

SENSE OF INFRASTRUCTURE

DESTIA

FINANCIAL STATEMENTS

2020

DESTIA GROUP'S FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT 2020

CONTENTS

REPORT OF THE BOARD OF DIRECTORS3

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated income statement and consolidated statement of comprehensive income, IFRS.....9

Consolidated balance sheet, IFRS.....10

Consolidated cash flow statement, IFRS.....11

Consolidated statement of changes in equity, IFRS.....12

Notes to the consolidated financial statements

1. Accounting principles for consolidated financial statements.....	13
2. Revenue.....	24
3. Materials and services.....	24
4. Other operating income and expenses.....	25
5. Income and expenses related to lease agreements.....	25
6. Impairments.....	25
7. Employee benefits.....	25
8. Research and development expenses.....	26

9. Financial income and expenses.....	26
10. Income taxes.....	26
11. Property, plant and equipment.....	27
12. Goodwill.....	29
13. Impairment tests.....	29
14. Other intangible assets.....	30
15. Other investments.....	30
16. Inventory.....	30
17. Accounts and other receivables.....	30
18. Cash and cash equivalents.....	31
19. Deferred tax assets and liabilities.....	32
20. Equity.....	33
21. Financial liabilities.....	34
22. Changes in liabilities arising from financial activities (IAS 7).....	34
23. Group's carrying amount of financial assets and liabilities.....	35
24. Other liabilities.....	35
25. Accounts payable and other non-interest-bearing liabilities.....	35

26. Long-term incentive schemes.....	35
27. Pension obligations.....	36
28. Provisions.....	37
29. Financial risk management.....	38
30. Contingent liabilities and assets.....	41
31. Related party transactions.....	41
32. Events after the end of the reporting period.....	41

Group's key figures 2016-2020, IFRS42

DESTIA GROUP PLC FINANCIAL STATEMENTS (FAS) AND NOTES

Destia Group Plc, income statement, FAS.....43

Destia Group Plc, balance sheet, FAS44

Destia Group Plc, cash flow statement, FAS45

Destia Group Plc, notes to financial statements46

Signatures to the financial statements50

Auditor's Report51

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REPORT OF THE BOARD OF DIRECTORS 2020

Destia is the biggest service company in the infrastructure sector in Finland. Our services cover the entire infrastructure life cycle from design to construction and maintenance. We build and maintain roads, streets, bridges and tracks. Our service portfolio also covers underground and urban construction, and our service offering includes services for the construction of energy grids and substations. We seek growth especially in urban projects, railway construction and renewable energy. With their diverse expertise, Destia employees implement solutions that enable the transport of people, goods, services and energy as a natural part of northern life. Destia's customers include government organisations, municipalities, cities and industrial companies. Destia is owned by Ahlström Capital.

OPERATING ENVIRONMENT

In 2020, Destia's operating environment in Finland and abroad was affected by the COVID-19 pandemic. However, the direct effects on Destia's business and projects were relatively moderate in 2020 due to active preventive measures. In general, Destia's ongoing projects, their implementation and revenue recognition continued as normal, even though work methods were adapted and social interaction reduced.

According to the Confederation of Finnish Construction Industries RT (CFCI), the overall decrease in construction in Finland was approximately 1 per cent in 2020. The construction of commercial premises and offices suffered from the uncertainty caused by the COVID-19 pandemic, the industrial sector remains cautious and housing construction decreased, with further decrease expected. Even though a post-pandemic positive turn is expected in the Finnish economy in 2021, construction as a whole is expected to

decrease. It is estimated that 60% of construction volumes are accumulated inside the triangle formed by Helsinki, Turku and Tampere. Similar to house-building construction, infrastructure construction also concentrates in areas with the strongest population growth.

In 2020, the infrastructure market grew by approximately 5%, supported by government investments in fundamental road maintenance and investments by large cities. Uncertainty in the global markets had a negative impact on investments in the private sector. Decisions made in the public sector on stimulus packages and new projects were positive messages to the infrastructure market, but they are not sufficient for maintaining growth. Currently, a decline is expected in the market in 2021. Uncertainty is increased by the developments in the EU's stimulus funding, municipal finances and COVID-19 pandemic.

According to CFCI's economic outlook report, the costs of the civil engineering industry decreased by more than 3% from September 2019 to September 2020.

ORDER BOOK AND THE MOST SIGNIFICANT NEW ORDERS

Destia's order book, which is spread over several years, amounted to EUR 708.6 million (763.6) at the end of December. The order book does not yet include the Kalasatama tramline alliance project, for which a frame contract is already in place, but the project will only be included in the order book when contracts for the separate orders are signed. In 2020, 13 road maintenance contracts that were implemented in accordance with the new maintenance contract model started in Finland. Of those, Destia is responsible for six contracts and they were included in the order book during the financial period.

The most important new contracts signed in 2020:

- Road maintenance contracts for the period 2020–2025 in the following areas: Porvoo, Ilomantsi, Nurmee, Lapua, Puolanka, Sodankylä
- Construction of Hämeenkyrönväylä on national road 3
- Construction contract related to energy infrastructure
- Upgrade of national road 8 between Mynämäki and Luvia
- Maintenance management contract for the centre of Lahti 2020–2025
- Construction contract for the raw wood railway terminal in Akaa

REPORT OF THE BOARD OF DIRECTORS

REVENUE REMAINED STABLE

Destia's revenue remained stable, approximately at the same level as last year, and amounted to EUR 563.8 million (569.9).

The Group's other operating income in the financial period amounted to EUR 6.2 million (7.5). This mainly includes profit from the sale of fixed assets and real estate as well as property rental income.

The Group's operating profit for the financial period was EUR 14.6 million (12.3). The Group's financial result for the period was EUR 10.9 million (9.1). The 2020 financial results were improved by successful maintenance projects and the strong development of the Urban Development and Design Services division. The improvement of project management was a key area in 2020. Operating profit for the financial period includes non-recurring reorganisation costs and costs of an independent project, with a net effect of EUR 1.8 million.

The Group's income taxes in the financial period totalled EUR 2.9 million (2.0).

BALANCE SHEET, CASH FLOW AND FINANCING

Total assets on Destia's balance sheet were EUR 275.0 million (277.6) at the end of the financial period. Return on investment (ROI) was 11.2% (9.6%), the equity ratio was 34.5% (32.8%), and net gearing was 5.6% (41.8%). The extremely strong cash flow resulted in a significant decrease in net gearing.

The cash flow of the financial period consisted of operating cash flow of EUR +50.1 million (+1.7), investment cash flow of EUR -3.9 million (-2.1) and financial cash flow of EUR -30.2 million (-15.6). The strong operating cash flow in the financial period was supported by the operating profit and the positive development in working capital. Cash flow during the year involved seasonal fluctuation that is normal for the business. The financial cash flow includes a EUR 10.8 million

RESULT DEVELOPMENT

KEY FIGURES (IFRS) EUR million	1-12/2020	1-12/2019	1-12/2018	1-12/2017	1-12/2016
Revenue	563.8	569.9	550.3	478.7	493.2
Operating result	14.6	12.3	16.7	13.1	14.1
% of revenue	2.6	2.2	3.0	2.7	2.9
Operating result for the period, comparable	16.4	11.2	16.7	15.1	12.5
% of revenue	2.9	2.0	3.0	3.2	2.5
Result for the period	10.9	9.1	12.8	12.6	5.7
% of revenue	1.9	1.6	2.3	2.6	1.2
Return on equity, % **)	13.6	11.4	15.8	15.9	7.6
Equity ratio, %	34.5	32.8	32.7	34.5	33.5
Return on investment, % **)	11.2	9.6	13.4	10.7	11.1
Net gearing ***)	5.6	41.8	4.6	28.5	35.3
Personnel, average	1,693	1,703	1,658	1,572	1,492
Occupational accidents resulting in absence from work *)	13.1	5.6	5.8	10.5	5.9
Order book at the end of the reporting period	708.6	763.6	732.7	696.2	708.0

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

**) 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 on the balance sheet by EUR 14.1 million, which is why net gearing increased significantly compared with the reference year.

capital repayment paid during the year from invested non-restricted equity fund pursuant to the resolutions of the Annual General Meeting.

Financial assets on the balance sheet were EUR 40.4 million (24.4) at the end of the financial period. The Group has access to a EUR 150 million commercial paper programme, of which EUR 9.0 million (20.0) was in use at the balance sheet date, and a short-term bank credit facility of EUR 10 million, which was completely unused at the balance sheet date. To secure its liquidity, the company also signed a new revolving credit facility of EUR 30 million 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 EUR 44.9 million (57.7). Financial liabilities include a variable-rate unsecured bullet loan of EUR 20 million and short-term commercial papers amounting to EUR 9 million. IFRS 16 liabilities at the balance sheet date amounted to EUR 15.4 million (15.5). Of all loans, 34.2% (47.0%) were short-term and 65.8% (53.0%) were long-term. The Group's interest-bearing net liabilities at the end of the reporting period were EUR 4.5 million (33.3).

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.

REPORT OF THE BOARD OF DIRECTORS

The company is 100% owned by AC Infra Oy, which is part of Ahlström Capital Group. Equity also includes an invested non-restricted equity fund, totalling EUR 32.2 million (43.0).

INVESTMENTS

The Group's gross investments in the financial period totalled EUR 13.9 million (15.5), representing 2.5% (2.7%) of revenue. The investments include EUR 6.1 million (7.1) in IFRS16 investments. Other investments were mainly fleet investments.

PERSONNEL

The Group's average number of personnel during the financial period was 1,693 (1,703). At the end of December, the number of personnel was 1,626 (1,651), of whom 1,493 (1,517) were permanent and 133 (134) fixed-term employees. Because of the seasonality of the business, the number of personnel varies during the year and peaks in summer. In 2020, personnel costs were at the same level as in the previous year, amounting to EUR 107 million (106.9) or 19% (19%) of revenue.

Destia conducted three pulse surveys for its personnel (in March, June and November). In addition to the pulse surveys, a more extensive personnel survey, Destia Spirit, was conducted in September. A new framework was introduced in this survey, with the dedication of personnel being the key aspect. High dedication is linked to good employee experience and customer satisfaction. A total of 1,221 Destia employees responded to the personnel survey (response rate was 71%). Destia's dedication index was 78/100, above the external benchmark.

Based on the personnel survey, Destia was one of Finland's most inspiring workplaces in 2020. Ezy Spirit grades organisations (C–AAA) based on personnel surveys, with companies receiving the best grades granted the award for Finland's most inspiring work-

places. Destia received the grade AA, which indicates positive development in the corporate culture.

At Destia, we build our success on our corporate culture and people. The components of our winning team are balanced values, inspiring leadership and happy people. In our Balanced Values subproject, our objective for 2020 was that all Destia employees understand the concrete meaning of our values in everyday life. We promoted the development of our corporate culture especially through leading by example, and by arranging cooperation workshops where the importance of values was discussed. In the Inspiring Leadership sub-project, we created the basis for systematic and continuous development of leadership. The first Johtamiskortti I (Leadership Card I) training started in the autumn, with the training aimed at new supervisors and individuals who have not previously received management training.

In spring 2020, our actions related to the development of project management included the launch of project management training, with participants including more than 300 employees working in construction and maintenance projects and business support functions. The trainings emphasise Destia's harmonised work methods, sharing of best practices, determined leadership and the importance of customer work in projects.

Accident frequency (13.1) increased significantly compared to the previous year (5.6). All accidents have been investigated and safer working methods have been developed based on the observations. The work of safety managers mainly took place in the field, with a comprehensive approach applied to the safety challenges at sites. The management of safety was also strongly affected by the COVID-19 pandemic, which resulted in changes being made to the practices at sites and in offices, with some of the changes being major.

During the financial period, Destia employed 255 (243) trainees and summer workers. Many of them continued to work at Destia as hourly employees after their trainee periods. The trainee programme is one of Destia's most important recruitment channels. In 2020, we took measures related to target group marketing, cooperation with educational institutions and value-based and applicant-friendly recruitment. This has been acknowledged, for example, with Destia ranked number 8 (37) in Oikotie's campaign for responsible summer employers. At the end of the summer, summer employees and their supervisors were awarded based on votes throughout Finland. In the Most attractive employers survey conducted by Universum in 2020, we were ranked in place 40 (35) among technical students and 53 (45) among technology professionals.

In T-Media's Reputation & Trust survey, our reputation took a leap forward. Of the construction sector companies included in the survey, Destia was able to develop its reputation the most during the year.

ORGANISATIONAL STRUCTURE AND MANAGEMENT

The Destia organisation consists of six divisions and their support functions. The divisions are Road Services, Construction Technology Services, Earth and Rock Services, Maintenance Services, Railway Services, and Urban Development and Design Services. Destia's business operations are supported by the following support functions: Finance, Human Resources and Occupational Safety and Business Support and Development.

Road Services focus on road and street construction as well as water supply construction and traffic control services. In 2020, Construction Technology Services included bridges, renewable energy, power grids and industrial construction. Earth and Rock Services

REPORT OF THE BOARD OF DIRECTORS

focus on aggregates business, foundation engineering, rock and mine engineering as well as field engineering. Maintenance Services are responsible for nationwide maintenance business, and Railway Services cover both railway construction and maintenance. Urban Development and Design Services include Destia's design and urban development services.

In 2020, Destia's Management Team consisted of:

- President and CEO Tero Kiviniemi, Chair
 - Miska Eriksson as of 1 November 2020
 - Minna Heinonen
 - Sanna Karvonen
 - Mikko Mäkelä
 - Mikko Möttönen as of 1 February 2020
 - Pekka Ruuti
 - Timo Räikkönen
 - Seppo Ylitapio
-
- Pasi Kailasalo until 31 January 2020
 - Jouni Karjalainen until 1 November 2020
 - Annina Peisa until 29 February 2020
 - Taru Salo until 31 December 2020

Jouko Korhonen served as the personnel representative in the Management Team.

More detailed information on Destia Group Plc's corporate governance is published on Destia's website at www.destia.fi/en.

DECISIONS OF DESTIA'S BOARD OF DIRECTORS AND ANNUAL GENERAL

The Annual General Meeting of Destia Group Plc held on 6 May 2020 confirmed the company's financial statements for 2019 and discharged the President and CEO and members of the Board from liability for the financial year 1 January–31 December 2019. The Annual General Meeting decided, as proposed by the Board

of Directors, that EUR 10 million be distributed for the financial period ending 31 December 2019 as capital repayment from the invested non-restricted equity fund.

The Annual General Meeting decided that the number of board members is six and elected Juhani Pitkääkoski as the Chair of the Board. Marcus Ahlström, Lasse Heinonen, Soile Kankaanpää, Pasi Koota and Juha Nurmi were re-elected as members of the Board of Directors.

The Annual General Meeting elected KPMG Oy Ab as Destia Group Plc's auditor for the 2020 financial period. Kim Järvi (Authorized Public Accountant) serves as the auditor with principal responsibility.

At the organising meeting of the Board of Directors on 26 May 2020, Lasse Heinonen was appointed Vice Chair. In addition, it was decided that two committees, an Audit Committee and a Remuneration Committee, be established 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 Pitkääkoski 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.

Destia Group Plc held an Extraordinary General Meeting on 23 September 2020. The General Meeting decided, as proposed by the Board of Directors, that for the financial period ending 31 December 2019, EUR 800,000 be distributed as capital repayment from the invested non-restricted equity fund.

LITIGATION AND DISPUTES

In 2020, no disputes involving Destia Group and concerning customer projects were taken to court.

Concerning disputes for which proceedings commenced before 2020, the most significant 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 the plaintiff and defendant in a countersuit.

Misconduct is suspected in Destia Ltd's individual construction project in Eastern Finland, which is why Destia has filed requests for investigation with the police in the period 2019–2020. The persons suspected of misconduct are no longer employed by the company.

In addition, an application for a summons has been submitted to the District Court of Oulu in 2020 in relation to a case where the prosecutor demands punishment for an occupational health and safety violation. The application for summons concerns a contract where Destia was the contractor and in which Destia Ltd, along with some other parties, is the defendant.

Group companies are also involved in some other litigation relating to their business, including two employment disputes for which proceedings commenced in 2020. The management does not expect the results of these to have any material effect on the Group's financial position. Ongoing and potential legal proceedings have been provided for in terms of cost reserve to the extent that the Group deems the disputes substantial.

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, fluctuation in the economy and uncertainty related to the market situation are a significant risk for Destia's business. The infrastructure market in Finland is about to take a downward turn with approximately -2 per cent annual decrease in the period 2020–2022,

REPORT OF THE BOARD OF DIRECTORS

the financial situation of municipalities is weakening and industrial investments are affected by uncertainty. The competitive situation in Destia's core business areas is expected to continue to be fierce. The importance of success in regional road maintenance contracts and large projects is increasing.

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. Regarding personnel risks, it is essential to ensure that the employees' competence, motivation and number match 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.

In Finland, the COVID-19 situation has not been as severe as in the rest of Europe. Industrial and construction work has not been stopped pursuant to regulations issued by authorities or due to personnel falling ill. The infrastructure sector and Destia have succeeded in their measures to control the COVID-19 pandemic. Preventive measures must still be taken in order to keep the pandemic under control.

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 Group's financing are managed in accordance with the treasury policy. The objective of financial risk management is to ensure

the Group's liquidity and refinancing and to minimise the adverse effects of changes in the financial markets on the Group's financial result, cash flow and balance sheet.

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

RESEARCH AND DEVELOPMENT

R&D costs totalled EUR 1.3 million (1.3). In addition, IT development costs amounted to EUR 0.9 million (0.6). Destia's development activities are carried out in an organised manner in all divisions, particularly focusing on the utilisation of digitalisation and smart production. Development focuses on the following areas: information model-based design and construction, collection and analysis of real-time production data in production management and digitalisation of the road and railway maintenance process. In addition, Destia carried out other technology and method development relating to the provision 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 includes a large group of infrastructure environment users and stakeholders. During 2020, we paid particular attention to the development of our 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's corporate responsibility is described in more detail in the 2020 Annual Report.

STRATEGY

Destia's goal is "Connecting northern life". In 2020, we continued to implement Destia's strategy. Our strategy is to ensure the competitiveness of the core business, to grow in new services and urban development in cooperation with partners and to grow internationally in the selected strategic areas, especially in Sweden and Norway. However, in 2020, we progressed new international strategic initiatives conservatively due to factors such as hindrances related to the COVID-19 pandemic. Our business includes design, construction and maintenance.

Through 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, for example, in urban and project development and in diverse solutions for construction and maintenance. The improvement of profitability remains the primary strategic objective. Our strong expertise and values and our harmonised, ethically sustainable and responsible way of doing business provide a firm foundation for the implementation of our strategy. Customer orientation, sense of infrastructure, smart production and inspiring leadership are the factors creating Destia's competitive advantages.

EVENTS FOLLOWING THE FINANCIAL PERIOD

There are no significant events after the end of the financial year.

OUTLOOK FOR 2021

Our operating environment is changing, for example, as a result of urbanisation, digitalisation, climate change, the ageing of the population and the depletion of natural resources. The infrastructure construction market in Finland is expected to decline in 2021. Continuing positive growth development in 2021 would require further COVID-19 recovery measures, such as the availability of recovery funds from the EU. The 12-year traffic system plan currently being prepared by the government is expected to improve long-term visibility regarding investments in important traffic routes in Finland. The strong growth in the Swedish and Norwegian infrastructure construction markets is expected to continue in 2021.

Destia's measures related to the improvement of project management, the growth strategy for new service areas and Destia's customer work provide the company with a good foundation for further profitability improvement in 2021.

PROPOSAL BY THE BOARD ON THE USE OF DISTRIBUTABLE ASSETS

Destia Group Plc's profit for the financial period in accordance with Finnish accounting legislation was EUR 12,296,484.99, which is proposed to be recorded on the retained earnings account. Destia Group Plc's distributable assets total EUR 52,431,525.44, including the EUR 32,200,000.00 in the invested non-restricted equity fund.

Destia Group Plc's Board of Directors proposes to the Annual General Meeting that a capital repayment of EUR 15,000,000.00 be made from the invested non-restricted equity fund for the financial period ending 31 December 2020.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR 1,000	Note	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
REVENUE	2	563,817	569,877
Other operating income	4	6,161	7,510
Materials and services	3	398,803	405,407
Employee related expenses	7	106,524	106,856
Depreciation and impairment		16,028	15,208
Other operating expenses	4	33,994	37,619
OPERATING PROFIT		14,629	12,297
Financial income	9	111	290
Financial expense	9	911	1,491
PROFIT BEFORE TAXES		13,828	11,097
Income taxes	10	2,939	1,977
RESULT FOR THE PERIOD		10,889	9,119
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	854	666
		854	666
Items that may be subsequently reclassified to profit or loss			
Translation differences from foreign subsidiaries		-3	0
Equity investments		3	
Cash flow hedges	19		147
		0	146
Other comprehensive income net of tax		854	812
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		11,743	9,931

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET, IFRS

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Property, plant and equipment and right-of-use assets	11	66,879	69,293
Goodwill	12	83,649	83,649
Other intangible assets	14	1,390	1,983
Other investments	15	2,013	2,021
Deferred tax assets	19	3,367	4,011
Non-current assets, total		157,298	160,957
Current assets			
Inventory	16	12,604	13,196
Accounts and other receivables	17	64,723	79,129
Cash and cash equivalents	18	40,377	24,366
Current assets, total		117,704	116,692
ASSETS, TOTAL		275,002	277,649

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	20	80	80
Invested non-restricted equity fund		32,200	43,000
Other items		-3	-3
Retained earnings		48,084	36,552
Equity, total		80,360	79,629
Non-current liabilities			
Deferred tax liabilities	19	1,803	1,874
Pension liabilities	27	3,167	113
Provisions	28	12,463	11,718
Financial liabilities	21	29,541	30,568
Other liabilities	24,26	2,392	2,392
Non-current liabilities, total		49,366	46,666
Current liabilities			
Accounts and other payables	25	84,235	84,904
Provisions	28	4,529	5,088
Financial liabilities	21	15,336	27,082
Contract liabilities	2	41,176	34,281
Current liabilities, total		145,276	151,355
EQUITY AND LIABILITIES, TOTAL		275,002	277,649

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	586,588	569,589
Expenses paid to suppliers and personnel	-535,512	-560,090
Interest paid	-543	-1,031
Dividends received	5	8
Interest received	85	94
Other financial items	-363	-446
Tax paid	-148	-6,471
Net operating cash flow	50,112	1,653
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in intangible and tangible assets	-8,206	-8,686
Sale of intangible and tangible assets	4,309	6,491
Proceeds from the sale of other investments	11	62
Net investment cash flow	-3,886	-2,133

EUR 1,000	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in non-current debt (-)		-20,261
Increase in short-term financing (+)	58,326	55,214
Decrease in short-term financing (-)	-69,334	-35,337
Dividends paid	-169	
Capital return	-10,800	-10,000
Transactions with minority shareholders	-1,575	
Payments of lease liabilities (-)	-6,066	-5,200
Group contributions paid	-600	
Net financial cash flow	-30,218	-15,583
Change in cash and cash equivalents	16,008	-16,063
Cash and cash equivalents at the beginning of the financial year	24,366	40,430
Effect of exchange rate changes	2	0
Cash and cash equivalents at the end of the financial year	40,377	24,366

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

EUR 1,000	Share capital	Invested non-restricted equity fund	Fair value fund	Translation differences	Retained earnings	Total
Equity 1 Jan 2020	80	43,000	1	-5	36,552	79,629
Other comprehensive income						
Result for the period					10,889	10,889
Other comprehensive income:						
Translation differences				-3		-3
Other investments			3			3
Items resulting from redefinition of the benefits-based net liability (or asset item)					854	854
Comprehensive profit and loss for the financial year, total			3	-3	11,743	11,743
Other changes					-169	-169
Transactions with owner						
Capital return AC Infra Oy		-10,800				-10,800
Other changes					-42	-42
Equity total 31 Dec 2020	80	32,200	4	-7	48,084	80,360

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

EUR 1,000	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						
Result for the period					9,119	9,119
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

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 15 February 2021, 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 FOR CONSOLIDATED FINANCIAL STATEMENTS

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 2020. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 exchange rate of the day before the balance sheet date. 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 statement of comprehensive income including the income statements of foreign group companies are converted to euros at the average rate for the period, while the numbers in the balance sheets are converted using the exchange rates of the day before the balance sheet date. The translation of the income statements at different exchange rates in the income statement and balance sheet causes a translation difference that is recognised in equity in the balance sheet, the change of which is recognised in other comprehensive income. 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. When a subsidiary is sold in whole or partially, the accumulated translation differences related to the subsidiary are recognized in the income statement at the time of sale 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 cost 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 considerable 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 in income statement 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 because land is considered to have an indefinite useful life.

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 estimated residual value and its estimated useful life are reviewed at the end of each financial year, at the very least, and, where necessary, are adjusted

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 decommissioned property, plant and equipment or their disposal are recognised in income statement, in other operating income and selling losses in other operating expenses.

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 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 at the start of the lease period. 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 it 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. The same discount rate is applied to lease agreements with similar characteristics.

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 expenses lessor will cover or take responsibility for).

After commencement of the lease agreement, 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 Group applies the practical expedient and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group as lessor

The Group's lease agreements are treated as operational lease agreements in accordance with IFRS 16. 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 recognized in 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 in the financial year in which they are incurred. 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 no capitalised development costs on the balance sheet on balance sheet date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 covered 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 direct 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 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,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Destia's different types of income

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 recognized over time during construction period, 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 is considered to have 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

measuring progress is to depict how the Group satisfies the performance obligation, when it transfers control of products or services to a customer.

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 cash, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 and derivative instruments that are not subject to hedge accounting. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 alternative 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 2020:

Amendments to References to Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020). The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs. Amendments have not had a material effect on the consolidated financial statements of Destia Group.

Definition of a Business – Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2020). The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business. Amendments have not had an effect on the consolidated financial statements of Destia Group.

Definition of Material – Amendments to IAS 1 Presentation of Financial Instruments and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for financial years beginning on or after 1 January 2020). The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved. Amendments have not had a material effect on the consolidated financial statements of Destia Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 January 2020). Amendments have been issued to address uncertainties related to the reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

Covid-19-Related Rent Concessions – Amendment to IFRS 16 Leases (effective for financial years beginning on or after 1 June 2020). The amendment allows the lessees not to account for rent concessions as lease modifications if the concessions are a direct consequence of the covid-19 pandemic and only if certain conditions are met.

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

Applicable new and amended standards and interpretations 31.12.2020.

* = The provision in question has not been approved for application in the EU on 31 December 2020.

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.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases* (to be applied from 1 January 2021): Amendments address issues affecting financial statements when changes are

made to contractual cash flows and hedging relationships as a result of interest rate benchmark reform. Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements. The amended standard is not expected to have a material impact on Destia Group's consolidated financial statements.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 Property, Plant and Equipment* (to be applied from 1 January 2022): Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. The amended standard is not expected to have a material impact on Destia Group's consolidated financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets* (to be applied from 1 January 2022): When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs. The amended standard is not expected to have a material impact on Destia Group's consolidated financial statements.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Presentation of Financial Statements* (to be applied from 1 January 2023): The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current. The amended standard is not expected to have a material impact on Destia Group's consolidated financial statements.

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

NOTES TO 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.

EUR 1,000	2020	2019
Revenue from customer contracts		
Materials	17,544	14,419
Services	37,014	46,466
Projects	509,259	508,992
Revenue, total	563,817	569,877

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 Infrastructure Agency

Timing of the revenue recognition	2020	2019
Timing of the revenue recognition, at point in time	17,544	14,419
Timing of the revenue recognition, over the time	546,273	555,458
Timing of the revenue recognition, total	563,817	569,877
Transaction price allocated to the remaining obligation		
Transaction price allocated to the remaining obligation, within one year	356,395	322,517
Transaction price allocated to the remaining obligation, within 2-3 years	260,631	313,442
Transaction price allocated to the remaining obligation, after three years	91,567	127,613
Transaction price allocated to the remaining obligation, total	708,593	763,572
Contract assets and liabilities		
Contract assets	15,420	19,690
Contract liabilities	41,176	34,281

Changes in contract assets and liabilities	2020	
EUR 1,000	Assets	Liabilities
Changes through projects started during the period (ongoing at the end of the financial period)	4,124	-12,093
Changes through projects ended during the period (ongoing at the start of the financial period)	-2,984	9,814
Changes through projects ongoing at the start and at the end of the financial period	-5,410	-4,615

Changes in contract assets and liabilities	2019	
EUR 1,000	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

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. Accounts and other receivables.

3. MATERIALS AND SERVICES

EUR 1,000	2020	2019
Purchases during the financial year	95,537	98,782
Change in inventory	592	3,190
External services	302,674	303,435
Materials and services, total	398,803	405,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER OPERATING INCOME AND EXPENSES

EUR 1,000	2020	2019
Profits from the sale of tangible and intangible assets	3,677	4,107
Rental and other income	2,484	2,204
Revaluation of unpaid purchase price liability		1,200
Other operating income, total	6,161	7,510
More information on unpaid purchaser price liability on note 21. Financial liabilities.		
Losses from the sale of tangible and intangible assets		10
Voluntary personnel expenses	4,654	4,306
Travel expenses	10,930	12,270
IT-expenses	7,886	7,264
External services	3,279	4,822
Expected credit losses	25	-158
Other fixed costs	7,218	9,105
Other operating expenses, total	33,994	37,619
Auditors expenses		
Audit fees	98	68
Tax counselling	40	8
Other services	11	45
Auditors expenses, total	149	121

5. INCOME AND EXPENSES RELATED TO LEASE AGREEMENTS

EUR 1,000	2020	2019
Other operating income		
Income from lease agreements	774	854
Depreciation		
Depreciation of right-of-use assets	6,121	5,288
Expenses on lease agreements		
Expenses on short term lease agreements	4,264	4,534
Expenses on lease agreements with an underlying asset with a low value	6,180	6,918
Financial income and expenses		
Interest expenses on lease agreements	207	206

Outgoing cash flows arising from leases is provided in Note 21. Financial liabilities and maturity distribution for lease liabilities in Note 29. Financial risk management.

6. IMPAIRMENTS

No material impairments were recognized in 2020 and 2019. Goodwill impairment tests are covered in Note 13. Impairment tests.

7. EMPLOYEE BENEFITS

EUR 1,000	2020	2019
Wages and salaries	90,179	89,018
Pension expenses, defined contribution arrangements	13,297	15,130
Other personnel-related expenses	3,049	2,709
Employee related expenses, total	106,524	106,856

Information about employee benefits to the management is provided in Note 31. Related party transactions. Information about defined benefit pension arrangements is provided in Note 27. Pension obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Average personnel	2020	2019
Waged employees	680	673
Clerical employees	1,013	1,030
Average personnel, total	1,693	1,703
Personnel at the end of the financial year	1,626	1,651

8. RESEARCH AND DEVELOPMENT EXPENSES

The total expenses relating to the Group's research and development activities in 2020 were MEUR 1.3 (MEUR 1.3). Development expenses have not met the recognition criteria for an intangible asset and the Group has not capitalized its development costs in the balance sheet.

9. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2020	2019
Financial income		
Dividend income from other investments	5	8
Interest income from loans and other receivables	85	94
Other financial income	20	189
Total	111	290
Financial expenses		
Interest expenses on loans from financial institutions amortized at cost	341	839
Interest expenses on lease agreements	207	206
Other financial expenses	363	446
Total	911	1,491
Financial income and expenses, total	-800	-1,201

Information about financing is provided in Note 29. Financial risk management.

10. INCOME TAXES

EUR 1,000	2020	2019
Tax based on taxable income for the period	2,565	2,206
Taxes from previous periods	15	-4
Deferred taxes	360	-225
Total	2,939	1,977

Comprehensive income items include EUR 213 thousand (166 thousand) of deferred tax expense from defined benefit pension arrangements. On comparative period comprehensive income items also included EUR 37 thousand of deferred tax expense arising from the cash flow hedging.

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

Result before taxes	13,828	11,097
Taxes calculated using domestic tax rate	2,766	2,219
Different tax rates for foreign subsidiaries	13	-6
Tax effect of tax-free items	-16	-361
Tax effect of non-deductible items	172	20
Deductible items (not included in the accounting profit)	-10	-25
Other changes		134
Taxes from previous periods	15	-4
Income taxes, total	2,939	1,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

2020

EUR 1,000

Tangible assets	51,709
Right-of-use assets	15,169
Carrying amount 31 Dec 2020	66,879

	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2020	1,916	7,516	64,553	24,235	333	98,554
Increases	9	4	3,448	999	3,257	7,717
Decreases	-209	-348	-1,916	-216		-2,688
Transfers between items			225	-5	-733	-512
Acquisition cost on 31 Dec 2020	1,716	7,173	66,311	25,013	2,857	103,071
Accumulated depreciation on 1 Jan 2020		-4,749	-34,126	-5,799		-44,673
Accrued depreciation for decreases and transfers		280	1,644			1,924
Depreciation for the period		-285	-7,481	-845		-8,612
Accumulated depreciation on 31 Dec 2020		-4,754	-39,963	-6,644		-51,361
Carrying amount 31 Dec 2020	1,716	2,419	26,348	18,369	2,857	51,709

Right-of-use assets	Land and water areas	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan 2020	391	8,125	6,898	15,413
Increases	153	3,908	2,067	6,128
Depreciation for the period	-110	-3,563	-2,447	-6,121
Carrying amount 31 Dec 2020	326	8,333	6,510	15,169

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2019

EUR 1,000

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	235	2,417	4,476	7,129
Depreciation for the period	-100	-3,212	-1,977	-5,288
Carrying amount 31 Dec 2019	391	8,125	6,898	15,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. GOODWILL

EUR 1,000	2020	2019
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

In Destia Group, goodwill is included in the Destia subgroup's business entity:

EUR million	31 Dec 2020	31 Dec 2019
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 2020 and the strategy approved by the Board of Directors for the years 2021–2025. The cash flows for future financial years were extrapolated using a terminal growth rate of 1.6% (1% in 2019), which reflects both the expected average growth rate and the effect of inflation. In the 2020 and 2019 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 2020: 8.3% (2019: 9.0%).

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 1.6% per annum.

Effects of changes in expectations

Sensitivity analysis on Destia Group would not have implied a need for write-down, even if the long-term growth rate used in the testing had been 0%. Lower growth rates would lead to lower values in use. Similarly, higher discount rates would yield a need for write-down only at unrealistically high levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. OTHER INTANGIBLE ASSETS

EUR 1,000	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2020	10,678	1	10,679
Increases	60		60
Decreases	-75	-1	-76
Transfers between items (+/-)	512		512
Acquisition cost on 31 Dec 2020	11,175		11,175
Accumulated amortization on 1 Jan 2020	-8,696		-8,696
Accrued amortization for decreases and transfers	75		75
Amortization for the period	-1,164		-1,164
Accumulated amortization on 31 Dec 2020	-9,785		-9,785
Carrying amount 31 Dec 2020	1,390		1,390

EUR 1,000	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 amortization on 1 Jan 2019	-7,403		-7,403
Accrued amortization for decreases and transfers	6		6
Amortization for the period	-1,298		-1,298
Accumulated amortization on 31 Dec 2019	-8,696		-8,696
Carrying amount 31 Dec 2019	1,982	1	1,983

15. OTHER INVESTMENTS

EUR 1,000	2020	2019
Other investments		
Acquisition cost 1 Jan	2,021	2,023
Decreases	-8	-2
Acquisition cost 31 Dec	2,013	2,021
Carrying amount 31 Dec	2,013	2,021

Other investments include investments in shares measured at fair value through other comprehensive income and investments in shares measured at fair value through profit and loss. More information is in accounting principles and in Note 23. Group's carrying amount of financial assets and liabilities.

16. INVENTORY

EUR 1,000	2020	2019
Materials and supplies	12,604	13,196
Inventory, total	12,604	13,196

17. ACCOUNTS AND OTHER RECEIVABLES

EUR 1,000	2020	2019
Accounts receivables	40,053	52,510
Other receivables	1,983	1,461
Income tax receivable	6	1,973
Contract assets	15,334	19,612
Derivative receivables	21	1
Accrued income	7,326	3,573
Accounts and other receivables, total	64,723	79,129

Contract assets and liabilities are described in Note 2. Revenue.

The most significant accrued income items consist of sales allocations EUR 6,483 thousand (EUR 2,934 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Expected credit losses and age distribution of accounts receivables

EUR 1,000	2020	Impairment loss reservation	Expected credit losses, %	Net 2020	2019	Impairment loss reservation	Expected credit losses, %	Net 2019
Contract assets	15,420	-86	0,6	15,334	19,690	-78	0,4	19,612
Accounts receivables	40,279	-226		40,053	52,719	-209		52,510
Not past due	37,909			37,909	49,276			49,276
Due								
Less than 30 days	1,879	-90	4,8	1,788	1,802	-84	4,6	1,719
30-60 days	275	-68	24,6	207	241	-63	26,1	178
61-90 days	46	-45	98,5	1	43	-42	97,5	1
More than 90 days	170	-23	13,2	148	1,358	-21	1,5	1,337
Accounts receivables, total	40,279	-226		40,053	52,719	-209		52,510

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. Financial risk management.

The Group has recorded credit losses from accounts receivables of EUR -47 thousand (EUR -526 thousand). As definitive credit losses the Group has recorded in total EUR -72 thousand and as change of impairment loss reservation EUR 25 thousand (EUR -368 thousand and EUR -158 thousand).

18. CASH AND CASH EQUIVALENTS

EUR 1,000	2020	2019
Cash in hand and at banks	40,377	24,366
Cash and cash equivalents, total	40,377	24,366

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. DEFERRED TAX ASSETS AND LIABILITIES

Movement in deferred tax assets 2020

EUR 1,000	1 Jan 2020	In income statement	In other comprehensive income	31 Dec 2020
Pension benefits	817	30	-213	633
Provisions	1,165	109		1,274
Tax receivable on interest	1,660	-526		1,134
Other allocation differences	369	-43		325
Total	4,011	-431	-213	3,367

Tax losses carried forward for which deferred tax assets have not been recorded 1,470

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

Movement in deferred tax liabilities 2020

EUR 1,000	1 Jan 2020	In income statement	In other comprehensive income	31 Dec 2020
Depreciation differences	1,838	-47		1,791
Other allocation differences	36	-24		11
Total	1,874	-71		1,803

Movement in deferred tax assets 2019

EUR 1,000	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
Hedge instrument fund	37		-37	
Other allocation differences	445	-76		369
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

EUR 1,000	1 Jan 2019	In income statement	In other comprehensive income	31 Dec 2019
Depreciation differences	1,888	-50		1,838
Other allocation differences	159	-124		36
Total	2,047	-174		1,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. EQUITY

EUR 1,000	Number of shares	Share capital	Invested non-restricted equity fund	Other items	
				Translation differences	Fair value reserve
1 Jan 2020	80,000	80	43,000	-5	1
Translation differences				-3	
Other investments					3
Capital return			-10,800		
31 Dec 2020	80,000	80	32,200	-7	4

EUR 1,000	Number of shares	Share capital	Invested non-restricted equity fund	Other items	
				Translation differences	Fair value reserve
1 Jan 2019	80,000	80	53,000	-4	-146
Translation differences				0	
Cash flow hedging					147
Capital return			-10,000		
31 Dec 2019	80,000	80	43,000	-5	1

Information on shares and share capital

Destia Group Plc has one share type. The maximum number of shares is 80 thousand. The share capital of 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 decisions of the General Meetings capital repayment of MEUR 10,8 was made during 2020 from invested non-restricted equity fund to AC Infra Oy (MEUR 10).

Other items

Translation differences

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

Fair value reserve

At the end of the financial year, the fair value reserve includes unrealized changes in value on other investments recognized through other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL LIABILITIES

EUR 1,000	2020	2019
Loans from financial institutions	20,000	20,000
Other liabilities		537
Financial lease liabilities	9,541	10,031
Non-current financial liabilities, total	29,541	30,568
Loans from financial institutions	8,990	19,994
Other liabilities	525	1,575
Financial lease liabilities	5,821	5,514
Current financial liabilities, total	15,336	27,082
Total cash outflow from leases	16,651	17,260

Destia has an unsecured floating rate term loan of EUR 20 million taken in November 2019 and maturing in November 2023. To secure liquidity, the company has entered into a EUR 30 million long-term committed revolving credit facility in November 2019, maturing in November 2023. This credit facility was fully undrawn at balance sheet date. The loan agreement and the limit agreement have a covenant that is tied to the relationship between the Group's net debt and EBITDA. Destia has at its disposal a EUR 150 million commercial paper program, of which EUR 9 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 0.5 at the balance sheet date (2.1).

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

Changes in financial liabilities (IAS 7)	Non-Cash flow effect			
EUR 1,000	1 Jan 2020	Cash flows	Changes in fair values	31 Dec 2020
Non-Current loans	20,537		-537	20,000
Current other liabilities	21,569	-12,579	525	9,515
Financial lease liabilities	15,545		-182	15,363
Total	57,650	-12,579	-194	44,877

Changes in financial liabilities (IAS 7)	Non-Cash flow effect			
EUR 1,000	1 Jan 2019	Cash flows	Changes in fair values	31 Dec 2019
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

EUR 1,000	2020	2019	Fair value hierarchy
Financial assets			
Assets measured at fair value through other comprehensive income			
Shares	1,995	2,000	level 3
Financial assets measured at fair value through profit or loss			
Shares	18	21	level 3
Other derivatives, not hedging	21	1	level 2
Assets at amortised cost			
Accounts receivables and other receivables	42,036	53,971	
Cash and cash equivalents	40,377	24,366	
Financial liabilities			
Liabilities at amortised cost			
Loans from financial institutions, interest-bearing	28,990	39,994	level 2
Lease liability, interest-bearing	15,363	15,545	
Other liabilities, interest-bearing	525	2,112	
Accounts payable and other liabilities	95,094	86,185	

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

EUR 1,000	2020	2019
Non-current other liabilities	2,392	2,392

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

EUR 1,000	2020	2019
Accounts payable	32,561	35,416
Other non-interest-bearing liabilities	22,436	17,098
Accrued expenses	29,239	32,390
Accounts payable and other non-interest-bearing liabilities, total	84,235	84,904

The most significant items in accrued expenses are personnel expenses of EUR 24,277 thousand (EUR 21,965 thousand) and accounts payable allocations EUR 4,880 thousand (EUR 8,996 thousand).

26. LONG-TERM INCENTIVE SCHEMES

The Group has three management long-term incentive schemes, one for 2018-2020, second for 2019-2021 and the third for 2020-2022. 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 42 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 56 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 scheme for 2020-2022 covers 54 persons. The earnings period is 2020-2022 and the remuneration accumulated in the earnings period will be paid in cash during 2023 at latest. In the comparative period the Group noted synthetic option arrangement granted to the Chair of the Board by AC Infra Oy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

EUR 1,000	2020	2019
Expenses based on work performance during the period	0	0
Net interest	1	19
Costs in the income statement	1	19
Items resulting from redefinition	-1,067	-832
Costs in the comprehensive income statement before taxes	-1,066	-814
Present value of obligation	28,933	31,072
Fair value of assets included in the arrangement	-25,767	-30,958
Net liability/asset on the balance sheet (-) 31 Dec	3,167	113
Present value of obligation at start of period	31,072	29,247
Expenses based on work performance during the period	0	0
Interest expenses	273	571
Actuarial profit (-)/loss (+)		
from changes in financial assumptions	-543	1,964
from changes in demographic assumptions	-318	571
from experience-based changes	-91	113
Fulfilling an obligation		
Benefits paid	-1,459	-1,395
Company arrangements		
Present value of obligation 31 Dec	28,933	31,072

EUR 1,000	2020	2019
Fair value of assets included in the arrangement at the beginning of the period	30,958	28,321
Interest yield	272	553
Yield of assets included in the arrangement excluding item belonging to interest expenditure/yield	114	3,480
Fulfilling obligations		
Benefits paid	-1,459	-1,395
Company arrangements	-4,120	
Fair value of assets included in the arrangement 31 Dec	25,767	30,958
Liabilities on the balance sheet at the beginning of the period	113	927
Costs in the income statement	1	19
Payments made to arrangement	4,120	
Redefinitions in items of other comprehensive income	-1,067	-832
Liabilities on the balance sheet 31 Dec	3,167	113
Actuarial assumptions		
Discounting interest rate, %	0.95%	0.90%
Pay rises, %	1.30%	1.00%
Pension rises, %	1.24%	1.34%
Sensitivity analysis		
The table below shows the effects on net liability of changes in assumptions		
Discounting interest rate change +0.25%	-98	-4
Discounting interest rate change -0.25%	104	4
Pay rises +0.25%	11	19
Pay rises -0.25%	-11	-19
Change in pension rises +0.25%	934	1,036
Change in pension rises -0.25%	-904	-1,002

When calculating sensitivity, it is assumed that other assumptions remain unchanged. The duration based on the weighted average of the obligation is 13.0 years. Destia Ltd.'s estimate of the benefits-based pension arrangements it will pay in 2021 null euros.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. PROVISIONS

EUR 1,000	Guarantee provisions	Environmental provisions	Other provisions	Total
1 Jan 2020	2,503	12,011	2,292	16,806
Increase in provisions	1,443	509	2,662	4,614
Expensed provisions	-192		-1,614	-1,807
Reversals of unused provisions	-1,131	-1,045	-445	-2,622
31 Dec 2020	2,622	11,474	2,895	16,992

EUR 1,000	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

EUR 1,000	2020	2019
Non-current provisions	12,463	11,718
Current provisions	4,529	5,088
Total	16,992	16,806

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% (0.00%).

In addition, the Group has a provisions for cleaning contaminated land areas. At the balance sheet date, there are provisions for four different land areas.

Other provisions

Other provisions include dispute and litigation provisions of MEUR 0.9 (MEUR 1.1) as well as provisions for onerous contracts MEUR 0.3 (MEUR 0.9), provisions related to personnel MEUR 1.7 (MEUR 0.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Accounts and other receivables.

Liquidity risk

Liquidity risk management aims at ensuring that the Group is always able to fulfil its financial obligations. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

EUR 1,000 31 Dec 2020	Balance sheet value	Contractual based cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 4 years
Maturity distribution of financial liabilities							
Loans from financial institutions	28,990	-29,678	-9,219	-234	-20,226		
Lease liabilities	15,363	-16,214	-5,946	-4,748	-3,380	-1,479	-661
Accounts payable and other liabilities	53,211	-53,211	-53,211				
Total	97,564	-99,103	-68,376	-4,982	-23,606	-1,479	-661
Maturity distribution of derivative liabilities							
Commodity derivatives (receivable)	-21	21	21				
Total	-21	21	21				

EUR 1,000 31 Dec 2019	Balance sheet value	Contractual based cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 4 years
Maturity distribution of financial liabilities							
Loans from financial institutions	39,994	-40,755	-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				

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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

EUR 1,000	2020	2019
Variable-rate financial liabilities	20,000	20,000
Variable-rate position, total	20,000	20,000

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 rate position during the reporting period, which includes variable-rate financial liabilities and commercial papers issued.

EUR 1,000	2020	2019
Change	+/-0.5%	+/-0.5%
Effect on profit after taxes and effect on equity	-52 / 0	-144 / 0

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 28% from average yearly purchases. At balance sheet date the nominal value of hedging was 444.2 thousand euros (718.3 thousand euros) and the fair value 21.4 thousand euros (1.3 thousand euros).

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.

EUR 1,000	2020	2019
Equity	80,360	79,629
Balance sheet total	275,002	277,649
Contract liabilities	41,176	34,281
Equity ratio	34.5%	32.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. CONTINGENT LIABILITIES AND ASSETS

EUR 1,000	2020	2019
Guarantees and contingent liabilities		
Counter Obligations of bank guarantees related to contractual agreements	98,558	96,246

The Group is committed to a lease contracts relating to machinery and equipment. Contracts will start during 2021 and the duration of the contracts is five years and the resulting liability EUR 711 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 2020, companies belonging to the Ahlström Capital Group had EUR 1,900 of billing (EUR 1,700). There were no purchases from companies belonging to the Ahlström Capital Group during the financial period (EUR 41.4 thousand).

During financial period 2020 capital repayment of MEUR 10.8 was made to AC Infra Oy from invested non-restricted equity fund and payment of MEUR 0.6 for the Group Contribution granted in 2019. During comparative period capital repayment of MEUR 10 was made to AC Infra Oy from invested non-restricted equity fund.

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

The Group's parent company and subsidiary relations in the year 2020 were as follows:

Company	City	Country	Group's share of ownership and votes %	Parent company's share of ownership and votes %
31 Dec 2020				
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
Its-Forsterkning AS		Norway	100	100
Destia Rail Oy	Kouvola	Finland	100	100
Destia Sverige AB		Sweden	100	100
Destia International Oy	Vantaa	Finland	100	100
Finnroad Oy	Vantaa	Finland	100	100

During the financial year, Destia Oy's subsidiary Destia Engineering Oy merged with Destia Oy.

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:

EUR 1,000	2020	2019
Salaries and other short-term employee benefits	2,037	2,505
Other long-term employee benefits		3,019
Salaries and remuneration:		
President & CEO	434	463
Members of the Board of Directors	140	140

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

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

Nothing to report.

GROUP'S KEY FIGURES

GROUP'S KEY FIGURES, IFRS

EUR million	2020	2019	2018	2017	2016
Revenue	563.8	569.9	550.3	478.7	493.2
Change from previous year, % *)	-1.1	3.6	15.0	-2.9	6.6
Operating profit for the period ****)	14.6	12.3	16.7	13.1	14.1
% of revenue	2.6	2.2	3.0	2.7	2.9
Operating profit for the period, comparable ****)	16.4	11.2	16.7	15.1	12.5
% of revenue	2.9	2.0	3.0	3.2	2.5
Result for the period	10.9	9.1	12.8	12.6	5.7
% of revenue	1.9	1.6	2.3	2.6	1.2
EBITDA 1) ****)	32.4	26.4	27.0	25.4	22.1
% of revenue	5.8	4.6	4.9	5.3	4.5
Gross investments **)	13.9	15.5	7.5	8.8	17.9
% of revenue	2.5	2.7	1.4	1.8	3.6
Balance sheet total	275.0	277.6	282.6	264.3	257.1
Equity	80.4	79.6	80.2	82.0	76.5
Equity ratio, % 2)	34.5	32.8	32.7	34.5	33.5
Net gearing (Gearing)% 3) **)	5.6	41.8	4.6	28.5	35.3
Interest-bearing liabilities	44.9	57.7	44.1	44.2	43.0
Return on equity, % 4) ***)	13.6	11.4	15.8	15.9	7.6
Return on investment % 5) ***)	11.2	9.6	13.4	10.7	11.1
Equity per share, EUR	1,004.50	995.36	1,001.95	1,024.51	956.09
Average personnel	1,693	1,703	1,658	1,572	1,492
Occupational accidents resulting in absence from work*)	13.1	5.6	5.8	10.5	5.9
Order backlog	708.6	763.6	732.7	696.2	708.0
Research and development expenses	1.3	1.3	1.0	0.9	0.9
% of other operating expenses	3.9	3.5	2.6	2.4	2.4

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)

*) 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 7.1 in 2019 and MEUR 6.1 in 2020.

***) 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.

****) ESMA's alternative key figure, not a key figure defined in accordance with IFRS. According to the company's management, the alternative key figures provide relevant and useful additional information to the users of the financial statements about the result of the Group's operations.

DESTIA GROUP PLC, INCOME STATEMENT, FAS

EUR 1,000	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
REVENUE	1,200	4,661
Personnel expenses		
Salaries and wages	709	4,140
Personnel related expenses		
Pension expenses	210	239
Other personnel expenses	17	14
Personnel expenses	936	4,393
Other operating expenses	402	1,361
OPERATING RESULT	-137	-1,094
Financial income and expenses		
Interest income	0	0
Interest expenses to Group companies	1,398	2,575
Interest and other financial expenses	228	352
Financial income and expenses	-1,626	-2,927
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	-1,764	-4,021
Appropriations		
Group contributions received	17,135	13,420
Group contributions granted		600
Appropriations	17,135	12,820
Income and deferred taxes	-3,075	-1,763
PROFIT/LOSS FOR THE FINANCIAL YEAR	12,296	7,036

DESTIA GROUP PLC, BALANCE SHEET, FAS

EUR 1,000	31 Dec 2020	31 Dec 2019
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	17,382	13,420
Deferred tax assets	1,143	1,669
Other receivables	6	50
Prepaid expenses and accrued income	10	5
Receivables, total	18,539	15,143
Cash and cash equivalents	74	77
CURRENT ASSETS TOTAL	18,613	15,220
ASSETS TOTAL	127,428	124,035

EUR 1,000	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80	80
Other funds		
Reserve for invested non-restricted equity	32,200	43,000
Retained earnings	7,935	899
Profit/loss for the period	12,296	7,036
Equity, total	52,512	51,015
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	36	487
Liabilities to Group companies	53,492	51,404
Other liabilities	69	31
Accrued expenses	1,278	1,057
Current liabilities, total	54,875	52,978
LIABILITIES TOTAL	74,875	72,978
EQUITY AND LIABILITIES TOTAL	127,428	124,035

DESTIA GROUP PLC, CASH FLOW STATEMENT, FAS

EUR 1,000	1 Jan – 31 Dec 2020	1 Jan – 31 Dec 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,001	4,391
Cash paid to suppliers of goods/services and to personnel	-2,331	-4,981
Net cash flow before financial items and taxes	-1,329	-591
Interest paid on operating activities	-218	-287
Interest received on operating activities	0	0
Other financial items from operating activities	-10	-50
Tax paid on operating activities	-1,756	-2,945
Net cash flows from operating activities	-3,313	-3,873
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash flows from investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in current loans (+)	14,710	13,930
Capital return	-10,800	-10,000
Group contributions paid	-600	
Net cash flows from financing activities	3,310	3,930
Change in cash and cash equivalents	-3	57
Cash and cash equivalents at the end of the financial period	74	77
Cash and cash equivalents at the beginning of the financial period	77	20

DESTIA GROUP PLC – NOTES TO FINANCIAL STATEMENTS

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 2020 and comparative year 1 Jan - Dec 31 2019 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.

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 no derivative instruments in use at the end of the reporting period.

Group contributions

Group contributions have been recognized 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 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 significant related party transactions incurred:

EUR million	Destia Ltd
Sales	1.3
Purchases	0.0
Amortisations of loans paid	13.4
Interests received	1.4
Loans received	18.7

NOTES TO INCOME STATEMENT, DESTIA GROUP PLC, FAS

EUR 1,000	2020	2019
Revenue		
Revenue from Group companies	1,200	4,661
Revenue, total	1,200	4,661
Average number of personnel	2	2
Personnel at the end of the financial year	2	2
Management salaries and wages		
President and CEO	434	463
Members of the Board of Directors	140	140
Management salaries and wages, total	574	603
Auditor's fee		
Audit expense	95	61
Other services		6
Auditor's fees, total	95	67
Other operating expenses		
Voluntary personnel expenses	44	20
Administrative expenses	330	1,255
Insurances	14	13
Other operating expenses	14	73
Other operating expenses, total	402	1,361
Financial expenses		
Interest expenses to Group companies	1,398	2,575
Interest expenses to others	218	302
Other financial expenses	10	50
Financial expenses, total	1,626	2,927

NOTES TO BALANCE SHEET, DESTIA GROUP PLC, FAS

EUR 1,000	2020	2019
Assets		
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		
Sales receivable	247	
Group contributions receivable	17,135	13,420
Receivables from Group companies, total	17,382	13,420
Receivables		
Other receivables	6	50
Accrued income	10	5
Receivables, total	15	55
Deferred tax assets		
Deferred tax assets	1,143	1,669

EUR 1,000	2020	2019
Equity and liabilities		
Equity		
Restricted equity		
Share capital 1 Jan	80	80
Share capital 31 Dec	80	80
Restricted equity, total	80	80
Non-restricted equity		
Invested non-restricted equity fund 1 Jan	43,000	53,000
Capital repayment AC Infra Oy	-10,800	-10,000
Invested non-restricted equity fund 31 Dec	32,200	43,000
Retained earnings 1 Jan	7,935	899
Retained earnings 31 Dec	7,935	899
Profit/loss for the period	12,296	7,036
Non-restricted equity, total	52,432	50,935
Equity, total	52,512	51,015
Calculation of distributable non-restricted equity		
Fund for invested non-restricted equity	32,200	43,000
Retained earnings	7,935	899
Profit/loss for the period	12,296	7,036
Distributable non-restricted equity, total	52,432	50,935

NOTES TO BALANCE SHEET, DESTIA GROUP PLC, FAS

Shares and shareholders

Registered	Shareholder	%	Share capital
22.4.2014	AC Infra Oy (Alhström Capital)	100	80,000
EUR 1,000		2020	2019
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			
Current loans from Group companies		53,492	48,228
Accrued interests			2,575
Group contribution liabilities			600
Liabilities to Group companies, total		53,492	51,404
Accounts payable		36	487
Other liabilities		69	31
Material items relating to accrued expenses			
Accrued interest		22	22
Personnel related accruals		177	230
Other accruals		1,078	805
Accrued expenses, total		1,278	1,057

EUR 1,000	2020	2019
Guarantees and contingent liabilities		
Lease contracts		
Payable during the following financial year	17	24
Payable in later years		17
Guarantees related to contractual agreements on behalf of group companies	630	322

SIGNATURES TO THE 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 12,296,484.99, which is proposed to be recorded on the retained earnings account. Destia Group Plc's distributable assets total EUR 52,431,525.44 including the EUR 32,200,000.00 in the invested non-restricted equity fund.

Destia Group Plc's Board of Directors proposes to the Annual General Meeting, that EUR 15,000,000.00 repayment of capital will be paid from the reserve for invested non-restricted equity fund for the financial period that ended on 31 December 2020.

Signatures to the financial statements

Vantaa, 15 February 2021

Juhani Pitkäkoski
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 Kankanpää
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, 15 February 2021

KPMG Oy Ab
Auditing firm

Kim Järvi
Authorised Public Accountant, KHT

AUDITOR'S REPORT

To the Annual General Meeting of Destia Group Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Destia Group Plc (business identity code 2617172-1) for the year ended December 31, 2020. 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.

AUDITOR'S REPORT

- 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 15, 2021
KPMG OY AB

Kim Järvi,
Authorised Public Accountant, KHT



DESTIA

Neilikkatie 17, P.O.Box 206, FI-01301 Vantaa | Tel. +358 20 444 11 | www.destia.fi/en
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