



DESTIA



**Financial
statements 2019**

Destia Group's Financial Statements and Board of Directors' Report 2019

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Report of the Board of Directors 2019

Destia is a Finnish service company in the infrastructure and construction sector. We design, build and maintain not only traffic routes, railways and traffic and industrial environments, but also complete living environments. Our services cover subterranean construction as well as extensive overground operations and range from demanding foundation engineering projects to energy and engineer construction. Our clientele comprises industrial enterprises and businesses, municipalities, cities and government organisations. Destia Group mainly operates in Finland.

Operating environment

The increased uncertainty in the international economy also had an impact on the development of the Finnish economy in 2019. The overall market for civil engineering declined in Finland, but the development is expected to turn positive along with the investments in fundamental road maintenance that are included in the government programme. There still were tendering processes for major projects during the financial year, with competition remaining intense.

In its October 2019 economic outlook report, Confederation of Finnish Construction Industries RT (CFCI) estimated that the exceptionally strong construction market of recent years will remain relatively strong, but a more distinct decline can be expected already in 2020. According to the estimate, 60% of construction revenue was accumulated inside the triangle formed by Helsinki, Turku and Tampere. Similar to building construction, infrastructure construction also concentrated in areas with the strongest population growth. According to CFCI, government appropriations were largely allocated to managing the repair backlog of the road network, while municipalities made substantial investments in the street network and new infrastructure in connection with the construction of new buildings.

According to CFCI's economic outlook report, the costs of the civil engineering industry increased by 1.6% from December 2018 to August 2019. The strongest increases in costs were seen in earth structures and rock structures.

Order backlog and the most significant new orders

Destia's order backlog is spread over several years; it developed positively during the financial year, amounting to MEUR 763.6 (732.7) at the end of December. In the financial year ending on 31 December 2019, altogether 17 maintenance contracts pursuant to the new road maintenance contract model were launched in Finland. Destia is in charge of nine of these contracts, and they were recorded in the order backlog during the financial year. Of the tenders for design-build-develop projects it participated in, Destia recorded in the order backlog the implementation phases of two significant projects: Improvement of the E18 Turku ring road between Kausela and Kirismäki and improvement of National Road 4 from Kirri to Tikkakoski.

The most important new contracts signed in 2019:

- Implementation phase of the National Road 4 Kirri-Tikkakoski design-build-develop implementation phase.
- Improvement of the E18 Turku ring road between Kausela and Kirismäki
- Alliance contract for infrastructure maintenance in the central Turku area
- New coal terminal in Pori
- Road maintenance contracts for 2019–2024 in the Espoo, Raisio, Mikkeli, Seinäjoki, Pori, Ivalo, Iisalmi, Kuhmo and Kokkola areas

In addition, Destia won several smaller contracts that support its strategy. The most important of these projects are in the Energy Grids division.

Revenue development

The Group's revenue was MEUR 569.9 (550.3) for the financial year.

Destia Group's other operating income during the financial year amounted to MEUR 7.5 (3.3). This mainly includes sales income from fixed assets and property as well as property rental income.

Result development

Destia's operating profit for the financial year was MEUR 12.3 (16.7). The Group's result for the financial year was MEUR 9.1 (12.8). The result for 2019 was improved by successful maintenance projects, but cost overruns in individual projects had a negative effect on the result. We have initiated corrective action, and we will particularly focus on improving project management in 2020. Operating profit for the financial year includes non-recurring sales profits from property transactions as well as reorganisation costs and costs of an independent project, with a net effect of MEUR 1.1 of profit.

Destia Group's income taxes in the financial year totalled MEUR 2.0 (3.0).

Result development

Key figures (IFRS), MEUR	1-12/2019	1-12/2018	1-12/2017	1-12/2016	1-12/2015
Revenue	569.9	550.3	478.7	493.2	462.8
Operating result	12.3	16.7	13.1	14.1	12.9
% of revenue	2.2	3.0	2.7	2.9	2.8
Operating result for the period, comparable	11.2	16.7	15.1	12.5	7.4
% of revenue	2.0	3.0	3.2	2.5	1.6
Result for the period	9.1	12.8	12.6	5.7	6.7
% of revenue	1.6	2.3	2.6	1.2	1.5
Return on equity, % **)	11.4	15.8	15.9	7.6	9.5
Equity ratio, %	32.8	32.7	34.5	33.5	31.2
Return on investment, % **)	9.6	13.4	10.7	11.1	9.4
Net gearing ***)	41.8	4.6	28.5	35.3	32.6
Average personnel	1,703	1,658	1,572	1,492	1,505
Occupational accidents resulting in absence from work *)	5.6	5.8	10.5	5.9	7.6
Order backlog at the end of the reporting period	763.6	732.7	696.2	708.0	717.4

*) Occupational accidents per one million working hours. Starting in 2017, the figure includes Destia Engineering Oy.

**) The opening equity for 2018 has been adjusted, but the closing balance for 2017 was used in the calculation of key figures for 2018 instead of the adjusted opening balance for 2018.

***) Since the beginning of 2019, Destia Group has applied IFRS 16 to lease agreements. The adoption of the standard increased the Group's assets and liabilities by MEUR 14.1, which is why net gearing increased significantly compared with the reference year.

Balance sheet, cash flow and financing

Total assets on Destia's balance sheet were MEUR 277.6 (282.6) at the end of the financial year. Return on investment (ROI) was 9.6% (13.4%), the equity ratio was 32.8% (32.7%), and net gearing was 41.8% (4.6%). A negative cash flow and MEUR 15.5 of interest-bearing debt under IFRS 16 resulted in a considerable increase in net gearing.

Cash flow in the financial year comprised operating cash flow of MEUR 1.7 (+40.0), investment cash flow of MEUR -2.1 (-6.1) and financial cash flow of MEUR -15.6 (-14.3). Operating cash flow in the financial year was weakened by bonus payments under the long-term incentive scheme for 2014-2018. At the end of November, Destia rearranged its financing, and Destia Ltd's long-term loan of MEUR 20 was repaid in connection with this. Cash flows from financing activities also include the MEUR 10 repayment of capital paid during the year from invested non-restricted equity fund pursuant to the resolutions of the Annual General Meeting. Destia has a commercial paper programme of MEUR 150, under which commercial papers were issued for MEUR 20 in the latter part of the year. Cash flow during the year involved seasonal fluctuation that is normal for the business.

Financial assets on the balance sheet were MEUR 24.4 (40.4) at the end of the financial year. At the balance sheet date, MEUR 20 of Destia's commercial paper programme was in use, and the short-term bank credit facility of MEUR 10 (10.3) was completely unused. To secure its liquidity, Destia also signed a new revolving credit facility of MEUR 30 in connection with rearranging its financing in November 2019. The credit facility was completely undrawn at the balance sheet date. At the end of the reporting period, interest-bearing liabilities totalled MEUR 57.7 (44.1). Financial liabilities include a variable-rate unsecured bullet loan of MEUR 20 and short-term commercial papers amounting to MEUR 20. IFRS 16 liabilities at the balance sheet date amounted to MEUR 15.5. Of all loans, 47.0% (0.4%) were short-term and 53.0% (99.6%) were long-term. The Group's interest-bearing net liabilities at the end of the reporting period were MEUR 33.3 (3.7).

Shares, share capital and equity

The registered share capital of Destia Group Plc is EUR 80,000 and its total number of shares is 80,000. The company is 100% owned by AC Infra Oy, which is part of Ahlström

Capital Group.

Destia Group's equity also includes an invested unrestricted equity fund, totalling MEUR 43.0 (53.0).

Investments

Destia Group's gross investments during the financial year totalled MEUR 15.3 (7.5), representing 2.7% (1.4%) of revenue. Investments were considerably higher compared with the reference year, because they include MEUR 6.9 of IFRS 16 investments. Other investments were mainly fleet investments.

Personnel

Destia's average number of personnel during the financial year was 1,703 (1,658). At the end of December, the number of personnel was 1,651 (1,676), of whom 1,517 (1,538) were permanent and 134 (138) temporary employees. Because of the seasonality of the business, the number of personnel varies during the year, peaking in the summer. In 2019, personnel costs were slightly lower than in the previous year at MEUR 106.9 (107.7), or 19% (20%) of revenue.

Three pulse surveys were performed on the entire personnel of Destia (in June, September and November). The response rate rose steadily, with an average rate of 39%. Pulse surveys are part of the work to develop the personnel and corporate culture at Destia. The themes include, for instance, recommended employer (eNPS) as well as the effectiveness, openness and values of the work community. As the name 'pulse survey' indicates, its objective is to stay on the pulse of the personnel and obtain up-to-date information about Destia employees' well-being and the realisation of our values in everyday work. The average culture index was 4.26 and management index 4.32 (on a scale from 1 to 6), and the eNPS was 16.

During the financial year, Destia focused on developing its corporate culture, communicating its values and implementing the organisational change. Balanced values, inspiring leadership and happy people constitute the core of a winning team that wins the battle. To support our winning team, we specified the competence required to implement the strategy, developed performance management and remuneration, updated the recruitment and induction training practices and revised our organisational structure to support the updated strategy. Destia's values, - Fairly, Together, Renewing and Successfully - define the core of Destia's operations. The entire personnel

participated in value workshops aiming to develop the teams to make a winning team.

Occupational safety is integral to Destia's operations. In 2019, Destia actively held group discussions on safety; the first occupational safety road trip was arranged in the summer season, with the safety managers touring sites and leading discussions on occupational safety. At bridge construction sites, fall protection training was arranged in cooperation with experts of the field. Accident frequency in Destia Group improved to 5.6 (5.8).

During the financial year, Destia employed 259 (244) trainees and summer workers. Many of them continued to work at Destia as hourly employees after their trainee periods or will return to work at Destia next summer. The trainee programme is one of Destia's most important recruitment channels. Cooperation with various educational institutions was developed in 2019, and a collaboration agreement was signed with Metropolia University of Applied Sciences. Destia continued as the main partner in the Responsible Summer Job campaign, and at the end of the summer, good summer workers and their supervisors were awarded on the basis of employees' votes around Finland. In addition, in the Most Attractive Employers survey carried out among students by Universum, Destia's ranking improved from 80 to 35, and Destia received the Rocket of the Year and Climber of the Year awards.

Organisational structure and management

Destia's new organisation became effective on 1 April 2019. On that date, Destia's organisation changed from regional to service-specific. The new organisation supports the new strategy better. The new divisions are Road Services, Construction Technology Services, Earth and Rock Services, Maintenance Services, Railway Services, and Urban Development and Consulting Services.

Road Services focus on road and street construction as well as water supply construction and traffic control services. Construction Technology Services focus on bridges, renewable energy, power grid construction and maintenance as well as industrial construction. Earth and Rock Services focus on rock material and circular economy business, demanding concrete and foundation construction, rock and mine engineering as well as field engineering. Maintenance Services are responsible for maintenance business throughout Finland, and Railway Services cover both railway construction and maintenance.

Urban Development and Consulting Services include Destia's design and urban development services.

Destia's divisions are supported by the following support functions: Finance unit, HR and Occupational safety unit and Business Support and Development unit.

In 2019, the composition of Destia's Management Team was as follows: President and CEO Tero Kiviniemi (Chair), Minna Heinonen, Pasi Kailasalo, Jouni Karjalainen (starting from 1 April 2019), Sanna Karvonen, Mikko Mäkelä (starting from 1 April 2019), Annina Peisa, Timo Räikkönen (starting from 11 June 2019), Pekka Ruuti (starting from 1 November 2019), Arto Ruotsalainen (until 31 May 2019), Taru Salo, Marko Vasenius (until 31 March 2019) and Seppo Ylitapio. Jouko Korhonen served as the personnel representative in the Management Team.

More detailed information on Destia Group Plc's corporate governance will be published on Destia's website at www.destia.fi.

Decisions of Destia's Board of Directors and Annual General Meeting

The Annual General Meeting of Destia Group Plc held on 22 May 2019 confirmed the company's financial statements for 2018 and discharged the President and CEO and members of the Board from liability for the financial year 1 January–31 December 2018. The Annual General Meeting decided, as proposed by the Board of Directors, that from the financial period that ended on 31 December 2018, EUR 10 million be distributed as capital repayment from the non-restricted equity fund.

The meeting decided that the number of board members would be six and elected Juhani Pitkäkoski as Chairman of the Board. Marcus Ahlström, Lasse Heinonen, Pasi Koota and Juha Nurmi were re-elected as members of the Board of Directors. Soile Kankaanpää was elected as a new member of the Board.

At the organising meeting of the Board of Directors on 22 May 2019, Lasse Heinonen was appointed Vice Chair. In addition, it was decided to establish two committees, an Audit Committee and a Remuneration Committee, to support the Board's work. Pasi Koota was elected as Chair of the Audit Committee, and Marcus Ahlström and Juha Nurmi as members. Juhani Pitkäkoski was elected as Chair of the Remuneration Committee, and Lasse Heinonen and Soile Kankaanpää as members of the Remuneration Committee.

Based on the Board's assessment of independence, the

members of the Board are independent of the company and the owner with the following exceptions: Lasse Heinonen and Pasi Koota are not independent of the shareholder.

The Annual General Meeting elected KPMG Oy Ab (APA) as Destia Group Plc's auditor for the 2019 financial year. Virpi Halonen (Authorised Public Accountant) serves as the auditor with principal responsibility.

Litigation and disputes

With respect to the financial interest of the group companies, the most important case is the contract dispute case concerning a harbour project which is pending in Satakunta District Court and in which Destia Ltd is involved as both plaintiff and defendant.

In 2019, Destia Ltd filed a complaint with the Supreme Administrative Court against a procurement decision concerning the construction contract on the Matinkylä-Kivenlahti rail line project. In its complaint, Destia Ltd demanded that the Supreme Administrative Court obligate the procurement unit to pay Destia Ltd compensation for an incorrect procurement procedure.

Misconduct is suspected on Destia Ltd's individual construction project, the Imatrankoski dam construction site, which is why Destia has filed two requests for investigation with the police in 2019. The suspects were company employees, but they are no longer employed by Destia. In addition, an environmental offence case is pending in Southern Karelia District Court. A former employee of the Group is being charged, and the police have also investigated Destia Ltd's position relating to the case.

In addition, group companies are involved in some other litigation and disputes relating to their business. The management does not expect the results of these to have any material effect on the Group's financial position. The Group is also involved in potential disputes for which the final result is difficult to predict. Ongoing and potential disputes have been provided for to the extent that the Group deems the disputes substantial and the claims justified.

Short-term risks and uncertainties

Destia classifies risks as market and operating environment risks, operational risks, personnel risks, financial risks and damage risks.

Of the market and operating environment risks, fluctuations in the economy and uncertainty in the market situation are particularly causing a significant risk for Destia's business.

The competitive situation in Destia's core business areas is expected to continue to be fierce. The importance of success in regional main road maintenance contracts and large projects in Finland and the Nordic countries is emphasised.

In the management of risks caused by the operating environment, it is essential to focus on the selected business areas and ensure a high standard of customer work, operational cost-efficiency and readiness to respond to changing situations.

The company's success is based on a strong consistent corporate culture and people. With respect to personnel risks, what is essential is to ensure the level and extent of the employees' competence considering the strategic goals.

The most significant operational risks concern project management and profitability. In risk management, a key factor is to ensure that the personnel have strong project management skills. This includes an efficient process from tender calculation to implementation, cost monitoring, ensuring adequate resources and developing expertise.

Destia has invested in reliable financial reporting, conveying the essential information, which is a requirement for the identification and assessment of financial risks. The reliability of financial reports is ensured through monitoring and by developing control methods.

Financial risks related to the financing of Destia Group are managed in accordance with the treasury policy. The objective of financial risk management in the Group is to minimise the adverse effects of changes in the financial markets on the Group's result, cash flow and balance sheet.

In Destia's damage risk management, the key factors are proactive project management procedures, investments in occupational safety and ensuring adequate insurance cover.

Research and development

R&D costs totalled MEUR 1.3 (1.0). In addition, ICT development costs of MEUR 0.6 (0.8) were recognised. Destia's R&D activities were organised to bring them closer to business management and realisation of services; development is carried out in an organised manner in all divisions, particularly focusing on the utilisation of digitalisation. Development focuses on the following areas: information model-based design and construction, collection and analysis of real-time production data in production management as well as digitalisation of the road and railway maintenance process. In addition, other technol-

ogy and method development was carried out relating to the realisation of services.

Destia has received external funding for R&D projects from Business Finland, Finnish Transport Infrastructure Agency and Centres for Economic Development, Transport and the Environment. In addition to a number of theses, Destia's R&D activities sponsor the chair on digitalisation of infrastructure construction in the University of Tampere as well as the activities of the buildingSmart Finland collaboration forum.

Corporate responsibility

Our corporate responsibility work is guided by our objective, values and strategy. Our objective, Connecting Northern Life, requires responsible actions from ourselves and those working with us. Destia builds, maintains and designs the infrastructure environments needed by citizens, businesses and society as a whole. We are part of a value chain that comprises a large group of users of the infrastructure environment and stakeholders. During the financial year, we paid particular attention to the development of corporate culture and occupational safety. Destia is committed to promoting the UN Sustainable Development Goals (SDGs), which are aimed at the global elimination of poverty, protection of the Earth and the elimination of inequality.

Destia has also joined the Confederation of Finnish Construction Industries' "zero accidents in the field of construction 2020" commitment.

Destia's corporate responsibility is described in more detail in the 2019 Quality and Responsibility Report.

Strategy

Destia's strategy was renewed in 2018. The new, service area-based organisation clarified the strategy implementation in 2019. According to the Strategy 2020–2024, Destia's objective is Connecting Northern Life. Destia aims to grow as an increasingly strong urban developer through cooperation with partners and networks. In addition, the company is also investigating new business opportunities in Sweden and Norway, particularly in the northern regions.

With its strategy, Destia is aiming for a broader role in the sector's value chain by providing its customers with services of higher added value. The company's strategy is to secure the competitiveness of its core business, achieve interna-

tional growth in the selected strategic areas and grow in urban development and new services together with its partners. The primary goal is to improve profitability.

Destia's competitive advantage is built on customer orientation, a sense of infrastructure, smart production and inspiring leadership.

Events following the reporting period

The organisation of Road Services changes as of 1 February. The divisions will consist of three regional units: Northern Finland, Central Finland and Southern Finland. **Mikko Möttönen**, M.Sc. (Tech.), was chosen as acting Executive Vice President for Road Services and a member of Destia's Management Team.

Outlook for 2020

Changes are taking place in the operating environment due to factors such as urbanisation, the digital transformation, climate change, the ageing of the population and the depletion of natural resources. In Finland, the infrastructure construction market is expected to return to growth in 2020, particularly as a result of the government's additional investment in fundamental road maintenance. In addition, the 12-year traffic system plan currently in preparation is expected to promote development of important traffic routes and investment in them in the long run. The strong growth in the Swedish and Norwegian infrastructure construction markets is expected to continue.

Destia's strong order backlog, new strategy and the measures that have been taken towards the development of customer work and project management provide a solid foundation for improving profitability.

Proposal by the Board on the use of distributable assets

Destia Group Plc's profit for the financial year in accordance with Finnish accounting legislation was EUR 7,035,560.71, which is proposed to be recorded on the retained earnings account. Destia Group Plc's distributable assets total EUR 50,935,040.45, including the EUR 43,000,000.00 in the invested unrestricted equity fund.

Destia Group Plc's Board of Directors proposes to the Annual General Meeting that a repayment of capital of EUR 10,000,000.00 be made from the invested non-restricted equity fund for the financial period that ended on 31 December 2019.

Consolidated statement of comprehensive income, IFRS

1,000 EUR	Note	1.1.-31.12.2019	1.1.-31.12.2018
			adjusted
Revenue	2	569,877	550,287
Other operating income	4	7,510	3,344
Materials and services	3	405,407	379,047
Employee related expenses	7.32	106,856	107,727
Depreciations		15,208	10,333
Other operating expenses	4	37,619	39,848
Operating profit		12,297	16,676
Financial income	9	290	44
Financial expense	9	1,491	963
Profit before taxes		11,097	15,757
Income taxes	10,32	1,977	2,969
Result for the period		9,119	12,788
Other comprehensive income including tax effects			
Items that will not be reclassified to profit or loss			
Items resulting from remeasurement of the defined benefits-based net liability (or asset item)	19	666	101
		666	101
Items that may be subsequently reclassified to profit or loss			
Translation differences from foreign subsidiaries		0	-1
Investments available for sale			1
Cash flow hedges	19	147	-101
		146	-101
Other comprehensive income net of tax		812	1
Comprehensive income for the financial year		9,931	12,788

Result for the period and comprehensive income for the period belong to the parent company shareholders.

Consolidated balance sheet, IFRS

1,000 EUR	Note	31.12.2019	31.12.2018
			adjusted
ASSETS			
Non-current assets			
Property, plant and equipment and right of use assets	11	69,293	56,244
Goodwill	12	83,649	83,649
Other intangible assets	14	1,983	2,714
Other investmets	15	2,021	2,023
Deferred tax assets	19,32	4,011	4,163
Non-current assets, total		160,957	148,792
Current assets			
Inventory	16	13,196	16,386
Accounts and other receivables	17,32	79,129	76,999
Cash and cash equivalents	18	24,366	40,430
Current assets, total		116,692	133,815
Assets, total		277,649	282,607

1,000 EUR	Note	31.12.2019	31.12.2018
			adjusted
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	20,32		
Share capital		80	80
Invested unrestricted free equity fund		43,000	53,000
Other items		-3	-150
Retained earnings		36,552	27,226
Equity, total		79,629	80,156
Non-current liabilities			
Deferred tax liabilities	19	1,874	2,047
Pension liabilities	27	113	927
Provisions	28	11,718	11,355
Financial liabilities	21	30,568	43,900
Other liabilities	24,26	2,392	917
Non-current liabilities, total		46,666	59,147
Current liabilities			
Accounts and other payables	25	84,904	102,043
Provisions	28	5,088	4,865
Financial liabilities	21	27,082	198
Contract liabilities	2	34,281	36,199
Current liabilities, total		151,355	143,305
Equity and liabilities, total		277,649	282,607

Consolidated cash flow statement, IFRS

1,000 EUR	1.1.-31.12.2019	1.1.-31.12.2018
		adjusted
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	569,589	557,651
Expenses paid to suppliers and personnel	-560,090	-515,951
Interest paid	-1,031	-474
Dividends received	8	3
Interest received	94	40
Other financial items	-446	-303
Tax paid	-6,471	-908
Net operating cash flow	1,653	40,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in intangible and tangible assets	-8,686	-7,360
Sale of intangible and tangible assets	6,491	1,211
Proceeds from the sale of other investments	62	10
Net investment cash flow	-2,133	-6,139

1,000 EUR	1.1.-31.12.2019	1.1.-31.12.2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in non-current financial instrument classified as equity instruments (-)		-10,000
Decrease in non-current debt (-)	-20,261	-119
Increase in short-term financing (+)	55,214	20,062
Decrease in short-term financing (-)	-35,337	-20,113
Dividends paid		-105
Capital return	-10,000	
Decrease in lease liabilities (-)	-5,200	
Group contributions granted		-2,200
Interests and other financial items paid		-1,815
Net financial cash flow	-15,583	-14,290
Change in cash and cash equivalents	-16,063	19,628
Cash and cash equivalents at the beginning of the financial year	40,430	20,803
Effect of exchange rate changes	0	-1
Cash and cash equivalents at the end of the financial year	24,366	40,430

Consolidated statement of changes in equity, IFRS

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

1,000 EUR	Share capital	Invested non-restricted equity fund	Fair value fund	Translation differences	Retained earnings	Total
Equity 1 Jan 2019	80	53,000	-146	-4	27,226	80,156
Other comprehensive income					9,119	9,119
Result for the period						
Other comprehensive income:						
Translation differences				0		0
Cash flow hedges			147			147
Items resulting from redefinition of the benefits-based net liability (or asset item)					666	666
Comprehensive profit and loss for the financial year, total			147	0	9,785	9,931
Other changes					3	3
Transactions with owner						
Capital return AC Infra Oy		-10,000				-10,000
Group contribution AC Infra Oy					-600	-600
Other changes					139	139
Equity total 31 Dec 2019	80	43,000	1	-5	36,552	79,629

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

1,000 EUR	Share capital	Invested non-restricted equity fund	Hybrid loans	Fair value fund	Translation differences	Retained earnings	Total
Equity 1 Jan 2018	80	53,000	10,000	-46	-3	18,930	81,961
Impact of the adoption of IFRS9						-286	-286
Error correction, additional pension *)						-2,874	-2,874
Adjusted equity at the beginning of the period	80	53,000	10,000	-46	-3	15,769	78,800
Other comprehensive income:							
Result for the period						12,788	12,788
Other comprehensive income:							
Translation differences					-1		-1
Other investments				1			1
Cash flow hedges				-101			-101
Items resulting from redefinition of the benefits-based net liability (or asset item)						101	101
Comprehensive profit and loss for the financial year, total				-99	-1	12,889	12,788
Transactions with owner							
Amortisation of hybrid loan			-10,000				-10,000
Interest on hybrid loan						-1,815	-1,815
Other changes						382	382
Equity total 31 Dec 2018	80	53,000		-146	-4	27,226	80,156

*) Comapative amounts for 2018 have been amended due to correction of a prior year error. More information on correction of a prior year error is in Note 32.

Notes to the consolidated financial statements

Basic information about the Group

Destia Group Plc was established on 22 April 2014 in connection with the ownership arrangement of Destia Ltd and it owns 100% of Destia Ltd's shares. Destia is a Finnish infrastructure and construction service company, which plans, builds and maintains traffic routes and industrial and traffic environments as well as complete living environments. Our services cover the whole spectrum, from overground operations to subterranean construction. The Group mainly operates in Finland.

The Group's parent company is Destia Group Plc. The parent company is located in Vantaa, c/o Destia Oy, PO BOX 206, 01301 Vantaa. Destia Group Plc is owned by AC Infra Oy, which is part of the Ahlström Capital Group.

A copy of the Consolidated Financial Statements is available at www.destia.fi or from Destia Ltd's head office at Neilikkatie 17, 01300 Vantaa.

On 13 February 2020, Destia Group Plc's Board of Directors authorised these financial statements for issue in their entirety. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting held following their publication. The General Meeting may also take the decision to amend the financial statements.

1. ACCOUNTING PRINCIPLES

Basis of accounting

The Destia Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the preparation abided by the International Accounting Standard (IAS) and International Financial Reporting Standards (IFRS) as well as the interpretations by the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) in force as at 31 December 2019. The International Financial Reporting Standards refer to the standards approved in the Finnish Accounting Act and provisions issued by virtue of it to be adopted in the EU in accordance with the procedure regulated by the EU regulation (EC) no 1606/2002 and

the subsequent interpretations. The notes to the consolidated financial statements are also in line with the requirements of the Finnish accounting and Community legislation supplementing the IFRS regulations.

The Consolidated Financial Statements were prepared under the historical cost convention, with the exception of assets held for sale, financial assets and liabilities recognised at fair value through profit or loss, and fair value hedges, which are measured at fair value. Investments at fair value through other comprehensive income are also measured at their fair value. The Consolidated Financial Statements are presented in thousands of euros.

Preparing the Consolidated Financial Statements in accordance with IFRS requires management to make certain estimates and have information relating to the decisions the management has taken. Information relating to these decisions, used in the application of the Group's accounting policies, and which significantly affect the amounts recognised in the financial statements, is given in the section entitled 'Accounting policies requiring management judgement and the main factors of uncertainty connected with the estimates made'. In its financial statements, the company has presented the matters that have had a fundamental impact on the company's financial position and financial performance.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-Group shareholdings are eliminated using the acquisition method. The consideration transferred, the acquired company's identifiable assets and liabilities are measured at fair values. Expenses relating to the acquisition are recognised as costs. The consideration transferred does not include potential transactions treated separately from the acquisition. Their effect is accounted for through profit or loss at the time

of the acquisition. Any contingent consideration is measured at its fair value at the acquisition date, and is classed either as a liability or equity. Contingent consideration classed as a liability is measured at fair value at each reporting date, and the resulting profit or loss is recognised through profit and loss or as other comprehensive income. Acquired subsidiaries are consolidated from the date the Group has acquired control, and transferred subsidiaries until that control ceases. All of the Group's internal commercial transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated on consolidation. Unrealised losses are not eliminated if the loss is due to impairment. Changes to the parent company's share of ownership in the subsidiaries that do not lead to a loss of control are treated as equity accounted transactions.

Joint arrangements

Joint arrangements are arrangements in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are either a joint operation or a joint venture.

A joint venture is an arrangement in which the group has rights to the net assets of the arrangement, whereas in a joint function, the group has rights concerning the assets and obligations concerning the liabilities related to the arrangement. The group's consortia are joint operations from which the group has consolidated its own assets, liabilities, earnings and costs, as well as its own share of joint assets, liabilities, earnings and costs.

Changes to items denominated in foreign exchange

The results and financial position of the units in the Group are denominated in the currency at the unit's main operating environment ('functional currency'). The numbers in the Consolidated Financial Statements are presented in euros, which is both the functional and presentation currency of the Group's parent company.

Commercial transactions denominated in foreign exchange

Commercial transactions denominated in a foreign currency are converted to the functional currency at the rate on the date of the transaction. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used. Monetary items denominated in a foreign currency are converted to the functional currency using the closing rate at the end of the reporting period. Non-monetary items denominated in a foreign currency, and which are measured at fair value, are converted to the functional currency using the exchange rates at the date on which fair value is measured. Otherwise, non-monetary items are measured at the exchange rate on the date of the transaction.

Gains and losses from commercial transactions denominated in a foreign currency and changes to monetary items are recorded through profit or loss. Exchange rate gains and losses from the business operation are included in equivalent items above operating profit.

Conversion of the financial statements of foreign companies in the Group

Items in the statements of comprehensive income including the income statements of foreign group companies are converted to euros at the exchange rates on the dates on which the commercial transactions take place, while the numbers in the balance sheets are converted using the exchange rates on the date on which the reporting period ends. The translation of the profit and loss items, causes a translation difference in equity on the balance sheet due to the different foreign exchange rates used. This difference is recorded in 'Other comprehensive profit and loss items. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the conversion of equity items accumulating after an acquisition are recognised in other comprehensive income. If a subsidiary is sold wholly or partially, the accumulated translation differences are reclassified to profit or loss as part of the profit or loss from sales.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

A cost comprises the expenditure incurred directly from acquiring an item of property, plant and equipment, including the costs of dismantling or moving the asset based on the initial estimate, and of restoring the location to its original state, if the organisation has such an obligation. The costs of an asset that have been produced by the company itself includes the costs of materials, direct costs relating to employee benefits and other direct costs of preparing the asset for its intended use. When preparation of an asset for its intended purpose or sale requires a good deal of time, the direct borrowing costs of its acquisition, construction or production are capitalised as part of its acquisition costs.

If an asset consists of more than one part, and the lifespan of these parts vary in length, each part is accounted for as a separate commodity. In such cases, expenditure for the replacement of the part is capitalised and any book value remaining when that replacement takes place is derecognised. Expenditure incurred at a later date is included in the book value of a property, plant and equipment only if it is probable that the future economic benefits associated with the expenditure will flow to the group and the acquisition cost of the commodity can be reliably determined. Other repair and maintenance costs are recognised as incurred.

Assets are depreciated during their estimated useful life on a straight-line basis. The exception to this is areas of soil, depreciation on which is calculated according to expected use. No depreciation is calculated for land.

Estimated useful lives are as follows:

- Buildings: 10–40 years
- Machinery and equipment: 3–20 years
- Other items of property, plant and equipment: according to use

An asset's residual value and its useful life are reviewed at the end of each financial year, at the very least, and, where necessary, are adjusted to reflect the changes that have taken place with regard to the expectations of its future economic benefit. When a tangible fixed asset is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, asset is no longer subject to depreciation. The gains and losses from the sale of decom-

missioned property, plant and equipment or their disposal are recognised in profit and loss.

Government grants

Government/public subsidies are recorded through profit and loss when there is a reasonable assurance that they will be received. Subsidies that have been received as payments against already realised costs are recognised through profit or loss in the period in which the subsidy is received. Subsidies are presented in other operating income.

Lease agreements

Group as lessee

Destia Group has applied the IFRS 16 Leases standard from its effective date, 1 January 2019. The Group adopted the standard using the modified retrospective application method allowed by the standard. Comparatives have not been adjusted.

The accounting principles of the comparison period are explained in the financial statements for 2018. Details of the IFRS16 transition are explained in the chapter *New and amended standards applied in the past financial period*.

The Group acts as a lessee and has leased mainly office and warehouse space, machinery and equipment as well as cars. Destia Group recognises right-of-use assets and lease liabilities related to lease agreements on the balance sheet. Leases with a short term of lease or concerning an asset with a low value are an exception to this. Their accounting is described below. When an agreement is created, the Group evaluates whether it is a lease agreement or includes a lease agreement. An agreement is a lease agreement or includes a lease agreement if it transfers the right to control the use of a certain asset during a specified period of time in exchange for a consideration.

The term of lease covers the non-cancellable lease term as well as any periods covered by an option to extend the lease if it is considered reasonably certain that such an option will be exercised. The discount rate applied to the calculation of lease liability is specified using the interest rate on additional credit at lease commencement. Interest rate on additional credit is defined as the interest rate that the lessee would

have to pay when borrowing for a similar period of time with similar securities an amount required to acquire an asset with the same acquisition cost as the right-of-use asset in a similar financial environment.

Destia Group recognises right-of-use asset and lease liability on the date of lease commencement. A right-of-use asset is initially measured at cost comprising the amount of the initial measurement of the lease liability and any initial direct costs and restoration costs as well as any lease payments made at or before the commencement date less any lease incentives received (such as months on which the lessor does not charge any rent).

After this, right-of-use assets are measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter of its useful life or within the lease term. Useful lives are defined similarly as those of similar tangible assets owned. Right-of-use assets related to land areas are depreciated over the lease term. If the lease agreement includes a purchase option which will be exercised at the end of the lease term with reasonable certainty, the use-of-right asset will be depreciated over the useful life. A use-of-right asset is tested for impairment if there are indications of impairment, and any impairment loss is recognised through profit or loss.

Later, the lease liability is measured at amortised cost using the effective interest rate method. A lease liability is remeasured when there is a change in future lease payments arising from a change in an index or price level, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or the adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In some of Destia Group's lease agreements, payment of lease is tied to an index, and some involve extension and termination options.

The discount rate applied to the calculation of lease liability is specified for all fixed assets using the interest rate on additional credit at lease commencement. The same dis-

count rate is applied to leases with adequately similar characteristics.

The Group does not recognise on the balance sheet right-of-use assets or lease liabilities for lease agreements with a short term or an underlying asset of a low value. Lease payments related to these agreements are recognised as expenses in the income statement over the term of lease. Short-term lease agreements are leases with a term of 12 months or less. Lease agreements of a low value involve an underlying asset with a low value or are insignificant from the business perspective.

The Group separates non-lease components from a property's lease agreement, such as items payable for services, and treats only payments allocated to lease agreement components as lease payments. With respect to non-property lease agreements, the Group applies the practical expedient and does not separate non-lease components from lease components in lease agreements. These are treated as one lease component in accounting.

In the reference year, 2018, the accounting treatment of lease agreements and the notes presented were in accordance with IAS 17.

The Group as lessor

The Group's lease agreements are treated as operational lease agreements, and assets let by the Group are included as property, plant and equipment on the balance sheet. They are depreciated during their useful life in the same way as equivalent items of property, plant and equipment which are used by the Group. Revenue from lease agreements is charged to the income statement on a straight-line basis over the period of the lease. The Group's activity as lessor is low.

Intangible assets

Goodwill

Goodwill is recognised at the amount by which the consideration transferred exceeds the Group's share of identifiable fair value net assets for an acquired company on the date it is acquired. No depreciation is recognised on goodwill (or any other intangible assets with indefinite useful lives), it is tested annually for potential impairment. For this purpose, goodwill

is allocated to the relevant group of cash-generating units. Goodwill is measured at cost less accumulated impairment losses.

Research and development expenditure

Research expenditure is recognised through profit or loss. Development expenditure incurred from the planning of new or more advanced procedures and concepts is capitalised as intangible assets in the balance sheet from the time when they are technically feasible, can be commercially exploited and can be expected to generate probable future economic benefits. Capitalised development costs include the material, labour and testing costs which are directly incurred when preparing the commodity for its intended purpose. Previously expensed development costs are no longer recognised at a later date. Amortisation begins when the asset is available for use. Assets under development are tested annually for impairment. After initial recognition, capitalised development costs are measured at the cost less accumulated amortisation and impairment. The Group has not capitalised its development expenses on the balance sheet.

Other intangible assets

An intangible asset is entered on the balance sheet at its original acquisition cost, when the cost can be reliably determined and where the Group expects it is likely that future significant benefit from the asset will flow to the group.

Intangible assets with a finite useful lives are amortised on a straight-line basis through profit or loss over their known or estimated useful life.

The estimated useful lives for other intangible assets are:

- Computer software: 5 years
- Other intangible rights: 5 years

Inventory

Inventory is measured at the lower of acquisition cost or net realisable value. The acquisition cost is determined using the weighted average cost formula. The acquisition cost of finished goods and work in process inventories consists of the raw materials, expenses incurred from direct work, other direct expenses, an appropriate share of the variable general

costs of manufacture and fixed general costs at a normal level of activity. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary for completing the inventory and to realize the revenue.

Impairment of tangible and intangible assets

At the end of each reporting period the Group assesses whether there are indications that an asset is impaired. If there is evidence of impairment, an estimate is made of the assets recoverable amount. In addition, an estimate is made each year for the following: goodwill, intangible assets with an indefinite useful life and intangible assets in progress.

Evidence of impairment is examined for each cash generating unit, i.e. at the lowest unit level, which is mainly independent of the other units and whose cash flows can be distinguished from the cash flows of equivalent units. The recoverable amount is the greater of the fair value of the asset less costs of sale or its value in use. The value in use is the present value of future net cash flows expected to be derived from an asset or cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. An impairment loss is recognised directly through profit or loss. If the impairment loss is allocated to a group of cash-generating units, it is first applied to reduce the goodwill of the group of the cash-generating units. When an impairment loss is being recorded, the useful life of the asset being depreciated is re-assessed. An impairment loss for an asset, other than goodwill, is reversed if there has been a change in the values used to determine the recoverable amount on the asset. Impairment losses, however, cannot be reversed to the extent that the asset's carrying amount would be greater than of no impairment loss had been recognised. Under no circumstances can impairment losses recognised for goodwill be reversed.

Employee benefits

Pension obligations

Pension schemes are classified as defined benefit plans or defined contribution plans. Under the defined contribution

plan the Group pays fixed contributions into a separate unit. The Group has no legal or constructive obligation to increase contributions if the organisation in receipt of the contributions is unable to pay the relevant pension benefits. All schemes that do not fulfil these conditions are defined benefit plans. Contributions made into defined contribution plans are recognised through profit or loss in the financial year in which the obligation arises.

The Group's obligations regarding defined benefit plans are calculated separately for each plan by using the projected unit credit method.

Pension expenses are recognised as costs on the basis of authorised actuarial calculations for the length of service of personnel. When the present value of a pension obligation is being calculated, the discount rate used is the return on high-quality bonds issued by companies, and if that is not available, the interest on state debentures. The maturity of bonds and debentures corresponds to the maturity of the pension obligation being calculated. From the present value of a pension obligation on a balance sheet is subtracted the assets included in the pension plan measured at fair value at the end of reporting period and the non-vested past service costs.

Past service costs are recognised on the straight-line basis through profit or loss for the period in which they are vested. If the benefits are vested directly, they are recognised as direct costs.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are stated at the present value of the liability. Provisions are determined by discounting the expected future cash flows that reflects current market assessment of the time value of the money and risks specific to the liability. If the Group expects a provision to be reimbursed, by a third party the reimbursement is recognised as a separate asset if it is virtually certain that reimbursement will be received.

A warranty provision is recognised when a project cov-

ered under a guarantee clause is delivered. The amount of the warranty provision is based on an experience-based estimate of the guarantee costs likely to be incurred.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting obligations under it.

A reorganisation provision is recognised when the Group has drawn up a detailed reorganisation plan, started to implement the plan and reported the matter.

A provision associated with environmental obligations is recognised when the Group has an obligation based either on environmental legislation or the Group's principles of environmental responsibility and which relates to the decommissioning of a production plant, landscaping responsibilities, repairing environmental damage or moving equipment from one location to another. Any changes to estimates and assumptions applied are taken into account in the amount of provision in the period during which the estimates or assumptions are reassessed and in all of the subsequent periods. Changes to obligations, arising from changes in the estimated realisation and amount of costs, as well as changes arising from changes in the discount rate are taken into account in the amount of the obligation. The Group measures an asset associated with an environmental obligation in accordance with the cost model. A corresponding adjustment is made to the carrying amount of fixed assets, or the adjustment is recorded in profit or loss if the carrying amount of the fixed asset has been reduced to zero.

A contingent liability is a possible obligation arising as a result of past events and whose existence will be confirmed only when an uncertain event takes place not wholly within the control of the entity. Contingent liabilities may also be regarded as present obligations that are unlikely to require fulfilment of a payment obligation, or a reliable estimate of the amount of the obligation cannot be made. A contingent liability is presented in the Notes to the Financial Statements.

Income tax for the current period and deferred taxes

Tax expenses comprise tax based on taxable income for the period and deferred tax. Income tax is recognised through

profit or loss, except for taxes related to items recognised directly in equity or the comprehensive income, in which case tax is recognised in the relevant items. Tax for the current period is calculated using the income tax rate effective in each country. Deferred taxes are calculated on all temporary differences between the carrying amount and tax base. However, no deferred tax liability is recognised if it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or taxable profit.

Deferred tax liability is recognised for investments in subsidiaries, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will resolve in the foreseeable future.

The most significant temporary differences arise from the depreciation of property, plant and equipment, the measurement of derivative contracts at fair value, defined benefit pension plans and unused tax losses.

Deferred taxes are calculated using the statutory tax rates or the tax rates which have been approved in practice by the end of reporting period. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

Revenue recognition

Destia Group's revenue is derived from construction and maintenance projects, infrastructure design services, consulting projects and the sale of materials. Destia Group presents revenue from contracts with customers less indirect taxes.

Destia Group adopted IFRS 15 Revenue from Contracts with Customers on 1 January 2018. In accordance with the standard, the Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. In recognising revenue, the Group applies a five-stage model to determine when, and at what amount, revenue is recognised. The model involves identifying the customer contract and its performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognising revenue. Revenue is recognised when the cus-

tomers is determined to obtain control of the promised goods or services; either over time or at a point in time.

Construction contracts

Destia Group provides road construction, foundation engineering and other construction services for its customers. Each construction contract is treated as a single performance obligation because Destia Group provides all-in contracts to customers, meaning that services are combined with other services promised in the agreement to establish a construction contract that represents the combined output. Construction work is carried out on the customer's land and on the basis of the customer's plans. Revenue from construction contracts is recognised over time, as the customer is considered to obtain control of the object of construction as the Group's performance creates it. In construction contracts, the asset created by the performance is not considered to have an alternative use, and the Group has a substantive right to receive payment for the performance obligation completed to date.

Maintenance projects

Destia Group provides year-round maintenance contracts that cover the winter maintenance of traffic routes and the living environment, as well as the maintenance of gravel roads, bridges and the traffic environment in general. In regional maintenance contracts, the customer buys a customised bundle of services. The contracts are mainly treated as single performance obligations where the services provided by the Group are combined with other services promised in the contract to create a bundle of services or a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer. Revenue is recognised over time, as the customer is considered to obtain control of the service as the service is transferred.

Sale of aggregates

Destia Group provides its customers with aggregates for road and rail construction, building construction, road maintenance, concrete and all types of surfacing. The Group also provides its customers with special products such as asphalt aggregates and track ballast. Aggregates are priced according to

their quality and weight. The Group has annual agreements (framework agreements) with customers, under which the Group supplies aggregates based on individual orders by the customer. Revenue from the sale of aggregates is recognised at a point in time when control is transferred to the customer. The transfer of control is considered to occur when the goods are delivered to the customer's site or loaded on a vehicle at the Group's quarry.

Consulting services

Destia Group provides its customers with consulting services related to infrastructure planning and other consulting projects. Consulting services are subject to hourly pricing. Revenue from consulting services is recognised over time when the service is delivered and control is transferred to the customer. Control is transferred to the customer when the Group has the right to payment for the service.

Destia's customer contracts that consist of multiple distinct performance obligations are projects that include the provision of both construction and maintenance services. Any additional work and alterations are treated as separate performance obligations if they form a separate performance obligation and their pricing is based on their separate selling prices. If this is not the case, the effect of additional work and alterations is added to the transaction price of the existing agreement in question, and it contributes to the progress towards satisfaction of the performance obligation. The effect is also recognised as revenue adjustment at the time of amendment of the agreement, in accordance with the effect accrued from the change.

Revenue and expenses for projects recognised over time are recognised based on progress when the Group can reasonably measure progress towards complete satisfaction of the performance obligation. Progress is measured for each project as the percentage of costs incurred to date compared with the total estimated costs of the project. The objective of measuring progress is to depict the satisfaction of the performance obligation, i.e. the transfer of control of goods or services.

The sale of materials is treated as a performance obligation satisfied at a point in time, in which case the revenue is recognised in accordance with the terms of delivery at the time of delivery, when the significant risks and rewards of

ownership are transferred to the buyer.

The pricing of construction contracts and maintenance projects is based on all-in contract pricing. If a contract includes a variable consideration, it is recognised as revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Destia Group applies the practical expedient permitted by IFRS 15 and does not adjust the amount of consideration for the effects of a significant financing component because, in project agreements and contracts, the timing of scheduled payments is considered to correspond to the progress towards the satisfaction of the performance obligation. The Group applies the terms of payment typical of its industry and does not use extended payment periods.

Expenditure that relates to a partially incomplete project is recognised as work in progress under inventory. If the Group produces a performance by transferring goods or services to a customer before the customer pays the consideration or payment is due, the contract is presented in the financial statements under inventory (contract asset), except for the amounts presented under "Other receivables" or "Accounts receivable". Accounts receivable and contract assets are assessed for impairment in accordance with IFRS 9.

If a customer pays consideration or the Group has an unconditional right to an amount of consideration before Destia Group transfer a good or service to the customer, the contract is presented in the financial statements as a contract liability when the payment is made or the payment is due.

When the outcome of a contract cannot be estimated reliably, the contract costs are recognised as expense in the period in which they are incurred, and revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. If it is probable that the total expenditure incurred in completing the project will exceed the revenue from it, the expected loss is recognised as an expense immediately.

The warranties associated with the Group's projects are warranties that do not form a separate performance obligation. Instead, a warranty provision pursuant to IAS 37 is recognised.

Interest and dividends

Interest received is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

Financial assets and liabilities

Financial assets

Destia Group adopted IFRS 9 *Financial Instruments* on 1 January 2018. The Group's financial assets are classified as financial assets measured at amortised cost, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income. The classification of financial assets is based on the business model applicable to the asset and the contractual cash flow characteristics of the financial asset.

Purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits itself to purchase or sell an asset. At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the asset. Financial assets measured at fair value through profit or loss are recognised on the balance sheet at fair value on initial recognition and the transaction costs are recognised through profit or loss.

Financial assets measured at amortised cost

Financial assets are measured at amortised cost when the objective is to hold the asset until maturity in order to collect contractual cash flows. The cash flows associated with such assets consist exclusively of the principal and the interest on the remaining principal. After initial measurement, these financial assets are measured at amortised cost using the effective interest method and deducting any impairment. Impairment losses are recognised in the income statement.

The Group's financial assets measured at amortised cost consist of accounts receivable and other non-derivative assets. The carrying amount of current trade receivables and other receivables is considered to correspond to their fair value. Trade receivables and other receivables are presented in the balance sheet as current assets if they are expected

to be realised within 12 months of the end of the reporting period. A loss allowance for expected credit losses is recognised for trade receivables.

Financial assets measured at fair value through other comprehensive income

Destia Group's financial assets measured at fair value through other comprehensive income consist of investments in unlisted shares which the Group has, on initial recognition, irrevocably designated as shares whose subsequent changes in fair value are presented in other comprehensive income. The gains or losses on the sale of such investments are not recognised through profit or loss. Only dividends from such investments are recognised through profit or loss. Shares measured through other comprehensive income include, among others, time-shares for use by the Group's personnel.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets acquired to be held for trading, or financial assets that are, on initial recognition, designated as measured at fair value through profit or loss. The Group's financial assets measured at fair value through profit or loss consist of investments in shares. Realised and unrealised gains and losses from changes in fair value are recognised through profit or loss.

If there are no quoted rates for the investments, the Group applies various valuation methods which include, for example, references to recent trades between independent bodies, discounted cash flows or valuations for other similar instruments. Information obtained from the markets is generally used for valuations as opposed to using pricing factors determined by the Group itself, which are used as little as possible.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The items classified as cash and cash equivalents have a maturity of no more than three months from the time of acquisition.

Derecognition of financial assets

Financial assets are derecognised when the Group's contractual right to cash flows has ended, been transferred to another party or when the Group has transferred the significant risks and rewards of ownership outside the Group.

Impairment of financial assets

The Group applies the simplified approach for measuring expected credit losses for trade receivables measured at amortised cost and IFRS 15 contract assets. Expected credit losses are calculated using a provision matrix and recognised at an amount corresponding to the lifetime expected credit losses. Expected credit losses for trade receivables and contract assets are assessed based on historical information on credit losses and estimated future outlook.

In addition, the Group recognises impairment on receivables if there is any objective evidence of the customer having financial difficulties or if payment is more than 90 days past due and the customer has not an existing agreed plan in place for the payment of the receivables.

Financial liabilities

The Group's financial liabilities are classified as financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss. Financial liabilities are recognised at fair value on initial recognition. Transaction costs are included in the initial carrying amount of financial liabilities measured at amortised cost. Subsequently, financial liabilities, except for derivative financial liabilities, are measured at amortised cost using the effective interest rate method. Financial liabilities are classified in non-current and current liabilities. Financial liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability to at least 12 months from the reporting date.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost are measured at amortised cost using the effective interest rate method. Borrowing costs are recognised as costs in the period in which they are incurred. Commissions associated with loan commitments are recognised as transaction costs to the extent that it is probable that the entire loan commitment

or part of it will be drawn. In such a case, the commission is entered in the balance sheet until the loan is drawn. The commission associated with loan commitments is recognised as part of the transaction costs. If the loan commitment is unlikely to be drawn, the commission is recognised as an advance payment for a liquidity service and is amortised over the period of the loan commitment.

The Group's financial liabilities measured at amortised cost consist of interest-bearing loans, finance lease liabilities and non-interest-bearing liabilities, such as trade payables.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss consist of financial liabilities held for trading and financial liabilities initially classified as measured at fair value through profit or loss. On the reporting date, the Group had no financial liabilities measured at fair value through profit or loss. Trade payables are classified as current liabilities in the balance sheet if they are due within 12 months of the end of the reporting period.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group repays the liability to the creditor or is legally released from primary responsibility for the liability either by process of law or by the creditor.

Derivative financial instruments and hedge accounting

Derivatives are initially measured at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. Gains and losses resulting from measurement at fair value are treated in the accounts in the way specified by the purpose of the derivative instrument. If the derivatives are used for hedging purposes, hedge accounting is applied and the derivatives are effective hedging instruments, the profit and loss effects of the fair value changes of the derivative instruments are presented uniformly with the hedged item. When entered into, derivative financial instruments are treated as fair value hedges of receivables, liabilities or fixed commitments, or, in the case of currency exchange

risk, as cash flow hedges, cash flow hedges for an anticipated and highly likely commercial transaction. Derivative financial instruments may also be treated as instruments that do not meet the hedge accounting criteria.

When a hedging relationship is entered into, the relationship between the item being hedged and the hedging instrument, as well as the objectives of the Group's risk management and the hedging strategy are documented. The effectiveness is assessed prospectively as well as retrospectively, and at least every time the financial accounts are being prepared. The Group documents the effectiveness of qualifying derivatives by examining their ability to offset changes to the fair value of the hedged item or cash flows.

Cash flow hedging

The change in the fair value of the effective portion of derivative instruments qualifying for cash flow hedge is recognised in other comprehensive income and presented in the hedge fund under equity (in Other funds). The gains and losses accumulated in equity from hedging instruments are reclassified to profit or loss when the hedged item impacts the profit or loss. Gains and losses from derivatives hedging an anticipated sale in a foreign currency are recognised as sales adjustments when the sale takes place. The ineffective portion of a derivative instrument is recognised in other operating income and expenses. If a hedged, anticipated commercial transaction leads to the recognition of an asset not included in financial assets, such as a tangible fixed asset, the gains and losses accumulated in equity are reclassified as an adjustment to the acquisition cost of that asset. When a derivative financial instrument acquired for cash flow hedging matures or is sold, or when the conditions of hedge accounting are no longer met, the gain or loss from the derivative instrument remains under equity until such time as the anticipated commercial transaction takes place. However, if that is no longer expected to happen, the gain or loss under equity is directly reclassified to profit or loss.

Other hedging instruments where hedge accounting does not apply

Even if certain hedging relationships meet the requirements of effective hedging set for the Group's risk management,

hedge accounting may not apply to them. Such instruments include derivatives hedging a commodity risk in connection with operations and some derivatives hedging currency risks. Changes on their fair values are recognised in other business revenue and costs in accordance with the Group's established practice. In the balance sheet, these commodity risk and foreign currency accounts receivable / accounts payable derivatives are presented in current receivables or liabilities. The fair values for hedging instruments and changes in them are presented in Notes to the Financial Statements

Share capital

Ordinary shares are presented as share capital. Expenditure relating to the issue or acquisition of own equity instruments are presented as an allowance account under equity.

Operating profit

IAS 1 Presentation of Financial Statements does not define operating profit. The Group has defined it as follows: operating profit is the net sum obtained after adding other operating income to revenues and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, the costs incurred for own-use manufacture, costs from employee benefits, depreciation, amortisation and any impairment losses, and other operating expenses. All other income statement items are presented under operating profit. Exchange rate differences and changes in the fair value of derivatives are included in operating profit if they arise from items connected with business operations; otherwise they are entered in financing items. In its tables and texts, the Group uses both the term 'operating result' and 'operating profit'.

Key estimates and assumptions and accounting policies requiring judgement

The preparation of the consolidated financial statements in conformity with IFRS requires estimates and assumptions regarding future from management even though actual outcomes may differ from the estimates.

Group management makes decisions regarding the selection and application of accounting policies. This applies in particular to those cases in which the IFRS standards in effect provide the opportunity to choose between alterna-

tive accounting, valuation or presentation methods.

The estimates made in connection with preparing the financial statements reflect the best judgement of the management at the end of reporting period. These estimates are based on prior experience and assumptions regarding future developments, which are regarded as most likely at the reporting date, for example, to expected trends in the Group's economic operating environment in terms of revenue and costs. The Group regularly monitors the realisation of these estimates and assumptions and any changes to underlying factors with the divisions through internal and external information sources. Any changes in estimates and assumptions are recognised in the financial statements of the period during which such adjustments are made.

The key assumptions regarding the future and the main sources of estimation uncertainty at the end of reporting period, which pose a significant risk of resulting in a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year, are given below. Group management regards these particular areas of the financial statements as crucial. Application of these accounting policies requires the utilisation of significant estimates and assumptions.

Impairment testing

The Group performs annual impairment testing of goodwill, intangible assets in progress and intangible assets having an indefinite useful life. Indications of impairment are evaluated in the way described above in the accounting policies. The recoverable amounts of cash-generating units have been defined on the basis of value in use calculations. Preparation of these calculations, involve the use of estimates.

Revenue from contracts with customers

Revenue recognition over time is based on estimates of the project's actual revenue and expenses as well as the reliable assessment of the project's progress towards satisfaction of the performance obligation. In order to produce reliable estimates, project costs are identified as accurately as possible. The assessment of revenue requires estimates of factors influencing the expected selling price to be received from the customer. Project revenue and expenses are recognised as

revenue and expenses based on the passage of time, overall estimates related to the project and its progress towards satisfaction of the performance obligation. The recognition of revenue over time is based on estimates of expected revenue and expenses of the project and reliable measurement of project progress. If estimates change regarding the final outcome of a project for which revenue is recognised over time, the recognised revenue and profit/loss are amended in the period in which the change can be estimated for the first time. Estimates pertaining to contractual bonuses and the timing of their recognition require reliable estimates and management judgement. Any loss expected from a construction contract is directly recognised as an expense.

Tax

When tax is recognised, management's most essential estimate relates to the criteria for recording deferred tax assets. When a tax-deductible temporary difference dissolves, it results in less taxable income in subsequent financial period. The most common temporary difference relates to between taxation and accounts is a loss in taxation. Management has to estimate whether future taxable profits will be available against which such losses can be used. A deferred tax asset is only recognised on losses to the extent that there is an estimated income to be generated in subsequent financial periods, against which the company can use its tax losses.

Employee benefits

The factors used to calculate employee benefit obligations that require the management's assessment are connected, for example, to an estimate of the expected return on plan assets in defined benefit pension plans, determining the discount rate used to calculate the pension cost and obligation for the financial year, forecasting future trends in pay, the expected rise in pension costs, expected lengths of service of personnel, and inflation trends.

Provisions

When recognising provisions, the management has to assess whether there is a legal or contractual obligation for which the payment is probable. In addition, they have to assess the amount of the obligation and estimate the time when

it is realised. The obligation is recognised as a provision in the financial statements in case it can be measured reliably.

Lease agreements

The treatment of lease agreements under IFRS 16 requires using evaluations and assumptions by the management when assessing factors such as those related to the definition of the term of lease, concerning non-fixed-term lease agreements and lease agreements that involve termination and extension options. The determination of the discount rate also requires assessments by the management. These have an effect on the amounts of use-of-right assets and lease liabilities as well as the recognition of income and expenses on the income statement.

New and amended standards applied in the past financial period

Destia Group has applied the following new and amended standards effective from the beginning of 2019:

IFRS 16 Leases (effective for financial periods starting on or after 1 January 2019). The new standard has replaced IAS 17 and related interpretations. IFRS 16 requires lessees to recognise lease agreements on the balance sheet as right-of-use assets and related lease liabilities. The accounting model is similar to previous finance lease accounting according to IAS 17. There are two exemptions available, relating to either short term contracts in which the lease term is 12 months or less, or assets valued at no more than USD 5,000. Lessor accounting remained largely unchanged from the provisions under IAS 17. The adoption of IFRS 16 did not change the accounting of lease agreements in which Destia Group is the lessor. Provided below is information on the effects of the transition to IFRS 16 on the Group's financial statements concerning lease agreements in which the Group is the lessee.

The Group applied the modified approach in the transition. Accordingly, the Group did not adjust the comparative figures. On the date of adoption, the remaining outstanding lease payments that were previously classified as operational lease agreements under IAS 17 were discounted to present value using the interest on additional credit on the date of the standard's adoption. The right-of-use asset was measured at an amount equal to the lease liability. Applying the

exemptions enabled by the standard, agreements involving an underlying asset with a low value or insignificant from the business perspective were excluded from accounting, as well as short-term leases with a lease term of 12 months or less starting from 1 January 2019.

At the end of the financial year 2018, the Group had lease agreements relating to buildings and structures that were handled as finance lease agreements in accordance with IAS 17. The value of financial lease agreements included in property, plant and equipment was MEUR 0.2 and the value of the corresponding financial leasing liabilities was MEUR 0.1. These agreements were recognised as right-of-use assets and lease liabilities in accordance with their IAS 17 carrying values on the date of transition.

On the date of adopting the standard, 1 January 2019, the amount of lease liability discounted to the present value of lease payments and recognised on the balance sheet was MEUR 14.3. The discount rate applied to all lease agreements was 1.35 per cent. The right-of-use asset recognised in assets on the balance sheet was MEUR 14.3, of which MEUR 9.5 is related to property lease agreements, MEUR 4.5 to machinery and equipment lease agreements and MEUR 0.3 to other lease agreements.

The Group has assessed lease agreements that were effective on the date of transition and involve extension or termination options, as well as non-fixed-term lease agreements, on the basis of the information on the transition date. In these situations, the lease term and the effect of the extension and termination options are taken into account in the determination of the term of lease if their realisation is relatively certain on the basis of factors such as the duration of the contract governing the purpose of use of the leased premises.

In previous financial years, future lease payments under non-cancellable operational lease agreements were presented in the notes as lease liabilities at nominal value.

The adoption of the standard did not have a material effect on the result for the financial year or the Group's equity. The adoption of the standard increased the Group's assets and liabilities on the balance sheet by approximately MEUR 14.1.

Reconciliation to operational lease liabilities

1,000 EUR	1 January 2019
Operational lease liabilities 31 December 2018	10,294
Liabilities related to short-term leases	-214
Liabilities related to low-value assets	-770
Other adjustments to lease liability in connection with the adoption of IFRS 16	-480
Effect of discounting of operational lease liabilities	-248
Liabilities additionally recognised because of the initial application of IFRS 16	5,466
Liabilities relating to lease agreements previously classified as financial leases	226
Lease liabilities on 1 January 2019	14,274

The adoption of IFRS 16 has also had an effect on the Group's key figures and consolidated cash flow statement. In addition to operating result, net operating cash flow has also increased, as repayment of lease liabilities is presented in financial cash flow.

Other amended standards and interpretations have not had a material effect on the consolidated financial statements.

New and amended standards and interpretations to be applied in future financial periods

* = The provision in question has not been approved for application in the EU on 31 December 2019.

The Group has not yet applied the following revised standards and interpretations published by IASB. The Group will adopt them from the effective date of each amendment and interpretation or, if the effective date is not the first day of a financial period, from the start of the financial period following the effective date.

Amendments to IFRS 3, Definition of a business (effective for financial periods starting on or after 1 January 2020): The amendments narrowed and clarified the definition of a

business. They also allow a simplified assessment of whether the entity acquired is a group of assets or a business. The amended standard is not expected to have a material effect on Destia Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8, Definition of material (effective for financial periods starting on or after 1 January 2020): The amendments clarify the definition of 'material' and include instructions to facilitate consistent application of the concept in all IFRS standards. In addition, the explanations related to the definition have been improved. The amended standard is not expected to have a material impact on Destia Group's consolidated financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective for financial periods starting on or after 1 January 2020): In the background of the amendments, there are the uncertainty factors related to the preparation and implementation of the ongoing Interbank Offered Rate (IBOR) reform. The amendments make it easier to meet the requirements for hedge accounting of financial instruments in the period preceding the IBOR reform. The amended standard is not expected to have a material effect on Destia Group's consolidated financial statements.

Other new or amended standards and interpretations are not expected to have an effect on the consolidated financial statements.

2. REVENUE

Destia Group applies IFRS 15 Revenue from Contracts with Customers standard, that defines revenue recognition policies. In accordance to IFRS 15, revenue is recognised when control of the product or service is transferred to the customer. Revenue recognition should reflect the consideration that the entity, on the basis of the contract, expects to be entitled to. Revenue from Contracts with Customers is described in notes to the consolidated financial statements.

1,000 EUR	2019	2018
Revenue from customer contracts		
Materials	14,419	19,842
Services	46,466	42,612
Projects	508,992	487,833
Revenue, total	569,877	550,287

Destia Group's revenue from contracts with customers consist of infrastructure, design, construction and maintenance projects. Services consist of infrastructure planning and consultation projects. In addition to this, the Group has aggregate sales.

The largest customer groups whose income is at least 10% of the Group's total revenue are: the Centre for Economic Development, Transport and the Environment (ELY Centres) and the Finnish Transport Agency.

Timing of the revenue recognition	2019	2018
Timing of the revenue recognition, at point in time	14,419	19,842
Timing of the revenue recognition, over the time	555,458	530,445
Timing of the revenue recognition, total	596,877	550,287

Transaction price allocated to the remaining obligation		
Transaction price allocated to the remaining obligation, within one year	322,517	362,943
Transaction price allocated to the remaining obligation, more than one year	441,055	369,708
Transaction price allocated to the remaining obligation, total	763,572	732,651

Contract assets and liabilities		
Contract assets	19,690	15,116
Contract liabilities	34,281	36,199

Changes in contract assets and liabilities

1,000 EUR	2019	
	Assets	Liabilities
Changes through projects started during the period (ongoing at the end of the financial period)	2,820	-6,116
Changes through projects ended during the period (ongoing at the start of the financial period)	-3,534	5,314
Changes through projects ongoing at the start and at the end of the financial period	5,288	2,720
Changes in contract assets and liabilities	2018	
1,000 EUR	Assets	Liabilities
Changes through projects started during the period (ongoing at the end of the financial period)	4,578	-16,096
Changes through projects ended during the period (ongoing at the start of the financial period)	-3,830	9,982
Changes through projects ongoing at the start and at the end of the financial period	6,470	-4,838

Contract assets consist of percentage of completion receivables and contract liabilities consist of invoicing.

Expected credit losses related to contract assets are covered in Note 17.

3. MATERIALS AND SERVICES

1,000 EUR	2019	2018
Purchases during the financial year	98,782	90,798
Change in inventory	3,190	-442
External services	303,435	288,691
Materials and services, total	405,407	379,047

4. OTHER OPERATING INCOME AND EXPENSES

1,000 EUR	2019	2018
Profits from the sale of tangible and intangible assets	4,107	1,107
Rental and other income	2,204	2,238
Revaluation of unpaid purchase price liability	1,200	
Other operating income, total	7,510	3,344

More information on unpaid purchaser price liability and revaluation on note 21.

Losses from the sale of tangible and intangible assets	10	4
Rental expenses	565	5,132
Voluntary personnel expenses	4,306	3,666
Travel expenses	12,270	10,902
IT-expenses	7,264	7,122
External Services	4,822	3,006
Expected credit losses	-158	88
Other fixed costs	8,540	9,928
Other operating expenses, total	37,619	39,848
Auditors expenses		
Audit fees	68	72
Tax counselling	8	
Other services	45	3
Auditors expenses, total	121	75

5. INCOME AND EXPENSES RELATED TO LEASE AGREEMENTS

1,000 EUR	2019
Other operating income	
Income from lease agreements	854
Depreciation	
Depreciation of right-of-use assets	5,288
Expenses on lease agreements	
Expenses on short term lease agreements	4,534
Expenses on lease agreements with an underlying asset with a low value	6,918
Financial income and expenses	
Interest expenses on lease agreements	206

6. IMPAIRMENTS

No impairments were recognized in 2019 and 2018. Goodwill impairment tests are covered in Note 13.

7. EMPLOYEE BENEFITS

1,000 EUR	2019	2018
		adjusted
Wages and salaries	89,018	91,247
Pension expenses, defined contribution arrangements	15,124	13,465
Pension expenses, defined benefit arrangements	6	412
Other personnel-related expenses	2,709	2,604
Employee related expenses, total	106,856	107,727

Information about employee benefits to the management is provided in Note 31, Related parties. Information about defined benefit pension arrangements is provided in Note 27.

More information on correction of a prior year error in the comparative year figures is in Note 32.

Average personnel	2019	2018
Waged employees	673	627
Clerical employees	1,030	1,031
Average personnel, total	1,703	1,658
Personnel at the end of the financial year	1,651	1,676

8. DEVELOPMENT EXPENSES

The total expenses relating to the Group's development activities in 2019 were MEUR 1.3 (1.0 MEUR). The Group has not capitalised its development expenses on balance sheet.

9. FINANCIAL INCOME AND EXPENSES

1,000 EUR	2019	2018
Financial income		
Dividend income from other investments	8	3
Interest income from loans and other receivables	94	40
Other financial income	189	
Total	290	44
Financial expenses		
Interest expenses on loans from financial institutions amortized at cost	839	473
Interest expense on financial leasing contracts, IAS17		4
Interest expenses on lease agreements	206	
Change in value of financial assets measured at fair value through profit and loss		184
Other financial expenses	446	303
Total	1,491	963
Financial income and expenses, total	-1,201	-919

Information about financing is provided in Note 29.

10. INCOME TAXES

1,000 EUR	2019	2018
		adjusted
Tax based on taxable income for the period	2,206	3,464
Taxes from previous periods	-4	-1
Deferred taxes	-225	-495
Total	1,977	2,969

Comprehensive income items include EUR 37 thousand (2018: income EUR 25 thousand) of deferred tax expense which is arising on the cash flow hedging and deferred tax expense of EUR 166 thousand (2018: expense EUR 25 thousand) on defined benefit pension arrangements.

Reconciliation of the tax expense and taxes calculated using the Group's domestic tax rate (20%)

Result before taxes	11,097	15,757
Taxes calculated using domestic tax rate	2,219	3,151
Different tax rates for foreign subsidiaries	-6	8
Tax effect of tax-free items	-361	-171
Tax effect of non-deductible items	20	23
Deductible items (not included in the accounting profit)	-25	-41
Other changes	134	0
Taxes from previous periods	-4	-1
Income taxes, total	1,977	2,969

More information on correction of a prior year error in the comparative year figures is in Note 32.

11. PROPERTY, PLANT AND EQUIPMENT

1,000 EUR	
Tangible assets	53,880
Right-of-use assets	15,413
Carrying amount 31 Dec 2019	69,293

	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2019	2,072	10,184	56,934	23,627	1,213	94,031
Increases	6	4	7,188	1,270	889	9,357
Decreases	-161	-2,672	-857	-663		-4,353
Transfers between items			1,288		-1,769	-481
Acquisition cost on 31 Dec 2019	1,916	7,516	64,553	24,235	333	98,554
Accumulated depreciation on 1 Jan 2019		-5,786	-27,217	-5,008		-38,011
Accrued depreciation for decreases and transfers		1,399	561			1,959
Depreciation for the period		-362	-7,469	-791		-8,622
Accumulated depreciation on 31 Dec 2019		-4,749	-34,126	-5,799		-44,673
Carrying amount 31 Dec 2019	1,916	2,767	30,428	18,436	333	53,880

Right-of-use assets	Land and water areas	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan 2019		223		223
Implementation of IFRS16 standard 1 Jan 2019	327	9,266	4,458	14,051
Increases	231	2,176	4,476	6,883
Depreciation for the period	-100	-3,212	-1,977	-5,288
Carrying amount 31 Dec 2019	391	8,125	6,898	15,413

* 2019 opening acquisition cost at 1 Jan and opening accumulated depreciation at 1 Jan have been adjusted and therefore do not correspond to the year-end balances. An adjustment has been made between the acquisition cost and the accumulated depreciation and there is no net effect on the balance sheet.

	Land and water areas	Buildings and structures	Buildings and structures, financial leasing	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2018	2,107	6,881	494	53,132	23,636	1,507	87,758
Increases	10	107	49	5,000	436	1,837	7,440
Decreases	-45	-37	-189	-457	-442		-1,171
Transfers between items				1,104		-2,131	-1,027
Acquisition cost on 31 Dec 2018	2,072	6,951	354	58,780	23,631	1,213	93,000
Accumulated depreciation on 1 Jan 2018		-2,056	-214	-22,422	-3,642		-28,334
Accrued depreciation for decreases and transfers		35	189	403			627
Depreciation for the period		-532	-105	-7,043	-1,369		-9,050
Accumulated depreciation on 31 Dec 2018		-2,553	-130	-29,062	-5,011		-36,757
Carrying amount 31 Dec 2018	2,072	4,398	223	29,717	18,620	1,213	56,244

12. GOODWILL

1,000 EUR	2019	2018
Acquisition cost 1 Jan	83,649	83,649
Acquisition cost 31 Dec	83,649	83,649
Carrying amount 31 Dec	83,649	83,649

13. IMPAIRMENT TESTS

MEUR	31 Dec 2019	31 Dec 2018
Destia subgroup	83.6	83.6

Impairment tests are performed annually on goodwill, by comparing the carrying amount of goodwill with the estimated value of its group of cash-flow-producing units. In addition, impairment testing is performed whenever there are any indications of impairment. Impairment testing for the financial year and the reference year was performed at the end of the third quarter, and impairment testing is based on a valuation report prepared by an independent external valuer. On the basis of these tests, no impairment was recorded.

The estimated value of the group of cash-flow-producing units that have goodwill are based on calculations using assumptions.

The calculation of working values is based on the following key assumptions:

Factors influencing the calculation of working value include the discount rate and growth percentages used for the extrapolation of cash flows after the forecast period.

The cash flows used in the calculations are based on the annual forecast for the financial year 2019 and the strategy approved by the Board of Directors for the years 2020–2024. The cash flows for future financial years were extrapolated using a terminal growth rate of 1% (1% in 2018), which reflects both the expected average growth rate and the effect of inflation. In the 2019 and 2018 testing, the operating margin of the terminal year was normalised to correspond to the average of the above-mentioned years.

Discount rate

Cash flows were discounted using the discount rate specified after taxes. The discount rate is based on the weighted average cost of capital (WACC). External valuers define the WACC values as part of the valuation process. The discount rate (after taxes) used in 2019: 9.0% (2018: 8.4%).

Growth rate estimates

Growth rate estimates are based on perceived long-term economic growth prospects, which are based on recorded historical average growth rates of advanced economies, generally roughly 2% per annum. The Group is expected to grow organically, mainly in tandem with the economy. Because of the slower long-term economic growth expectations, the growth rate used in calculations is 1% per annum.

Effects of changes in expectations

Sensitivity analysis on Destia Group with a 0% long term growth did not imply a write-down; higher growth rates would lead to increased values in use. Similarly, higher discount rates would yield a need for write-down only at unrealistically high levels.

14. OTHER INTANGIBLE ASSETS

1,000 EUR	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2019	10,116	1	10,117
Increases	88		88
Decreases	-7		-7
Transfers between items (+/-)	481		481
Acquisition cost on 31 Dec 2019	10,678	1	10,679
Accumulated depreciation on 1 Jan 2019	-7,403		-7,403
Depreciation for the period	-1,298		-1,298
Accumulated depreciation on 31 Dec 2019	-8,696		-8,696
Carrying amount 31 Dec 2019	1,982	1	1,983

*2019 opening acquisition cost at 1 Jan and opening accumulated depreciation at 1 Jan have been adjusted and therefore do not correspond to the year-end balances. An adjustment has been made between the acquisition cost and the accumulated depreciation and there is no net effect on the balance sheet.

1,000 EUR	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2018	6,369	9	6,405
Increases	66	1	67
Decreases		-5	-5
Transfers between items (+/-)	1,030	-4	1,027
Acquisition cost on 31 Dec 2018	7,493	1	7,494
Accumulated depreciation on 1 Jan 2018	-3,497		-3,497
Depreciation for the period	-1,284		-1,284
Accumulated depreciation on 31 Dec 2018	-4,780		-4,780
Carrying amount 31 Dec 2018	2,712	1	2,714

15. OTHER INVESTMENTS

1,000 EUR	2019	2018
Other investments		
Acquisition cost 1 Jan	2,023	2,032
Decreases	-2	-9
Acquisition cost 31 Dec	2,021	2,023
Carrying amount 31 Dec	2,021	2,023

Other investments include shares measured at fair value through other comprehensive income and shares measured at fair value through profit and loss. More information is in accounting principles and in Note 23.

16. INVENTORY

1,000 EUR	2019	2018
Materials and supplies	13,196	16,386
Total	13,196	16,386

17. ACCOUNTS AND OTHER RECEIVABLES

1,000 EUR	2019	2018
		adjusted
Accounts receivables	52,510	56,592
Other receivables	1,461	1,588
Income tax receivables	1,973	152
Contract assets	19,612	15,023
Accrued income	3,573	3,643
Accounts and other receivables, total	79,128	76,999

Contract assets and liabilities are described in Note 2.

More information on correction of a prior year error in the comparative year figures is in Note 32.

The most significant accrued income items consist of sales allocations EUR 2 934 thousand (2018: EUR 3 340 thousand).

Expected credit losses and age distribution of accounts receivables

1,000 EUR	2019	Impairment loss reservation	Expected credit losses, %	Net 2019	2018	Impairment loss reservation	Expected credit losses, %	Net 2018
Contract assets	19,690	-78	0.4	19,612	15,116	-93	0.6	15,023
Accounts receivables	52,719	-209		52,510	56,944	-352		56,592
Not past due	49,276			49,276	52,921			52,921
Due								
Less than 30 days	1,802	-84	4.6	1,719	3,220	-141	4.4	3,079
30-60 days	241	-63	26.1	178	164	-106	64.4	58
61-90 days	43	-42	97.5	1	387	-70	18.2	316
More than 90 days	1,358	-21	1.5	1,337	252	-35	14.0	217
Accounts receivables, total	52,719	-209		52,510	56,944	-352		56,592

At the balance sheet date, the maximum credit risk the Group is exposed to with regards to accounts receivables is equal to the balance sheet amount. No collateral is applied to the Group's accounts receivables. There are no significant credit risk concentrations within accounts receivables. The carrying amount of the accounts receivables is considered to be equal to their fair value at the balance sheet date.

The Group utilizes provision matrix to determine expected credit losses on accounts receivables. The calculation of expected credit losses and other risks related to accounts receivables are described in Note 29.

The Group has recorded credit losses from accounts receivables of EUR -526 thousand (EUR 660 thousand). As definitive credit losses the Group has recorded in total EUR -368 thousand and as change of impairment loss reservation EUR -158 thousand (EUR 573 thousand and EUR 88 thousand).

18. CASH AND CASH EQUIVALENTS

1,000 EUR	2019	2018
Cash in hand and at banks	24,366	40,430
Cash and cash equivalents, total	24,366	40,430

Cash and cash equivalents in the cash flow statement correspond to those presented in the balance sheet.

The balance sheet value of cash and cash equivalents best corresponds to the maximum amount of credit risk related to them.

19. DEFERRED TAX ASSETS AND LIABILITIES

Movement in deferred tax assets 2019

1,000 EUR	1 Jan 2019	In income statement	In other comprehensive income	31 Dec 2019
Pension benefits	185	4	-166	23
Pension benefits, adjustment to prepayment	797	-3		794
Provisions	1,031	134		1,165
Tax receivable on interest	1,669	-8		1,660
Other allocation differences	445	-76		369
Hedge instrument fund	37		-37	
Total	4,163	51	-203	4,011

Tax losses carried forward for which deferred tax assets have not been recorded 1,326

No deferred tax assets have been recorded for Destia Sverige AB's losses, which do not expire.

Movement in deferred tax liabilities 2019

1,000 EUR	1 Jan 2019	In income statement	In other comprehensive income	31 Dec 2019
Depreciation differences	1,888	-50		1,836
Other allocation differences	159	-124		36
Total	2,047	-174		1,874

Movement in deferred tax assets 2018

adjusted

1,000 EUR	1 Jan 2018	In income statement	In other comprehensive income	In equity	31 Dec 2018
Pension benefits	207	4	-25		185
Pension benefits, adjustment to prepayment	719	78			797
Provisions	942	88			1,031
Tax receivable on interest	1,576	93			1,669
Other allocation differences	178	195		72	445
Hedge instrument fund	12		25		37
Total	3,634	458		72	4,163

Tax losses carried forward for which deferred tax assets have not been recorded 1,343

No deferred tax assets have been recorded for Destia Sverige AB's losses, which do not expire.

More information on correction of a prior year error in the comparative year figures is in Note 32.

Movement in deferred tax liabilities 2018

1,000 EUR	1 Jan 2018	In income statement	In other comprehensive income	In equity	31 Dec 2018
Depreciation differences	1,838	50			1,888
Other allocation differences	468	-86		-222	159
Total	2,307	-37		-222	2,047

20. EQUITY

1,000 EUR	Number of shares	Share capital	Invested non-restricted equity fund	Other items	
				Translation differences	Translation differences
01/01/2019	80,000	80	53,000	-4	-146
Translation differences				0	
Cash flow hedging					147
Capital return			-10,000		
31.12.2019	80,000	80	43,000	-5	1

1,000 EUR	Number of shares	Share capital	Invested non-restricted equity fund	Hybrid loans	Other items	
					Translation differences	Hedge instrument fund
1 Jan 2018	80,000	80	53,000	10,000	-3	-46
Translation differences					-1	
Cash flow hedging						-101
Amortisation of equity hybrid loan				-10,000		
Other changes						1
31 Dec 2018	80,000	80	53,000		-4	-146

Information on shares and share capital

The Destia Group Plc has one share type. The maximum number of shares is 80 thousand. The share capital of the Destia Group Plc is MEUR 0.08. The shares have no nominal value.

Invested non-restricted equity fund

The invested non-restricted equity fund includes equity-like investments and the share subscription price to the extent to which it is not recorded in the share capital by explicit decision.

The invested non-restricted equity fund includes the MEUR 38 capital invested by Ahlström Capital Group in connection with the trade of Destia's shares and the conversion of the MEUR 15 hybrid loan from AC Infra Oy, decided at the Extraordinary General Meeting in August 2016. In accordance with the decision of the Annual General Meeting capital

repayment of MEUR 10 was made during 2019 from invested non-restricted equity fund to Ahlström Capital Oy.

Hybrid loans

Equity hybrid loans are loans issued by the owner, which are items comparable to equity. The amortisation and interest payments of equity hybrid loans are decided at the Annual General Meeting based on a proposal by the Board of Directors. From 2015 onwards, interest expenses are recorded as they are paid, adjusted for the effect of taxation on the results of previous financial years. In order of priority, the loans are last after all other loans.

Equity does not include equity hybrid loans from Ahlström Capital Group. Interest on the loans was 10%. Hybrid loans were fully amortised during comparative period 2018.

Other items**Translation differences**

Translation differences include differences resulting from the translation of foreign subsidiaries.

Hedge instrument fund

At the end of the period equity does not include hedge instrument fund. On comparative period the fund included the accumulated effective proportions of changes in fair values of derivative financial instruments used as cash flow hedges and the gains and losses on other investments recognized through comprehensive income.

21. FINANCIAL LIABILITIES

1,000 EUR	2019	2018
Loans from financial institutions	20,000	40,261
Other liabilities	537	3,312
Lease liabilities	10,031	
Financial lease liabilities		144
Derivative liabilities		183
Non-current financial liabilities, total	30,568	43,900
Loans from financial institutions	19,994	116
Other liabilities	1,575	
Lease liabilities	5,514	
Financial lease liabilities		82
Current financial liabilities, total	27,082	198
Lease liabilities - present value of minimum lease payments		
Maturing within one year	5,644	
Maturing within more than one year and less than five years	10,779	
Total	16,423	
Financial lease liabilities - present value of minimum lease payments		
Maturing within one year		90
Maturing within more than one year and less than five years		144
Total		235
Total cash outflow from leases	17,260	

Destia has a non-recurring unsecured floating rate loan of EUR 20 million taken in November 2019 and maturing in November 2022. To secure liquidity, the company has entered into a EUR 30 million long-term committed credit facility in November 2019, maturing in November 2022. This credit facility was fully unused at balance sheet date. Both the credit agreement and the limit agreement include a net debt to EBITDA covenant. Destia has at its disposal a EUR 150 million commercial paper program, of which EUR 20 million was in use at the balance sheet date.

Non-current financial liabilities include the unpaid purchase price for the additional shares in Destia Engineering Ltd, valued at MEUR 2.1 at the balance sheet date (3.3). The remeasurement difference of MEUR 1.2 has been recognised under other operating income during the financial period.

22. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES (IAS 7)

1,000 EUR	Non-Cash flow effect			
	1 Jan 2019	Cash flows	Changes in fair values	31 Dec 2019
Changes in financial liabilities (IAS 7)				
Non-Current loans	43,572	-20,261	-2,775	20,537
Current other liabilities	116	19,878	1,575	21,569
Lease liabilities (Financial lease liabilities)	226		15,319	15,545
Assets used in hedging non-current liabilities	183		-183	
Total	44,098	-383	13,936	57,650

Changes in financial liabilities (IAS 7)	Non-Cash flow effect			
	1 Jan 2018	Cash flows	Changes in fair values	31 Dec 2018
Non-Current loans	43,692	-119	0	43,572
Current other liabilities	167	-51		116
Financial lease liabilities	286		-59	226
Assets used in hedging non-current liabilities	58		126	183
Total	44,202	-170	66	44,098

23. GROUP'S CARRYING AMOUNT OF FINANCIAL ASSETS AND LIABILITIES

1,000 EUR	2019	2018	Fair value hierarchy
Financial assets			
Assets measured at fair value through other comprehensive income			
Shares	2,000	2,000	level 3
Financial assets measured at fair value through profit or loss			
Shares	21	23	level 3
Other derivatives, not hedging	1		level 2
Assets at amortised cost			
Accounts receivables and other receivables	53,971	58,180	level 2
Cash and cash equivalents	24,366	40,430	level 2
Financial liabilities			
Liabilities measured at fair value through other comprehensive income			
Interest rate swaps, in hedge accounting		183	level 2
Liabilities measured at fair value through profit and loss			
Other derivatives, not hedging		128	level 2
Liabilities at amortised cost			
Loans from financial institutions, interest-bearing	39,994	40,377	level 2
Lease liability, interest-bearing	15,545		level 2
Financial lease liability, interest-bearing		226	level 2
Other liabilities, interest-bearing	2,112	3,312	level 3
Accounts payables and other liabilities	86,185	88,746	level 2

The carrying value equals the fair value. The levels adopted in fair value accounting are:

Level 1: Exchange traded securities with quoted prices in active markets

Level 2: Fair value determined by observable parameters.

Level 3: Fair value determined by non-observable parameters.

24. OTHER LIABILITIES

1,000 EUR	2019	2018
Non-current other liabilities	2,392	917

25. ACCOUNTS PAYABLE AND OTHER NON-INTEREST-BEARING LIABILITIES

1,000 EUR	2019	2018
Accounts payable	35,416	34,804
Other non-interest-bearing liabilities	17,098	20,930
Accrued expenses	32,390	46,309
Accounts payable and other non-interest-bearing liabilities, total	84,904	102,043

The most significant items in accrued expenses are personnel expenses of EUR 21,965 thousand (2018: EUR 34,323 thousand) and accounts payable allocations EUR 8,996 thousand (2018: EUR 11,118 thousand).

26. LONG-TERM INCENTIVE SCHEMES

The Group has two management long-term incentive schemes, one for 2018-2020 and the other for 2019-2021. The purpose of the schemes is to commit certain key persons to the company and offer them a competitive reward scheme. The Board of Directors decides on the long-term incentive scheme and the persons covered by it. The criteria for the long-term incentive schemes are the same for all people belonging to the scheme. These criteria apply to the whole Group and differ from the bonus scheme criteria. The earnings criterion of the programs is the company's value increase.

The scheme for 2018-2020 covers some 40 persons. The earnings period is 2018-2020 and the remuneration accumulated in the earnings period will be paid in cash during 2021 at latest. The scheme for 2019-2021 covers approximately 60 persons. The earnings period is 2019-2021 and the remuneration accumulated in the earnings period will be paid in cash during 2022 at latest. The Group has noted the synthetic option arrangement granted to the Chair of the Board by AC Infra Oy.

27. PENSION OBLIGATIONS

In addition to the statutory pension insurance (TyEL), Destia Ltd.'s has a defined benefit pension arrangement in place for those employees whose employment began before 1993. The additional pension is related to Destia Ltd.'s period as a public utility. In connection with the incorporation of Destia, pension insurance was supplemented by acquiring additional pension insurance from a third party. The additional pension covers the level of pension earned before 1995 and the individual age of retirement between 60 and 65 years of age.

In the defined benefit pension plan, the amount of funds reflects the share of the obligations for which the insurance company is liable and this is calculated at the same discounted interest rate as the obligation. The assets included in the arrangement include 100% acceptable insurance policies. The company's liability is mainly the effect of the employee pension index on the obligation.

1,000 EUR	2019	2018
Expenses based on work performance during the period	0	0
Net interest	19	21
Costs in the income statement	19	21
Items resulting from redefinition	-832	-127
Costs in the comprehensive income statement before taxes	-814	-106
Present value of obligation	31,072	29,248
Fair value of assets included in the arrangement	-30,958	-28,321
Net liability/asset on the balance sheet (-) 31 Dec	113	927
Present value of obligation at start of period	29,247	30,167
Expenses based on work performance during the period	0	0
Interest expenses	571	590
Actuarial profit (-)/loss (+)		
from changes in financial assumptions	1,964	365
from changes in demographic assumptions	571	27
from experience-based changes	113	-569
Fulfilling an obligation		
Benefits paid	-1,395	-1,333
Company arrangements		
Present value of obligation 31 Dec	31,072	29,247

	2019	2018
Fair value of assets included in the arrangement at the beginning of the period	28,321	29,134
Interest yield	553	569
Yield of assets included in the arrangement excluding item belonging to interest expenditure/ yield	3,480	-50
Fulfilling obligations		
Benefits paid	-1,395	-1,333
Company arrangements		
Fair value of assets included in the arrangement 31 Dec	30,958	28,321
Liabilities on the balance sheet at the beginning of the period	927	1 033
Costs in the income statement	19	21
Payments made to arrangement		
Redefinitions in items of other comprehensive income	-832	-127
Liabilities on the balance sheet 31 Dec	113	927
Actuarial assumptions		
Discounting interest rate, %	0.90 %	2.00 %
Pay rises, %	1.00 %	1.20 %
Pension rises, %	1.34 %	1.94 %
Sensitivity analysis		
The table below shows the effects on net liability of changes in assumptions		
Discounting interest rate change +0.25%	-4	-30
Discounting interest rate change -0.25%	4	31
Pay rises +0.25%	19	15
Pay rises -0.25%	-19	-15
Change in pension rises +0.25%	1,036	974
Change in pension rises -0.25%	-1,002	-942

When calculating sensitivity, it is assumed that other assumptions remain unchanged. The duration based on the weighted average of the obligation is 13.5 years. Destia Ltd.'s estimate of the benefits-based pension arrangements it will pay in 2020 null euros.

28. PROVISIONS

1,000 EUR	Guarantee provisions	Environmental provisions	Other provisions	Total
1 Jan 2019	3,770	10,386	2,064	16,220
Increase in provisions	497	175	1,820	2,491
Expensed provisions	-648		-534	-1,183
Reversals of unused provisions	-1,116	-114	-557	-1,787
Effect of discounting		1,064		1,064
Transfers between items		500	-500	
31 Dec 2019	2,503	12,011	2,292	16,806

1,000 EUR	Guarantee provisions	Environmental provisions	Other provisions	Total
1 Jan 2018	4,486	11,062	1,599	17,146
Increase in provisions	919		1,652	2,571
Expensed provisions	-361	-176	-934	-1,470
Reversals of unused provisions	-1,273	-59	-253	-1,586
Effect of discounting		-440		-440
31 Dec 2018	3,770	10,386	2,064	16,220

1,000 EUR	2019	2018
Non-current provisions	11,718	11,355
Current provisions	5,088	4,865
Total	16,806	16,220

Guarantee provisions

Guarantee provisions have been made to cover any obligations during the warranty period of contractual agreements. They are based on experiences from previous years.

Environmental provisions

The Group has land areas that it is obliged to restore to their original condition.

The present value of estimated landscaping costs has been capitalised as part of the cost

of the areas and presented as a provision. The discounting factor used in determining the present value is 0.00% (0.65%). In addition, the Group has a provision for cleaning contaminated land area, in connection with cleaning a former asphalt plant in the capital region.

Other provisions

Other provisions include dispute and litigation provisions of MEUR 1.1 (MEUR 1.3) as well as provisions for onerous contracts MEUR 0.9 (MEUR 0.3), provisions related to personnel MEUR 0.3 (MEUR 0.2) and on comparative period other provisions MEUR 0.3.

29. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Group is exposed to a number of financial risks. The objective of the Group's financial risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings, cash flow and balance sheet. The primary types of financial risks are credit and liquidity risk, foreign exchange currency risk, interest rate risk and commodity risk. The Group's financial policy determines the guidelines and practices for the Group's financial activities. The Group's financial policy is approved by the Board of Directors and its practical implementation is the responsibility of the Group Chief Financial Officer and the centralised Finance and Treasury unit together with the divisions. The Group's Finance and Treasury unit identifies and assesses the risks and acquires the instruments required for protection against them in close co-operation with the operational units. Hedging transactions are carried out in accordance with the financing policy. The Group performs risk management through the use of forward exchange contracts, foreign currency loans, interest rate swaps and commodity derivatives. Financial risks are reported quarterly to the Audit Committee and to the Board of Directors. Internal and external audits monitor Group compliance with financial policy. Group's financing policy guidelines are according to Ahlström Capital's policy.

Credit risk

Destia Group's credit risk consists of the credit risk of accounts receivable related to the business operations and of the counterparty risk related to other financial instruments. The Group's credit risk is managed by the division controllers in accordance with instructions prepared by the Finance and Treasury unit. The management of the credit risk of accounts receivable aims to increase the amount of advances received and to assess the customer's creditworthiness in good time during the tendering process, enabling assessment of the collateral amount, the instrument and the eligibility of the collateral offered. The Group has no significant credit risk concentrations related to accounts receivable as the Group's customer base consists of a significant number of individual customers from both the private and public sectors.

The Group applies the simplified approach for measuring expected credit losses for trade receivables and contract assets. Expected credit losses are calculated using a provision matrix and recognised at an amount corresponding to the lifetime expected credit losses. When preparing the provision matrix, expected credit losses for trade receivables and contract assets are assessed based on experience and historical information on credit losses. Also economic conditions and estimated future outlook are taken into consideration in evaluation. The Group updates its historical data evaluation and future estimates during each reporting period. The Group's Finance unit monitors the development of expected credit losses and changes in financial conditions on a regular basis as part of the Group's credit risk management.

The counterparty credit risk related to other financial instruments is generated when Destia invests assets in money market instruments offered by other companies, public organisations or financial institutions. The risk is related to the counterparty of the contract not being able to fulfil its contractual obligations. Counterparty credit risk is managed via counterparty limits. Counterparty limits are only determined for counterparties deemed to be solvent and have a good credit rating. Select counterparties are set maximum limits in euros and maximum maturity limits. The counterparty and counterparty limits are approved by the Group's Board of Directors.

The maximum amount of the Group's credit risk corresponds to the carrying amount of financial assets at the end of the financial year.

The age distribution of accounts receivable is presented in Note 17.

Liquidity risk

Liquidity risk management aims at ensuring that the Group is able to fulfil its financial obligations at all times. Annual cash flow forecasts are prepared for the next five years during strategy planning, and monthly forecasts are made for the next year during budgeting process. In addition, weekly and daily liquidity planning is implemented. In the long term, the

aim is to secure liquidity by means of persistent, proactive financing arrangements and the establishment of long-term and short-term financial reserves. According to the Group's operational instructions, cash assets must be invested in liquid money market instruments to ensure flexibility.

The following table shows the maturity distribution of the Group's financial liabilities. The amounts have not been discounted, and they include both interest payments and capital repayments.

1,000 EUR 31 Dec 2019	Balance sheet value	Contractual based cash flows	Less than 1 year	Less than 1 year	2-3 year	3-4 year	More 4 years
Maturity distribution of financial liabilities							
Loans from financial institutions	39,994	-40,775	-20,250	-264	-20,241		
Lease liabilities	15,545	-16,423	-5,644	-4 472	-3,178	-2,080	-1,049
Accounts payable and other liabilities	51,356	-51,356	-51,356				
Total	106,895	-108,533	-77,250	-4,737	-23,418	-2,080	-1,049
Maturity distribution of derivative liabilities							
Commodity derivatives (receivable)	-1	1	1				
Total	-1	1	1				

1,000 EUR 31 Dec 2018	Balance sheet value	Contractual based cash flows	Less than 1 year	Less than 1 year	2-3 year	3-4 year	More 4 years
Maturity distribution of financial liabilities							
Loans from financial institutions	40,377	-41,118	-486	-40,479	-79	-53	-20
Accounts payable and other liabilities	51,000	-51,000	-51,000				
Total	91,377	-92,118	-51,486	-40,479	-79	-53	-20
Maturity distribution of derivative liabilities							
Interest rate swaps	183	-139	-65	-75			
Commodity derivatives	128	-128	-128				
Total	311	-267	-193	-75			

Tables do not include additional debt for acquisition of Destia Engineering Oy for which additional information is provided in Note 21.

Foreign exchange rate risk

Foreign exchange rate risk refers to the uncertainty that profit and loss, balance sheet and cash flows are exposed to by the changes in foreign exchange rates. The international operations of Destia Group are minor and so the amounts affected by foreign exchange rate risk, or foreign exchange positions, are small and the foreign exchange rate risk is low.

According to the Group's financial policy, the foreign exchange risk must be covered to at least 50 and at most 100 per cent, using forward exchange and option contracts or foreign currency loans as hedging instruments. Hedging operations are directed at cash flows and balance sheet items separately. Currency derivatives may only be used for hedging purposes. The Group does not apply IFRS 9 hedge accounting to currency hedging.

The Group does not have any significant outstanding foreign exchange positions at the end of the financial year.

Interest rate risk

Interest rate risk is the risk of market interest rates affecting the Group's interest expenses and profits. The Group's interest rate risk primarily consists of the interest rate risk of the external loan portfolio. The interest rate risk is managed by spreading the Group's loans and investments across various maturities on the one hand and variable and fixed-rate instruments on the other. The risk of the loan and investment portfolio is determined by interest position calculations. Interest rate risk is managed by using short- or long-term forward rate or future contracts, interest rate option contracts or interest rate swaps. Interest rate derivatives may only be used for hedging purposes. The Group's interest rate risk is coordinated with Ahlström Capital and managed in a centralised manner by the Finance and Treasury unit.

At balance sheet date the Group does not have open interest rate swaps. On comparative period the Group hedged its variable interest rate loan portfolio through interest rate swaps and applied the cash flow hedging accounting principles under IFRS 9 to these interest rate swaps.

The table below shows the Group's interest position on the last day of the year under review:

1,000 EUR	2019	2018
Variable-rate financial liabilities	20,000	40,377
Interest-rate swaps		40,000
Variable-rate position, total	20,000	377

The Group has no fixed-rate financial assets or liabilities.

Effect of interest rate changes on the Group's result and equity

The table below shows how the Group's equity is affected if the interest rates increase or decrease and the other factors remain unchanged. The sensitivity analysis is based on the interest position on the last day of the year under review. On comparative period it included nominal amount of MEUR 40 interest rate swaps.

1,000 EUR	2019	2018
Change	+/-0.5 %	+/-0.5 %
Effect on profit after taxes and effect on equity	-144/0	128

Commodity risk

In its operations, Destia Group is exposed to commodity risk related to commodity price fluctuations. Destia's significant commodity risks are determined in connection with tendering. The necessary hedging procedures are planned on a project-specific basis through co-operation between the divisions and Finance and Treasury unit. The Group does not apply the cash flow hedging accounting principles under IFRS 9 to these commodity swaps.

Monthly rolling hedging of diesel is done for a period of 12 months. At the end of the financial period the hedging rate for diesel was 29% from average yearly purchases. The nominal value of hedging was 718.3 thousand euros (729.1 thousand euros) and the fair value 1.3 thousand euros (-128.4 thousand euros) at balance sheet date.

Management of capital

The Group's equity consists of share capital, invested non-restricted equity fund and retained earnings. The aim is to keep the ratio of equity and debt capital at a healthy level and it is managed together with Ahlström Capital.

The purpose of enhancing Destia's use of capital is to speed up the incoming cash flow and slow down the outgoing cash flow. The efficient use of capital is ensured by efficient, safe and profitable investments or use of existing assets. Efficiency is also safeguarded by improving the terms of payment in contractual negotiations, by efficiently managing payment transactions with the help of cash flow forecasts, and by utilising an efficient bank account network and program as well as up-to-date accounts payable and receivable activities. All means of working capital management are used to reduce the capital tied to business.

1,000 EUR	2019	2018
Equity	79,629	80,156
Balance sheet total	277,649	282,607
Contract liabilities	34,281	36,199
Equity ratio	32.8%	32.7%

30. CONTINGENT LIABILITIES AND ASSETS

1,000 EUR	2019	2018
Guarantees and contingent liabilities		
Real estate mortgages		350
Business mortgages		670
Counter Obligations of bank guarantees related to contractual agreements	96,246	79,206

Real estate and business mortgages have been returned during 2019.

Outside the balance sheet, the Group is committed to a lease contract relating to buildings and structures. The contract is starting in 2020 and the duration of the contract is approximately three years and the resulting liability EUR 102 thousand.

Disputes and litigation

The Group has on-going disputes related to projects, which have been provided for to the extent that the Group deems the disputes substantial and the claims justified.

31. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiaries, Ahlström Capital Oy and its subsidiaries, joint ventures and associated companies.

In addition, the related parties include the members of the Board and of the Management Team, including the President & CEO and their family members.

In 2019, companies belonging to the Ahlström Capital Group had EUR 1,700 of billing (EUR 1,700) and EUR 41,4 thousand of purchases (EUR 11,900).

During financial period 2019 capital repayment of MEUR 10 was made from invested non-restricted equity fund to Ahlström Capital Oy. During comparative period Ahlström Capital Oy was paid interest of MEUR 1.8 and amortisation of MEUR 10.0 for the hybrid loans. In addition Ahlström Capital Oy was paid MEUR 2.2 for the Group Contribution granted in 2017.

The President and CEO and members of the Management Team belong to the management long-term incentive scheme, described in Note 26

The Group's parent company and subsidiary relations in the year 2019 were as follows:

Company	City	Country	Group's share of ownership and votes %	Parent company's share of ownership and
31/12/2019				
Destia Group Plc, parent company	Vantaa	Finland		
Destia Ltd, parent company of the subgroup	Vantaa	Finland	100	100
Destia Ltd, subsidiaries				
Destia Eesti OÜ		Estonia	100	100
Destia Engineering Oy	Tampere	Finland	50.79	50.79
Its-Forsterkning AS		Norway	50.79	50.79
Destia Rail Oy	Kouvola	Finland	100	100
Destia Sverige AB		Sweden	100	100
Destia International Oy	Vantaa	Finland	100	100
Finroad Oy	Vantaa	Finland	100	100

Consortia have also been established for large and long-term projects, which also involves external parties. The parties have committed to joint and several liability for the obligations and liabilities of the consortia. The most significant ongoing consortia are Pulteri II and Metro 2.

Management's employee benefits:

1,000 EUR	2019	2018
Salaries and other short-term employee benefits	2,505	2,171
Other long-term employee benefits	3,019	
Salaries and remuneration:		
President & CEO's	463	793
Members of the Board of Directors	140	145

It has been agreed that the retirement age of the CEO is 62.

32. CORRECTION OF AN ERROR

Destia Group has during the reporting period determined that the treatment of the supplementary pension has not been fully compliant with how it should have been accounted for under IAS 19 in previous years. Supplementary pension receivable and increase in receivable have been recognized annually in the income statement by reducing pension expenses, whereas in accordance to IAS 19, these changes should be considered at the time when the related assets are paid to the company. The correction has been made according to IAS 8 by amending the receivables, deferred tax assets and retained earnings in the opening balance sheet of 2018 and employee benefit expense and income tax in the income statement for the comparison year.

The effects of the adjustment on previously reported figures for the financial year 2018 are presented below:

1,000 EUR

Consolidated statement of comprehensive income 1.1. - 31.12.2018	Reported	Adjustment	Adjusted
Employee benefits	107,336	391	107,727
Income taxes	3,047	-78	2,969
Comprehensive income for the financial year	13,101	-313	12,788
Consolidated balance sheet 1.1.2018			
Accounts and other receivables	76,661	-3,593	73,068
Deferred tax assets	2,915	719	3,634
Retained earnings	18,930	-2,874	16,056
Consolidated balance sheet 31.12.2018			
Accounts and other receivables	80,983	-3,984	76,999
Deferred tax assets	3,366	797	4,163
Retained earnings	30,413	-3,187	27,226

33. EVENTS AFTER THE END OF THE REPORTING PERIOD

Nothing to report.

Group's key figures, IFRS

MEUR	2019	2018	2017	2016	2015
Revenue	569.9	550.3	478.7	493.2	462.8
Change from previous year, % ¹⁾	3,6	15,0	-2,9	6,6	7,2
Operating profit for the period	12.3	16.7	13.1	14.1	12.9
% of revenue	2.2	3.0	2.7	2.9	2.8
Operating profit for the period, comparable	11.2	16.7	15.1	12.5	7.4
% of revenue	2.0	3.0	3.2	2.5	1.6
Result for the period	9.1	12.8	12.6	5.7	6.7
% of revenue	1.6	2.3	2.6	1.2	1.5
EBITDA ¹⁾	26.4	27.0	25.4	22.1	16.4
% of revenue	4.6	4.9	5.3	4.5	3.6
Gross investments ^{****)}	15.3	7.5	8.8	17.9	9.2
% of revenue	2.7	1.4	1.8	3.6	2.0
Balance sheet total	277.6	282.6	264.3	257.1	266.3
Equity	79.6	80.2	82.0	76.5	73.3
Equity ratio, % ²⁾	32.8	32.7	34.5	33.5	31.2
Net gearing, % ^{3) ****)}	41.8	4.6	28.5	35.3	32.6
Interest-bearing liabilities	57.7	44.1	44.2	43.0	66.8
Return on equity, % ^{4) ****)}	11.4	15.8	15.9	7.6	9.5
Return on investment % ^{5) ****)}	9.6	13.4	10.7	11.1	9.4
Equity per share, EUR	995.36	1,001.95	1,024.51	956.09	916.21
Average personnel	1,703	1,658	1,572	1,492	1,505
Occupational accidents resulting in absence from work ^{**)}	5.6	5.8	10.5	5.9	7.6
Order backlog	763.6	732.7	696.2	708.0	717.4
Research and development expenses	1.3	1.0	0.9	0.9	0.9
% of other operating expenses	3.5	2.6	2.4	2.4	2.6

*) The comparative figure is the revenue figure from the Destia subgroup MEUR 431.5 in 2014.

***) Occupational accidents per one million working hours. Since the beginning of the year 2017 the number also covers Destia Engineering.

****) Since 2019 gross investments include IFRS16 lease agreements, which is MEUR 6.9 in 2019.

*****) Opening balance for 2018 equity has been adjusted, but the 2018 key figures are calculated using the end of 2017 balance instead of the adjusted opening balance for 2018.

Formulas:

- 1) Operating profit + depreciation, amortisation and impairment losses. Not IFRS key figure. EBITDA adjusted by comparable items.
- 2) (Equity/(balance sheet total - advances received))*100
- 3) (Interest-bearing liabilities - cash and cash equivalents and held-to-maturity investments) / (equity)*100
- 4) (Result for the period/average equity)*100 (opening and closing balance)
- 5) (Result before taxes + interest costs and other financial expenses/ (invested capital average)*100 (balance sheet total - non-interest-bearing liabilities - provisions, opening and closing balance)

Destia Group Plc, Income Statement, FAS

1,000 EUR	1.1.-31.12.2019	1.1.-31.12.2018
Revenue	4,661	1,420
Personnel expenses		
Salaries and wages	4,140	1,136
Personnel related expenses		
Pension expenses	239	204
Other personnel expenses	14	31
Personnel expenses	4,393	1,371
Other operating expenses	1,361	247
Operating result	-1,094	-199
Financial income and expenses		
Interest income	0	
Interest expenses to Group companies	2,575	2,699
Interest and other financial expenses	352	215
Financial income and expenses	-2,927	-2,914
Profit/loss before appropriations and taxes	-4,021	-3,112
Appropriations		
Group contributions received	13,420	10,000
Group contributions granted	600	
Appropriations	12,820	10,000
Income and deferred taxes	-1,763	-1,377
Profit/loss for the financial year	7,036	5,511

Destia Group Plc, balance sheet, FAS

1,000 EUR	31 Dec 2019	31 Dec 2018
ASSETS		
NON-CURRENT ASSETS		
INVESTMENTS		
Holdings in Group companies	108,815	108,815
Investments, total	108,815	108,815
NON-CURRENT ASSETS TOTAL	108,815	108,815
CURRENT ASSETS		
RECEIVABLES		
Receivables from Group companies	13,420	10,000
Deferred tax assets	1,669	1,677
Other receivables	50	
Prepaid expenses and accrued income	5	5
Receivables, total	15,143	11,683
Cash and cash equivalents	77	20
CURRENT ASSETS TOTAL	15,220	11,703
ASSETS TOTAL	124,035	120,518

1,000 EUR	31.12.2019	31.12.2018
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80	80
Other funds		
Reserve for invested non-restricted equity	43,000	53,000
Retained earnings	899	-4,611
Profit/loss for the period	7,036	5,511
Equity, total	51,015	53,979
Provisions	42	42
LIABILITIES		
Non-current liabilities		
Loans from financial institutions	20,000	20,000
Non-current liabilities, total	20,000	20,000
Current liabilities		
Accounts receivables	487	25
Liabilities to Group companies	51,404	44,688
Other liabilities	31	119
Accrued expenses	1,057	1,664
Current liabilities, total	52,978	46,496
LIABILITIES TOTAL	72,978	66,496
EQUITY AND LIABILITIES TOTAL	124,035	120,518

Destia Group Plc, cash flow statement, FAS

1,000 EUR	1.1.-31.12.2019	1.1.-31.12.2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	4,391	450
Cash paid to suppliers of goods/services and to personnel	-4,981	-3,547
Net cash flow before financial items and taxes	-591	-3,097
Interest paid on operating activities	-287	-239
Interest received on operating activities	0	
Other financial items from operating activities	-50	0
Taxes paid on operating activities	-2,945	-21
Net cash flows from operating activities	-3,873	-3,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash flows from investing activities	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in current loans (+)	13,930	17,342
Decrease in current loan (-)		-10,000
Interests and other financial items paid		-1,815
Paid group contributions	-10,000	-2,200
Net cash flows from financing activities	3,930	3,328
Change in cash and cash equivalents	57	-29
Cash and cash equivalents at the end of the financial period	77	20
Cash and cash equivalents at the beginning of the financial period	20	49

Destia Group Plc

Notes to financial statements, FAS

Accounting principles (FAS)

Basic information about the Group

Destia Group Plc is 100% owned by AC Infra Oy, which is part of the Ahlström Capital Group

Destia Group Plc is Destia Ltd.'s parent company, which was established 22 Apr 2014 in connection with the ownership arrangement of Destia Ltd and which owns 100% of Destia Ltd.'s shares. Destia Group Plc's financial statement from 1 Jan - 31 Dec 2019 and comparative year 1 Jan - Dec 31 2018 have been prepared in accordance with the Finnish Accounting Act. Destia Group prepared its consolidated financial statement in accordance with the International Financial Reporting Standards (IFRS).

Measurement of investments

Investments have been valued at acquisition cost.

Financial assets

Financial assets have been valued at acquisition price, or at the expected market value if this is lower than the acquisition cost.

Financial liabilities

Equity hybrid loans and related interest have been fully paid during comparative period. There are no equity hybrid loans on balance sheet date.

Derivative instruments

The fair value of derivative contracts used to hedge cash flows to be generated in future financial years has been recognised as an off-balance-sheet-liability. The company had derivative instruments in use at the end of the comparative period, but not at the end of the reporting period.

Group contributions

Group contributions have been recovered as appropriations in the income statement.

Pensions

Personnel pensions have been ensured by means of insurance with an external pension insurance company. Pension expenses have been recorded as expenses in the year they were incurred.

Related parties

The Group's related parties include its parent company, subsidiaries and Ahlström Capital Oy and its subsidiaries, joint ventures and associates.

In addition, related parties include the members of the Board and of the Management Team, including the President & CEO and their family members.

During the financial year following essential related party transactions incurred:

MEUR	Destia Oy
Sales	4.7
Purchases	0.0
Amortisations of loans paid	10.0
Interests received	2.6
Loans received	13.9

Notes to income statement, Destia Group Plc, FAS

1,000 EUR	2019	2018
Revenue		
Revenue from Group companies	4,661	1,420
Revenue, total	4,661	1,420
Average number of personnel	2	4
Personnel at the end of the financial year	2	4
Management salaries and wages		
President and CEO	463	793
Members of the Board of Directors	140	145
Management salaries and wages, total	603	938
Auditor's fees		
Audit expense	61	60
Other services	6	3
Auditor's fees, total	67	63
Other operating expenses		
Travel expenses	15	16
Administrative expenses	1,225	108
Insurances	13	10
Other operating expenses	79	113
Other operating income, total	1,361	247

1,000 EUR	2019	2018
Financial expenses		
Interest expenses to Group companies	2,575	2,699
Interest expenses to others	302	215
Other borrowings costs	0	0
Other financial expenses	50	
Financial expenses, total	2,927	2,914

Notes to balance sheet, Destia Group Plc, FAS

1,000 EUR	2019	2018
Non-current assets		
Investments		
Holdings in Group companies 1 Jan	108,815	108,815
Holdings in Group companies 31 Dec	108,815	108,815
Current assets		
Receivables from Group companies		
Group contributions receivable	13,420	10,000
Receivables from Group companies, total	13,420	10,000
Receivables		
Other receivables	50	
Accrued income	5	6
Receivables, total	55	6
Deferred tax assets		
Deferred tax assets	1,669	1,677

1,000 EUR	2019	2018
Equity and liabilities		
Restricted equity		
Share capital 1 Jan	80	80
Share capital 31 Dec	80	80
Restricted equity, total	80	80
Non-restricted equity		
Fund for invested non-restricted equity 1 Jan	53,000	53,000
Capital repayment AC Infra Oy	-10,000	
Fund for invested non-restricted equity 31 Dec	43,000	53,000
Retained earnings 1 Jan	899	-4,611
Retained earnings 31 Dec	899	-4,611
Profit/loss for the period	7,036	5,511
Non-restricted equity, total	50,935	53,899
Equity, total	51,015	53,979

Calculation regarding distributable equity		
Fund for invested non-restricted equity	43,000	53,000
Retained earnings	899	-4,611
Profit/loss for the period	7,036	5,511
Distributable non-restricted equity, total	50,935	53,899

Notes to balance sheet, Destia Group Plc, FAS

Shares and shareholders

Registered	Shareholder	%	Share capital
22.4.2014	AC Infra Oy (Ahlström Capital)	100.00	80,000

1,000 EUR	2019	2018
Non-current liabilities		
Provisions	42	42
Non-current liabilities		
Loans from financial institutions	20,000	20,000
Non-current liabilities, total	20,000	20,000
Current liabilities		
Liabilities to Group companies		
Accounts payable		53
Current loans from Group companies	48,228	42,661
Accrued interests	2,575	1,974
Group contribution liabilities	600	
Liabilities to Group companies, total	51,404	44,688
Accounts payable	487	25
Other liabilities	31	119
Material items relating to accrued expenses		
Accrued interest	22	8
Personnel related accruals	229	114
Other accruals	805	1,542
Accruals, total	1,056	1,664

1,000 EUR	2019	2018
Guarantees and contingent liabilities		
Lease contracts		
Payable during the following financial year	24	35
Payable in later years	17	48
Derivative contracts		
Interest derivatives		
Nominal value		20,000
Fair value		-92

Nominal values and fair values are presented as net amounts. The fair value is an estimate of the gains and losses that would have been realised, if the derivative contracts had been terminated at the balance sheet date.

During the comparative period loan interest has been hedged by interest rate swap up to the time of loan maturity. Additional information is provided in Notes 21 and 29 in Group's financial statements.

Destia Group Plc

Proposal by the Board on the use of distributable assets

Destia Group Plc's FAS-compliant profit for the financial year was EUR 7,035,560.71, which is proposed to be recorded on the retained earnings account. Destia Group Plc's distributable assets total EUR 50,935,040.45 including the EUR 43,000,000.00 in the invested unrestricted equity fund.

Destia Group Plc's Board of Directors proposes to the Annual General Meeting, that EUR 10,000,000.00 repayment of capital will be paid from the reserve for invested non-restricted equity for the financial period that ended on 31 December 2019.

Signatures to the financial statements

Vantaa, 13 February 2020

Juhani Pitkääkoski
Chair of the Board

Marcus Ahlström
Member of the Board of Directors

Lasse Heinonen
Member of the Board of Directors

Pasi Koota
Member of the Board of Directors

Juha Nurmi
Member of the Board of Directors

Soile Kankaanpää
Member of the Board of Directors

Tero Kiviniemi
President and CEO

Auditor's Note

An auditor's report based on the audit performed has been issued today.

Helsinki, 13 February 2020

KPMG OY AB
Auditing firm

Virpi Halonen
Authorised Public Accountant, KHT

Auditor's Report

To the Annual General Meeting of Destia Group Pic Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Destia Group Pie {business identity code 2617172-1) for the year ended December 31, 2019. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki February 13, 2020
KPMG OY AB

Virpi Halonen,
Authorised Public Accountant, KHT

DESTIA



**SENSE OF
INFRASTRUCTURE**

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