441	-1 565	-5 831
Cash flows from financing activities (C)	662	-12 343	-20 384
Change in cash flows (A+B+C)	-2 733	-3 207	-1 916
Cash and cash equivalents at the beginning of the reporting period	5 151	7 752	7 752
Exchange rate differences	0	1	0
Net change in cash from continued operations	-2 733	-3 207	-1 916
Net change in cash from discontinued operations	0	-111	-685
Cash and cash equivalents at the end of the reporting period	2 418	4 435	5 151
Change	-2 733	-3 317	-2 601

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the parent company				
	Share capital	Reserve for invested non-restricted equity	Translation reserve	Retained earnings	Total
TEUR					
Equity at 1 January 2022	80	79 662	-774	-58 905	20 063
Contribution to Reserve for invested non-restricted equity	0	0	0	0	0
Comprehensive income					
Profit for the reporting period	0	0	0	-4 253	-4 253
Other comprehensive income					
Translation differences	0	0	80	0	80
Total comprehensive income	0	0	80	-4 253	-4 174
Equity at 31 March 2022	80	79 662	-694	-63 158	15 890
Equity at 1 January 2021	80	69 661	-827	-70 829	-1 915
Contribution to Reserve for invested non-restricted equity	0	10 001	0	0	10 001
Comprehensive income					
Profit for the reporting period	0	0	0	16 312	16 312
Other comprehensive income					
Translation differences	0	0	81	0	81
Total comprehensive income	0	0	81	16 312	16 393
Equity at 31 March 2021	80	79 662	-746	-54 517	24 479

CONDENSED NOTES

Accounting policies

This interim review is not an interim report as specified in the IAS 34 standard. Delete Group Oyj complies with half-yearly reporting according to the Finnish Securities Markets Act and discloses interim reviews for the first three and nine-month periods of the year, in which key information regarding the company's financial situation and development will be presented. The financial information presented in this interim review is unaudited. The accounting policies applied in this interim review are the same as those applied in the last annual financial statements.

Operating profit (EBIT)

Operating profit (EBIT) consists of sales and other operating income less the costs of materials and services, costs of employee benefits and other operating expenses as well as depreciation, amortisation and impairment losses. Exchange rate differences resulting from working capital items are included in the operating profit.

KEY EVENTS AFTER THE REPORTING PERIOD

No key events after the reporting period.

Delete Group Oyj
Board of Directors

FOR FURTHER INFORMATION

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DELETE GROUP IN BRIEF

Delete Group is one of the leading providers of environmental services in the Nordic countries, a specialist that works for a better functioning and cleaner society. We provide our customers in the industrial sector, construction and real estate and the public sector with cleaning and recycling services that are critical to their operations. We maintain security of supply by helping the industry to optimise its production, and cities and municipalities to keep the infrastructure in good condition and the living environment comfortable. We receive, recycle and handle waste safely, reliably and responsibly.

In 2021, our net sales were EUR 131 million. The Group is headquartered in Helsinki and employs approximately 650 professionals in more than 33 locations in Finland and Sweden.