Delete

Delete Group Oyj

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2020

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year 1.1.–31.12.2020

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Delete Group Oyj

BOARD OF DIRECTORS' REPORT 2020

Delete Group Oyj

Delete Group Oyj is the parent company of Delete Group. The company's main purpose is to serve as a holding company.

In November 2019, Delete Group announced that it was exploring opportunities to sell all or part of the Demolition Services. In March 2020, Delete divested its Demolition Services business in Sweden, and in December 2020, the company announced having entered into an agreement on the divestment of its Demolition Services business in Finland. The transaction was completed in January 2021.

The Demolition Services business is reported in the Financial Statements 2020 in accordance with the IFRS 5 standard "Assets Held for Sale and Discontinued Operations" and it is not included in the financial statements for Continuing operations. In this Board of Directors' report, the Demolition Services business is referred to as Assets held for sale, and Cleaning Services and Recycling Services are presented as Continuing operations. Unless otherwise stated, all figures presented in this report include only Continuing operations.

Operations

Delete Group is one of the leading environmental full-service providers in the Nordic countries. Delete Group offers business-critical services that require specialist competences and specialised equipment through two business segments: Cleaning Services and Recycling Services. In 2020 Delete Group's segments included also Demolition Services, which has been reported as Assets held for sale.

THE CLEANING SERVICES business consists of a comprehensive industrial cleaning service offering as well as property services, such as high-power vacuuming and blowing services, industrial shutdown and maintenance services, exposure vacuuming of sewers and well emptying, industrial cleaning, blast cleaning services and washing and cleaning of facades.

THE RECYCLING SERVICES business segment provides reception, recycling and processing of solid construction and demolition waste and oily liquid waste as well as open large waste container services. Delete Group serves its customers at all stages of material processing: in re-use, recycling, and re-utilisation.

Delete Group's largest customers are industrial and construction companies, real estate developers and the public sector.

On 31 December 2020, Delete Group's Continuing operations employed 744 persons at 35 locations in Finland and Sweden.

Operational environment

Cleaning Services

The overall demand for cleaning services has been impacted to some degree by the COVID-19 pandemic, but the underlying long-term core demand is relatively resilient and stable. Customers continue to demand capabilities to handle increasingly complex assignments for ensuring high-quality environmental, health and safety operations, which favours large professional players like Delete Group.

Recycling Services

Increasing environmental awareness continues to drive improvements and new regulations, such as EU's 70% recycling target by 2020 and the landfill ban on construction and demolition waste. Regulatory development in the EU Circular Economy Action plan and national legislation as well as generally increasing sustainability awareness continue to support the growing demand for recycling services. The market demand for recycled fuel (REF) has continued at a low but stabilised level and is expected to develop favourably through 2021.

Key events of the 2020 reporting period

Net sales of Delete Group's Continuing operations in January–December 2020 amounted to EUR 116.8 (133.7) million. The Group's adjusted EBIT for 2020 amounted to EUR 0.5 (1.3) million.

In 2020, Delete divested its Demolition Services businesses in Sweden in two parts. Delete Heavy Demolition AB was divested on 5 March 2020 and Delete Special Demolition AB on 13 March 2020. On 16 December 2020, Delete announced having entered into an agreement with Lotus Maskin & Transport AB whereby Delete would sell all the shares in Delete Demolition Oy to Lotus Maskin & Transport AB. The transaction was completed in January 2021.

On 14 October 2020, Delete Group announced that it had started preparations for arrangements to secure continuance of financing, including a maturity extension of its outstanding bonds due April 2021. On 16 December 2020, Delete announced having initiated a written procedure with respect to its EUR 110 million notes due 2021. On 29 December 2020 Delete announced the extension of its committed revolving credit facility (RCF) until 15 February 2021.

After the reporting period 2020, the restructuring of the financing was successfully completed. The significant decrease of interest-bearing debt and the new share capital raised had a positive net impact of EUR 34.8 million on the growth of the Group's equity. The financial restructuring is described in more detail in the section "Key events after the reporting period".

Net sales, profitability and results

The Group's net sales in 2020 amounted to EUR 116.8 (133.7) million. The 13-per cent decline of net sales was mainly caused by COVID-19-driven lower demand for daily maintenance services for the industrial cleaning segment, postponed shutdowns and decreased waste volumes. The decrease was also to some degree due to some customer losses during the year on the back of tightening competition and pricing as well as the insourcing decision by a Recycling Services' key customer.

Net sales by segment

MEUR	2020	2019	Change
Cleaning Services	98.6	110.7	-11%
Recycling Services	23.4	28.1	-17%
Eliminations	-5.2	-5.1	3%
Group total	**116.8**	**133.7**	**-13%**

Post emergency services and firestop installation services have been reclassified from Demolition Services to Cleaning Services in 2020. Comparative 2019 sales have been reclassified accordingly.

The Group's EBIT for 2020 amounted to EUR -4.1 (-0.2) million. The Group's EBIT was negatively impacted by Cleaning Services' profitability, which suffered from the decreased sales due to postponed shutdowns and lower than normal daily assignment demand. Due to lower volumes and considerable increases in the REF inventory cost provision, Recycling Services' adjusted profitability decreased from the previous year, while reduced administration cost base had a positive impact on the Group's adjusted EBIT. With negative impact on EBIT and affecting comparability, non-recurring items such as costs for divestment processes and the restructuring of the financing increased from previous year by EUR 3.1 million to EUR 4.6 million, of which majority is reported under Administration.

EBIT by segment

MEUR	2020	2019	Change
Cleaning Services	5.3	9.9	-47%
Recycling Services	0.6	0.7	-14%
Administration	-8.8	-10.8	19%
Group total	**-4.1**	**-0.2**	**-2,104%**

Post emergency services and firestop installation services have been reclassified from Demolition Services to Cleaning Services in 2020. Comparative 2019 sales have been reclassified accordingly.

In 2020, net financial expenses amounted to EUR -6.6 (-8.4) million. The decrease was mainly related to an unrealised favourable SEK exchange rate translation effect on intercompany lending. Profit before taxes in 2020 amounted to EUR -10.6 (-9.4) million. In 2020, enabled by deferred tax assets on net loss tax credits, the income taxes had a favourable effect and amounted to 0.5 (-0.0) million. In 2020, the net result for the financial period for Continuing operations amounted to EUR -10.2 (-9.4) million.

In 2020, the net result for the financial period including assets held for sale amounted to EUR -30.2 (-42.1) million mainly affected by an asset impairment for the assets held for sale of EUR -20.3 million.

Key figures for Delete Group

MEUR	2020	2019	2018 *	2017 **
Net sales	116.8	133.7	114.1	177.3
Operating profit (EBITDA)	9.0	12.5	10.1	14.8
Operating profit (EBITDA), %	7.7%	9.4%	9%	8.3%
EBIT	-4.1	-0.2	2.6	6.7
EBIT, %	-3.5%	-0.1%	2%	3.8%
Return on equity	-229.9%	-85.4%	-0.7%	-3.9%
Equity ratio	-1.2%	14.5%	31.5%	32.8%
Net debt	118.3	122.7	99.1	90.0

Post emergency services and firestop installation services have been reclassified from Demolition Services to Cleaning Services in 2020. Comparative 2019 figures in the table above have been reclassified accordingly.

*) Implementation of the IFRS 16 standard in 2019 increased net debt and operating profit compared to previous years.

**) 2017 includes Discontinued operations.

Delete Group Oyj

Delete Group Oyj's main purpose is to serve as a holding company. In the reporting period, the company's net sales amounted to 0 EUR.

Key figures for Delete Group Oyj

MEUR	2020	2019	2018	2017
Net sales	0.0	0.0	0.0	0.0
Operating profit	-0.2	-0.2	0.0	0.0
Return on equity	-41.5%	-1.0%	0.4%	-1.9%
Equity ratio	30.1%	37.9%	44.1%	44.2%
Net debt	109.1	109.8	85.0	84.6

Financing and financial position

In 2020, cash flow from operating activities was EUR 8.8 (1.7) million. The increase was positively affected by adopted factoring (non-recourse) financing, which at year end had an impact of EUR 3.9 million as reduced net working capital.

Delete Group's cash and cash equivalents at the end of December 2020 including cash in assets held for sale were EUR 7.8 (5.2) million. Before the completion of the financial restructuring measures in February 2021, the Group's interest-bearing debt was EUR 126.0 (118.3) million, consisting mainly of a EUR 119.8 million secured notes, a EUR 4.0 million drawn revolving credit (SSRCF) and lease liabilities. At year end 2020, the Group had undrawn revolving credit facilities of EUR 3.0 million to be used for general corporate purposes, acquisitions and capital expenditure. The SSRCF's quarterly maintenance covenant for debt leverage of drawn RCF over adjusted EBITDA was complied with at the end of December 2020.

At the end of December 2020, the Group's net debt amounted to EUR 118.3 (122.4) million, decreasing mainly due to improved cash flow.

The balance sheet total at the end of December 2020 was EUR 161.5 (195.7) million, decreasing mainly because of an asset impairment of EUR -20.3 million for the Assets held for sale. Property, plant and equipment totalled EUR 31.2 (34.5) million decreasing on the back of deferred capital expenditure in 2020. The equity ratio before the successful capital restructuring in February 2021 was -1.2% (14.5%).

Under the IFRS 5 standard, assets held for sale are included in the Group's balance sheet, but are compiled and reported under separated specified line items. After an impairment of EUR 20.3 million to the net asset value, the assets amounted to EUR 17.0 million and liabilities to EUR 8.1 million. IFRS 5 implications are reported in more detail in the notes section of the Financial Statements.

After the reporting period, the Group successfully completed the financial restructuring measures announced on 16 December 2020. The significant reduction of interest-bearing debt and new share capital raised had a net impact of EUR 34.8 million on improved consolidated equity. The financial restructuring measures are described in more detail in the section Key events after the reporting period.

Capital expenditure and corporate transactions

In 2020, capital expenditure in intangible and tangible assets was EUR 2.1 (5.2) million. Capital expenditure was low partially due to deferred maintenance investments in preparation for COVID-19 related liquidity assurance.

On 5 March 2020, Delete Group announced it had completed the divestment of Delete Heavy Demolition AB, a group company operating in the group's Demolition Services business area in Sweden. The transaction was completed by way of Delete Sweden AB selling all shares in Delete Heavy Demolition AB to Lotus Maskin & Transport AB.

On 13 March 2020, Delete Group announced it had completed the divestment of Delete Special Demolition AB, a group company operating in the group's Demolition Services business area in Sweden. The transaction was completed by way of Delete Sweden AB selling all shares in Delete Special Demolition AB to Demox AB.

On 12 December 2020, Delete announced that Delete Finland Oy, a group company of the Delete Group, had entered into an agreement regarding the divestment of Delete Demolition Oy, a subsidiary operating in the Demolition Services business area to Lotus Maskin & Transport AB. The Transaction was completed in January 2021. More information about the transaction can be found in the section Key events after the reporting period.

There were no acquisitions in 2020.

Personnel

Delete Group's Continuing operations employed 744 (739) people at the end of December 2020. The average number of personnel in 2020 was 714 (703) in 2020.

Changes in the management

The Extraordinary General Meeting of Delete held on 9 January 2020 appointed Martin Forss, M. Sc. (Econ.), as a new member of the Board of Directors. Convening after the Extraordinary General Meeting, the Board of Directors meeting elected Mr Forss as the Chairman of the Board. The appointment followed Åsa Söderström Winberg's, M. Sc. (Econ.), request to release her from the duties as the Chairman of Delete's Board of Directors.

In November 2020, Delete Group appointed from within the organisation Henri Pesonen (M. Sc. Econ., born 1982), and Raimo Huhtala (B. Eng., Electrical engineering, born 1961) as new members of Delete's Management Team.

Composition of the Group Management Team as of 12 November 2020:

- Tommi Kajasoja, CEO
- Ville Mannola, CFO
- Janika Vilkman, General Counsel
- Henri Pesonen, Business Area Director, Recycling Services
- Raimo Huhtala, Business Area Director, Cleaning Services, Finland
- Peter Revay, Business Area Director, Cleaning Services, Sweden

Research and development

In 2020, R&D-related expenditure was immaterial and was related to minor development of processes and tools.

Summary of significant risks and risk management

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

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

Operational risks are mainly related to uncertainty and a lack of visibility due to the COVID-19 pandemic, project execution and the integration of acquired businesses, both in terms of quality and financially. The Group's business operations also inherently involve risks, such as environmental, health and safety risks, as well as dependence on suppliers and clients. The internal control environment is under constant development to improve preventative measures.

Financing risks are mainly related to refinancing, credit and liquidity, all of which may be further affected by COVID-19-related uncertainties.

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

By the end of 2020, the Group has not identified other relevant changes that can be expected to have a significant influence on the business, given the risks mentioned hereinabove.

Estimates on future development

The demand for Cleaning Services and Recycling Services are expected to gradually recover in 2021. The Group's efficiency and productivity are expected to improve compared to the previous year.

Delete Group's continued operations' operating profit is expected to improve in 2021.

Due to the COVID-19 pandemic, the outlook contains more uncertainty than usual and is based on the assumption that there are no material changes in the operating environment or scheduled work postponements or cancellations due to the pandemic.

Corporate and social responsibility and non-financial report

Responsibility is an essential part of all Delete Group's operations. Delete Group utilises operating principles promoting responsible business methods and expects all those working for Delete Group to comply with them. Delete Group actively searches for opportunities to support its customers with services whose value is substantially based on responsibility and sustainable development.

Delete Group publishes a Corporate and Social Responsibility Report on the company's website as part of the Annual Report. The report includes the non-financial report.

Shares and shareholders

At year end 2020, the number of registered shares in Delete Group Oyj was 10,858,595 P-shares and 3,089,649 C-shares. Each share carries one vote. The Group is owned by Ax DEL Oy (87% of the shares) and a group of key employees and other minority investors (13 per cent). The Group does not hold any of its own shares.

Corporate governance

In its decision-making and administration, Delete Group Oyj applies the Finnish Companies Act (624/2006, as amended), the Finnish Securities Markets Act (746/2012, as amended) as well as rules and guidelines of Nasdaq Helsinki Ltd. Delete Group primarily follows the Finnish Corporate Governance Code 2020, with a few exceptions due to its ownerships structure. These exceptions relate to, among others, rules regarding Annual General Meetings and the composition of the Board. Delete Group publishes, together with the Annual Report, a separate Corporate Governance Statement on the company's website.

Extraordinary General Meeting

The Extraordinary General Meeting of Delete Group Oyj held on 9 January 2020 appointed Martin Forss, M. Sc. (Econ.), as a new member of the Board of Directors. Convening after the Extraordinary General Meeting, the Board of Directors meeting elected Mr Forss as the Chairman of the Board. Before the appointment, the former Chair of the Board Åsa Söderström Winberg, M. Sc. (Econ.), had requested to be released from her duties as the Chairman of Delete's Board of Directors.

Annual General Meeting

Delete Group Oyj's Annual General Meeting (AGM) held on 8 April 2020 approved the financial statements for the financial year 1 January 2019 – 31 December 2019 and discharged the members of the Board of Directors and the CEO from liability. The AGM resolved that no dividend would be paid for the financial year 2019.

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

KPMG Oy Ab was elected to continue as the Auditor of the company with Teemu Suoniemi, Authorised Public Accountant, acting as the Principal Auditor.

The Chairman of the Board will be paid EUR 50,000 and the Board members EUR 22,000 as remuneration for 2020. The appointed members of the Audit Committee and the Project Committee will be paid EUR 4,000 as additional remuneration and the appointed members of the Remuneration Committee

EUR 2,000. Axcel Management's Christian Schmidt-Jacobsen will not be paid remuneration. It was resolved that the remuneration for the Auditor shall be paid according to the Auditor's invoice.

The Board's proposal for distribution of profit

The consolidated net profit for the year 2020 including assets held for sale totalled EUR -30.2 million, and the net profit of the parent company was EUR -19.9 million. The parent company's distributable funds on 31 December 2020 totalled EUR 48.0 million. The Board of Directors will propose to the Annual General Meeting for no dividend to be paid.

Key events after the reporting period

After the reporting period, in February 2021, Delete has succesfully restructured its financing and capital structure with the following main items:

- The bond maturity was extended by three years
- The bond nominal value was written off by EUR 24.8 million
- The bond was partially repaid by EUR 20 million
- The repayment was funded by EUR 10 million new raised equity, EUR 5 million from Demolition Services divestment proceeds and EUR 5 million by factoring proceeds.

Delete Group announced on 16 December 2020 a restructuring proposal to the noteholders of the senior secured notes issued by Delete Group Oyj. The restructuring proposal included certain amendments to the terms and conditions of Delete Group Oyj's senior secured notes, including a write-down the principal of the notes with approximately EUR 24.8 million and an extension of the maturity of the notes with three years, which were subject to certain conditions. The conditions included, among others, an immediate redemption of the notes in an aggregate amount of EUR 15 million and new equity investments by Delete's shareholders in an aggregate amount of at least EUR 10 million as well as further redemptions of EUR 10 million by the funds obtained from receivables sold under Delete Group's (non-recourse) factoring arrangement in two instalments of EUR 5 million.

On 15 January 2021, Delete announced the successful completion of a written procedure regarding the senior secured notes, as proposed on 16 December 2020.

On 16 January 2021, an Extraordinary General Meeting of Delete Group Oyj approved a new share issue of EUR 10 million, in order to raise capital for a partial redemption of the outstanding notes, as required in the amended Terms and Conditions, approved by the noteholders on 15 January 2021.

On 29 January 2021, Demolition Services in Finland was divested with a purchase price of EUR 7.3 million to Lotus Maskin & Transport AB.

On 5 February 2021, Delete announced that the conditions for effectiveness of the amendments to the terms and conditions of its secured notes were satisfied with the amendments to the Terms and Conditions becoming effective on the same date, 5 February 2021.

On 12 February 2021, Delete made a EUR 20 million partial redemption of the notes, consisting of the required EUR 15 million redemption as well as the first EUR 5 million instalment to be made from the factoring proceeds, in accordance with the amended Terms and Conditions and the conditions for such amendments, financed by the new share issue, factoring proceeds and proceeds from the sale of Demolition Services in Finland.

On 12 February 2021, Delete's new super senior revolving credit facility (SS-RCF) with Collector Bank AB became effective, replacing the existing SS-RCF with Nordea Bank Plc. Nordea Bank Plc will continue to provide an EUR 2,000,000 guarantee facility to Delete.

After the 2020 reporting period, the Group successfully completed the financial restructuring measures in February 2021. The significant reduction of interest-bearing debt and new share capital raised had a net impact of EUR 34.8 million on improved consolidated equity after the reporting period. The bond maturity date was extended until 19 April 2024 and the amount of the notes outstanding decreased from EUR 109.8 million to EUR 65.0 million.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR Thousand	Note	Jan 1–Dec 31, 2020	Jan 1–Dec 31,2019
CONTINUING OPERATIONS			
Revenue		**116,759**	**125,837**
Other operating income	8	206	240
Materials and services	9	-46,950	-53,424
Employee benefits	10	-47,822	-47,797
Depreciation, amortisation and impairment losses	11	-13,068	-12,664
Other operating expenses	12	-13,194	-13,159
Operating profit		**-4,068**	**-968**
Financial income	13	33	93
Financial expenses	13	-6,605	-8,531
Net financial expenses		**-6,571**	**-8,438**
Profit (-loss) before taxes		**-10,640**	**-9,407**
Income taxes	14	483	-27
Profit (-loss) for the financial year from the continuing operations		**-10,157**	**-9,433**
Profit (-loss) for the financial year from the discontinued operations	**6**	**-20,091**	**-32,706**
Profit (-loss) for the financial year		**-30,248**	**-42,139**
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation difference		106	-118
TOTAL COMPREHENSIVE INCOME (-LOSS) FOR THE YEAR		**-30,142**	**-42,258**

The financial statements should be read in conjunction with the accompanying notes that are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – ASSETS

EUR thousand	Note	Dec 31, 2020	Dec 31, 2019
ASSETS			
NON-CURRENT ASSETS			
Goodwill	15	74,632	69,469
Intangible assets	15	3,602	4,695
Property, plant and equipment	16	31,172	34,469
Right of use assets	16	11,299	10,349
Investments	17	7	8
Deferred tax assets	18	1,999	1,650
TOTAL NON-CURRENT ASSETS		**122,711**	**120,639**
CURRENT ASSETS			
Inventories	19	1,392	1,127
Trade receivables and other current assets	20	11,889	21,863
Tax receivables		784	1,100
Cash and cash equivalents	21	7,752	5,211
TOTAL CURRENT ASSETS		**21,817**	**29,301**
Assets held for sale	6	**16,952**	**45,137**
TOTAL ASSETS		**161,480**	**195,077**

The financial statements should be read in conjunction with the accompanying notes that are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – EQUITY AND LIABILITIES

EUR thousand	Note	Dec 31, 2020	Dec 31, 2019
EQUITY			
Share capital	22	80	80
Reserve for invested non-restricted equity		69,661	69,661
Translation reserve		-827	-933
Retained earnings		-40,581	1,558
Profit (-loss) for the financial year		-30,248	-42,139
TOTAL EQUITY		**-1,915**	**28,227**
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings from financial institutions	23	0	109,303
Lease liabilities	25	6,824	6,110
Instalment credit		161	303
Derivative liabilities		41	178
Deferred tax liabilities		2,543	3,126
CURRENT LIABILITIES			
Interest-bearing financial liabilities		114,084	7,000
Lease liabilities	25	4,899	4,364
Prepayments	7	11	122
Trade payables		10,044	9,598
Instalment credit		72	520
Other payables		3,471	3,602
Tax liabilities		79	188
Accrued expenses and deferred income	27	13,070	11,401
TOTAL LIABILITIES		**155,300**	**155,813**
Liabilities directly attributable to assets held for sale	**6**	**8,096**	**11,037**
Total equity and liabilities		161,480	195,077

The financial statements should be read in conjunction with the accompanying notes that are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	Dec 31, 2020	Dec 31, 2019
CONTINUOUS OPERATIONS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss) before taxes	**-11,640**	**-9,407**
Adjustments:		
Depreciation, amortisation and impairment losses	13,068	12,664
Financial expenses	6,571	8,531
Financial income	0	-93
Other adjustments	-137	-168
Change in net working capital:		
Change in trade and other receivables	8,987	1,436
Change in inventory	-169	-179
Change in trade and other payables	-844	-3,015
Received interest	0	0
Paid interest	-7,164	-7,555
Income taxes paid	110	-509
CASH FLOWS FROM OPERATING ACTIVITIES, CONTINUING OPERATIONS (A)	**8,782**	**1,705**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in intangible assets	-104	-6
Investments in property, plant and equipment	-2,561	-5,660
Proceeds from disposal of property, plant and equipment	552	491
Payments for business acquisitions, net of cash acquired	0	-1,939
Change in other receivables	-2	0
CASH FLOWS FROM INVESTING ACTIVITIES, CONTINUING OPERATIONS (B)	**-2,114**	**-7,113**

CONTINUES

The financial statements should be read in conjunction with the accompanying notes that are an integral part of these consolidated financial statements.

TEUR	Dec 31, 2020	Dec 31, 2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current loans and borrowings	0	25,000
Repayments of non-current loans and borrowings	-819	-1,379
Change in current loans and borrowings	-2,263	-12,003
Principal elements of lease payments	-5,925	-5,131
CASH FLOWS FROM FINANCING ACTIVITIES, CONTINUING OPERATIONS (C)	**-9,007**	**6,487**
CHANGE IN CASH FLOWS, CONTINUING OPERATIONS (A+B+C)	**-2,338**	**1,079**
Cash and cash equivalents on 1 January	5,211	8,450
Exchange rate differences	-3	-51
Net change in cash from discontinued operations	4,879	-4,267
Cash and cash equivalents on 31 December	7,749	5,211
Change	2,539	-3,239

The financial statements should be read in conjunction with the accompanying notes that are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to shareholders of the parent company

TEUR	Share capital	Unregistered share capital	Reserve for invested non-restricted equity	Translation reserve	Retained earnings	Total
Equity on 1 January 2020	80	0	69,661	-933	-40,581	28,227
Share capital increase	0		0			0
Comprehensive income						
Profit for the reporting period	0	0	0	0	-30,248	-30,248
Other comprehensive income						
Translation differences	0	0	0	106	0	106
Total comprehensive income	**0**	**0**	**0**	**106**	**-30,248**	**-30,142**
EQUITY ON 31 DECEMBER 2020	**80**	**0**	**69,661**	**-827**	**-70,829**	**-1,915**
Equity on 1 January 2019	80	0	69,661	-815	1,558	70,484
Share capital increase	-0		0			0
Comprehensive income						
Profit for the reporting period	0	0	0	0	-42,139	-42,139
Other comprehensive income						
Translation differences	0	0	0	-118	0	-118
Total comprehensive income	**0**	**0**	**0**	**-118**	**-42,139**	**-42,258**
EQUITY ON 31 DECEMBER 2019	**80**	**0**	**69,661**	**-933**	**-40,581**	**28,227**

The financial statements should be read in conjunction with the accompanying notes that are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIC INFORMATION FOR THE GROUP

Delete Group is a service company that operates in Finland and Sweden providing environmental services to corporate customers and the public sector. The Industrial cleaning business provides services to industry, power plants, shipyards and customers in construction business in Finland and Sweden. The Recycling business receives and processes construction and industrial waste in the Helsinki metropolitan area and in the Tampere region. The Demolition Services business delivers professional construction demolition services in Finland and Sweden and takes care of asbestos and other hazardous substance demolitions, firestop and water damage renovations. During the reporting period, the Group has classified the Demolition services business as discontinued operations and disposal group held for sale.

The parent company in the group is Delete Group Oyj that is domiciled in Helsinki, Finland (business ID 2565169-4). The parent company's registered address is Postintaival 7, 00230 Helsinki, Finland.

The Board of Directors of Delete Group Oyj has authorised these consolidated financial statements for issue on 23 March 2021. According to the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements in the Annual General Meeting held after their publication. The General Meeting may also decide to amend the financial statements.

NOTE 2. BASIS FOR PREPARATION FOR THE FINANCIAL STATEMENTS

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in force on 31 December 2020. The International Financial Reporting Standards refer to the standards and associated interpretations in the Finnish Accounting Act and in regulations issued under it that are endorsed by the EU in accordance with the procedure laid down in Regulation (EC) No. 1606/2002. The Group has not early adopted any standards or interpretations. The notes to the consolidated financial statements are also in accordance with the requirements of the Finnish accounting and corporate legislation supplementing the IFRS rules.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) at fair value through profit.

The preparation of financial statements in conformity with IFRS requires the Group's management to make estimates and assumptions and to make choices when applying the accounting principles. Judgements that the management has made when applying the accounting principles as well as the assumptions on future development and the key assumptions related to estimates are discussed in the section "Critical accounting judgments and sources of estimation uncertainty".

The amended standards in force from the beginning of the reporting period have not had material impacts on the Group's consolidated financial statements.

NOTE 3. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidation principles

The consolidated financial statements include the parent company Delete Group Oyj and all companies over which the parent company has control. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All subsidiaries are 100 per cent owned.

The consolidated financial statements are prepared using the acquisition method, according to which the separately identified assets, liabilities and contingent liabilities of the acquired company are measured at their fair value at the date of acquisition. A subsidiary is consolidated from the date of acquisition until the date when the parent company loses control over the subsidiary. Intra-Group transactions, balances, income and expenses are eliminated when preparing consolidated financial statements. Unrealised losses are not eliminated in case losses are due to impairment.

Items in foreign currency

The income statement and balance sheet of each individual Group company is measured in the currency of the primary economic environment in which the company is operating (functional currency). The consolidated financial statements are presented in Euro, which is the functional and presentation currency of the Group's parent company. Subsidiaries' financial statement items are recognised in the functional currency of each company.

Transactions in foreign currency are translated into Euros at the exchange rates prevailing at the transaction date.

- Foreign currency-denominated receivables and liabilities are translated into Euros at the exchange rates prevailing at the reporting date.
- Foreign exchange gains and losses arising from translation of assets and liabilities in foreign currency in respect of operating items are presented in the consolidated income statement affecting operating profit and in respect of financial items in finance income and expenses.

Income statements for those subsidiaries with a non-Euro functional currency are translated into Euros at the average exchange rates of the financial year. Balance sheets of such companies are translated into Euros at the closing exchange rates of the financial year. The resulting exchange differences as well as exchange differences arising from the elimination of acquired net assets of foreign subsidiaries are recognised as translation differences in other comprehensive income.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with the customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The Group has mostly written agreements with the customers. For some customers there are frame agreements. In those cases a contract is established as a combination of the frame agreement and each purchase order that the customer has placed and the Group has approved.

The Group provides services in demolition, in industrial cleaning, and in recycling services. In demolition projects the Group promises to take care of the demolition, and also purchases the scrap metal from the customer during the demolition project. Control over the scrap metal transfers to the Group as the demolition project proceeds in cases the Group acts as a principal when selling the scrap metal to a third party. In contracts where the Group sells the metal on behalf of the customer, the Group acts as an agent and only the fee received is recognised as revenue.

Typically one service contract includes one performance obligation. The transaction prices in the demolition contracts are usually fixed. In some contracts there may be a discount as a variable component. There are no significant financing components. Each delivery of scrap metal forms a one performance obligation.

If a contract which includes two or more performance obligations, the transaction price is allocated by their stand-alone selling prices, either based on their list prices or if not available, based on expected cost plus margin.

Most of the Group's contracts are service type contracts. The revenue recognition criteria over time are fulfilled because the customer simultaneously receives and consumes the benefits provided by the Group's performance. The Group measures progress in demolition projects based on costs incurred in relation to expected total costs. Revenues from short term services are recognised when the services have been rendered or evenly over the contract term when the work is being carried out.

Goodwill and intangible assets

Goodwill is measured as the excess of the sum of consideration transferred and the acquisition date fair value of any previous equity interest in the acquired equity over the fair value of the net identifiable assets acquired. It represents a consideration made by the acquirer in anticipation of future economic benefits from assets that cannot be individually identified and separately recognized as assets. Goodwill is not amortised, but instead it is subject to impairment testing once a year, or more frequently if circumstances indicate that it might be impaired. Subsequent to its initial recognition, goodwill acquired in a business combination is carried at initial cost less any accumulated impairment charges.

The Group's intangible assets mainly consist of enterprise resource planning systems, licenses, electricity connections and customer relationships that are recognised through business combinations. Intangible assets with a finite useful life are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets. The Group applies average depreciation period of 3-5 years for all intangible assets, except for electricity connections which are not amortised. Intangible assets with indefinite useful lives are not amortised, but tested annually for impairment.

Research and development

Research costs are expensed as incurred. Development costs are capitalised when it is probable that a development project will generate future economic benefits, and the cost can be measured reliably. Other development costs are expensed. Currently, the Group has no major ongoing development projects.

Property, plant and equipment

The Group's property, plant and equipment consist of land, buildings, machinery and equipment, other tangible assets and assets under construction. These items of property, plant and equipment are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and their cost can be measured reliably.

The Group's property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. The cost includes all expenditure attributable to bringing the asset ready for it to be capable of operating in the intended use. However, after the initial recognition cost are capitalised only if it is probable that they will generate more future economic benefit compared with earlier circumstances. Otherwise, the costs are recognised as an expense in the income statement.

The Group's property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, except for land.

The Group applies the following average depreciation periods:

- Constructions 10 years
- Buildings 20-30 years
- Installed technical devices 10 years
- Other property, plant and equipment 10 years
- Machinery and equipment 5-15 years

The Group's gains or losses related to sale of property, plant and equipment are recognised as other operating income or other operating expenses in the income statement.

Impairment of intangible and property, plant and equipment

Non-current assets are regularly reviewed for identifying any indications of impairment. Goodwill is tested annually for impairment. For this purpose, goodwill has been allocated to the cash-generating units.

Allocation is made to such cash-generating units or groups of cash-generating units that are expected to benefit from the business combination that the goodwill relates to.

Assets that are depreciated or amortised are subject to assessment whether there are any changes in the circumstances that would indicate that the carrying amounts may not be recoverable. An impairment loss is the amount by which the carrying amount exceeds the recoverable amount. For non-current assets the recoverable amount is its fair value less cost to sell or value in use whichever is greater. Value in use is determined by discounting the future cash flows expected to be generated by the asset.

An impairment charge on goodwill is recognised in the consolidated income statement, if the impairment test shows that its carrying amount exceeds its estimated recoverable amount. In that case, the carrying amount of goodwill is written down to its recoverable amount. An impairment loss on goodwill is never reversed.

Leases

The Group leases assets such as premises, machinery and equipment and vehicles as a lessee. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. the Group has elected to separate non-lease components from the lease component at commencement of a contract.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, incentives received, initial direct costs incurred and an estimate of costs to restore the underlying asset. The right-of-use asset is depreciated using the straight-line method during the lease term with same principles as the Group's property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method.

Lease payments included in the measurement of the lease liability comprise the following: fixed payments and variable lease payments that depend on an index or a rate. The options related to extension of the lease term is included in the lease term if it is reasonably certain that the option is exercised.

The Group applies the exemptions provided by the standard not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Discontinued operations and non-current assets held for sale

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations. Classification as a discontinued operation occurs at the disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparatives in statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Non-current assets, or disposal groups are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. The comparatives in the balance sheet are not reclassified.

Held for sale assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

In case the plan of sale changes so that the classifying criteria no longer are fulfilled, the asset or the disposal group classified as held for sale is transferred back to assets in continuous use. The asset or the group of assets is either measured at its carrying value before classification, adjusted for any depreciation, amortisation or revaluations that would have been recognised without classification, or at the lower recoverable amount.

Inventory

The Group's inventory consists mainly of materials used in connection with providing services.

Inventories are measured at cost or net realisable value, whichever is lower. Net realisable value is the estimated selling price less the estimated costs necessary to make the sale in the ordinary course of business. The cost is based on the FIFO (first in, first out) principle.

Financial assets

Financial assets are classified based on the Group's business model for managing financial assets and the asset's contractual cash flow characteristics into the following categories: financials assets measured at amortised cost and financial assets measured at fair value through profit or loss. The asset is classified according to the objective of the business model and the contractual cash flow characteristics of the asset, or by applying the fair value option at initial acquisition.

Purchases and sales of financial assets are recognized at trade date, which is the date on which the Group commits to purchase or sell the financial instrument. Transaction costs are included in the original carrying amount of the financial asset when the asset is not measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are measured at fair value at initial recognition and the transaction costs are recognized in profit or loss.

Financial assets measured at amortised cost

Financial assets whose business model's objective is to hold financial assets to maturity in order to collect contractual cash flows are classified as financial assets measured at amortised cost. The cash flows of these assets consist solely of payments of principal and interest on the principal amounts outstanding.

Trade receivables and other receivables that are non-derivative assets are classified as financial assets measured at amortised cost. The carrying amount of current trade receivables and other receivables is considered to be equal to their fair value. Trade receivables and other receivables are presented on the balance sheet as current assets if they are expected to be realised within 12 months after the end of the reporting period.

After initial recognition, these financial assets are measured at amortised cost using the effective interest rate method and by deducting any impairment. At each reporting date the Group recognizes an allowance for expected credit losses for financial assets recognised at amortised cost.

Expected credit losses are estimated in accordance with so-called simplified approach allowed in IFRS 9 where credit losses are recognised at an amount equal to expected credit losses over the entire lifetime of the asset. The Group applies the simplified approach to receivables measured at amortised cost and to assets based on customer contracts in accordance with IFRS 15. Expected credit losses are recognised using a provision matrix. Expected credit losses for trade receivables and assets based on customer contracts are estimated based on historical information on credit losses and estimation of future prospects. Expected credit losses are recognised under other operating expenses in the statement of profit or loss.

Financial assets measured at fair value through profit or loss

Financial assets that have been acquired to be held for trading or that are designated as at fair value through profit or loss at initial recognition are classified as financial assets measured at fair value through profit or loss. Financial assets held for trading are acquired primarily for the purpose of obtaining profit in the short or long term and are presented in either non-current or current financial assets. Financial assets measured at fair value through profit or loss consist of shares and derivatives that are not subject to hedge accounting.

Realised and unrealised gains and losses arising from changes in fair value are recognised in profit or loss. If there are no quoted prices for investments, the Group applies valuation techniques to their measurement.

Financial liabilities

Financial liabilities are recognised at trade date and measured using the effective interest rate method at amortised cost. Transaction costs for those financial liabilities that are measured at amortised cost are included in the initial cost. Financial liabilities are included in both non-current and current liabilities. Financial liabilities are classified as current unless the Group has an unconditional right to defer payment for at least 12 months from the reporting date. Financial liabilities are derecognised when the liability is paid or becomes due. In this case, gains or losses on derecognition are recognised in profit or loss.

Derivative instruments

The Group's financial instruments measured at fair value through profit or loss include derivative instruments. The company's derivatives include interest rate swaps, with which part of the company's variable rates are swapped fixed. The Group does not apply hedge accounting in accordance with IFRS 9. Derivative financial instruments are included in current assets or liabilities, and changes in the unrealised fair value are recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call bank deposits and other short-term liquid investments. Cash and cash equivalents have a maturity of up to three months from the acquisition date and are recognised on the trade date and measured at cost. Foreign currency items are translated into Euros on the closing date exchange rates.

Borrowing costs

Directly attributable borrowing costs related to the acquisition, construction or production of an item of property, plant and equipment are capitalised as part of the cost of that asset. The costs directly related to a specific loan from financial institutions are deducted from the original amount of the loan and recognised as financial expenses using the effective interest rate method. Other interest and other costs related to interest-bearing liabilities are recognised in profit or loss as incurred.

Operating profit

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

Employee benefits

Pension liability

All pension plans in the Group are classified to defined contribution plans as the Group pays fixed contributions into a separate entity and the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay retirement benefits. The contributions are recognised in the income statement during the financial period, to which the charged contribution applies. There are no defined benefit plans in the Group.

Current income taxes and deferred taxes

Income taxes consist of current taxes, income taxes related to prior periods and deferred taxes. The income tax charge for the financial year is based on taxable income for all Group companies, which is calculated according to the local tax rates for each Group company. Current taxes and changes in deferred taxes that relate to items recognised in other comprehensive income are recognised in other comprehensive income.

Generally deferred taxes are calculated for all temporary differences between the carrying amount and tax bases of assets and liabilities. Deferred tax liability is not recognised for initial recognition of goodwill, or if it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit at the time of the transaction. Deferred tax liabilities are not recognised for the retained earnings of subsidiaries, unless it is probable that the temporary differences will reverse in a foreseeable future. Deferred tax liabilities shall be measured at the local tax rates that have been enacted by the end of the reporting period.

Deferred tax assets are recognised when it is probable that the future taxable profit will be available against which the temporary difference can be utilised. The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period.

Critical accounting judgments and sources of estimation uncertainty

Revenue recognition

Revenue recognised over time requires management judgments in relation to expected revenue and cost as well as to reliable measurement of the Group's progress towards complete satisfaction of a performance obligation.

Impairment testing

Impairment testing is affected by the forecasts prepared by management, which impairment testing calculations are based on. The disclosures required under IAS 36 on impairment tests are presented in Note 14.

Business combination: measurement of acquired assets

In connection with business combinations, the IFRS 3 standard is applied, which requires the valuation of assets and liabilities acquired at the acquisition date at fair value. This fair value measurement requires management estimates. Information related to business combinations is presented in Note 5.

Adoption of new and amended standards and interpretations applicable in future financial years

The Group has not early adopted the new or amended standards and interpretations issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year. The published amended standards are not expected to have any significant effect on the Group's consolidated financial statements.

NOTE 4 SEGMENTS

The Group has two reportable segments, Industrial Cleaning Services and Recycling Services, which are the Group's business areas. The reporting segments have been aggregated from the Group's three operating segments: the operating segments for Industrial Cleaning Services in Finland and Sweden have been combined as a reportable segment as they are considered to be similar and having similar economic characteristics. Demolition Services, which was previously reported as a reportable segment, has been classified as discontinued operations.

The Industrial Cleaning Services segment consists of a comprehensive industrial service offering as well as property services, such as high-power vacuuming and blowing services, industrial shutdown and maintenance, exposure vacuuming of sewers and well emptying, industrial cleaning, blast cleaning services and washing and cleaning of facades.

The Recycling Services Segment provides services such as recycling and waste processing, reception of oily waste, open large waste container services and crushed concrete in the Helsinki metropolitan area and in the Tampere region.

Segment information is based on IFRS accounting principles applied in the Group, and it is consistent with the Group's internal reporting.

The measure of profit or loss for the reportable segment is operating profit, which is regularly reviewed by the Group's management team to make decisions about resources to be allocated to the segment and to assess its performance.

Administration costs are not allocated to segments but are presented separately. Any transactions between segments are based on market prices.

There is not a single external customer amounting to 10 per cent or more of the Group's revenues.

Post emergency services and firestop installation services have been reclassified from Demolition Services to Cleaning Services in 2020. Comparative 2019 profitability has been reclassified accordingly.

EUR Thousand	**2020**			**2019**		
Net sales	**External**	**Intra group**	**Total**	**External**	**Intra group**	**Total**
Industrial Cleaning	95,596	2,959	98,555	108,769	1,920	110,689
Recycling Services	21,162	2,247	23,410	24,917	3,138	28,055
Elimination		5,206	-5,206		-5,058	-5,058
GROUP	**116,759**		**116,759**	**133,686**		**133,686**

CONTINUES

DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

EUR Thousand	2020	2019
Industrial Cleaning	-8,203	-7,878
Recycling Services	-2,939	-2,565
Administration	-1,925	-2,248
GROUP	**-13,068**	**-12,691**

OPERATING PROFIT (EBIT)	2020	2019
Industrial Cleaning	5,261	9,889
Recycling Services	-572	754
Administration	-8,758	-10,828
Operating profit (EBIT)	-4,068	-185
Net financial expenses	-6,571	-8,438
PROFIT (-LOSS) BEFORE TAXES	**-10,640**	**-8,623**

GEOGRAPHICAL INFORMATION	2020		2019	
TEUR	Net sales	Non-current assets	Net sales	Non-current assets
Finland	78,871	96,402	85,703	94,869
Sweden	37,888	26,309	40,134	25,770
TOTAL	**116,759**	**122,711**	**125,837**	**120,639**

NOTE 5 BUSINESS COMBINATIONS AND GROUP STRUCTURE

Changes in ownership in subsidiaries during 2020

Delete Group had no business combinations during 2020. Delete Heavy Demolition AB and Delete Special Demolition AB were divested in March 2020.

Group structure

Parent company in Delete Group is Delete Group Oyj which is domiciled in Helsinki. The company acts as the Group's parent company and manages holdings in subsidiaries. The company's purpose is to provide intra-group management services and raise funding.

Subsidiary	Domicile	Ownership interest %
Ax DEL2 Oy	Finland	100.0
• Delete Oy	Finland	100,0
• Delete Finland Oy	Finland	100.0
• Delete Ympäristöpalvelut Oy	Finland	100.0
• Sertech Oy	Finland	100.0
• Delete Demolition Oy (former Karhupurku Oy)	Finland	100.0
• Ykköspurku Oy	Finland	100.0
• Delete Sweden AB	Sweden	100.0
• Delete Service AB	Sweden	100.0
• Waterjet Entreprenad Karlstad AB	Sweden	100.0
• Waterjet Entreprenad i Oslo AS	Norway	100.0
• Waterjet Entreprenad i Stockholm AB	Sweden	100.0
• W-Tech Entreprenad AB	Sweden	100,0

All subsidiaries have been consolidated in the financial statements.

On 30 June 2020, Delete incorporated its Recycling Services business in Finland into Delete Ympäristöpalvelut Oy.

On 30 November 2019, Delete incorporated its Demolition Services business in Finland and Sweden into Delete Demolition Oy, Delete Heavy Demolition AB and Delete Special Demolition AB.

NOTE 6 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In November 2019, Delete Group announced that it was investigating possible divestment of the Demolition Services business or part of it. In March 2020, Delete divested the demolition services business in Sweden, and in December 2020, the company announced having signed an agreement on the divestment of the demolition services business in Finland. The transaction was closed in January 2021.

The Demolition Services business is reported in this report in accordance with IFRS 5 "Assets Held for Sale and Discontinued Operations" and is not included in the financial statements for continuing operations. The figures in the statement of income and the items related to it, including comparison figures, have been stated to show the discontinued operations separately from continuing operations.

In 2020, revenue from services recognised over time was EUR 32.0 (45.8) milion.

Result for the financial period from the assets held for sale

EUR Thousand	2020	2019
Net sales	51,715	78,469
Expenses	-51,357	-82,031
TOTAL	**358**	**-3,562**
Goodwill impairment	-15,081	-29,678
Impairment on tangible assets	-5,220	
OPERATING RESULT	**-19,942**	**-33,240**
Net financial expenses	-408	-132
Result before taxes	-20,350	-33,372
Income taxes	259	666
RESULT FOR THE FINANCIAL PERIOD	**-20,091**	**-32,706**

Assets held for sale, items on statement of financial position

EUR Thousand	2020	2019
Intangible assets and property, plant and equipment	5,742	30,254
Inventories	269	468
Other receivables	10,941	14,415
Trade payables and other liabilities	-8,096	-11,037
NET ASSETS	**8,856**	**34,100**

Cash flows from assets held for sale

EUR Thousand	2020	2019
Cash flow from operating activities	6,422	-37
Cash flow from investing activities	-512	-2,609
Cash flow from financing activities	-1,031	-1,621
TOTAL	**4,879**	**-4,267**

From accumulated losses of which some part are not approved by the tax authorities, deferred tax assets of EUR 4,483 thousand (2,593) have not been recognised.

NOTE 7 REVENUE

Delete Group's revenue from continuing operations consist of the following activities: Industrial Cleaning and Recycling Services. Distribution of revenue between different reportable segments and between geographical districts is described in note 4 Segments.

Disaggregation of revenue

The distribution of revenue from contracts with customers is presented by timing of revenue recognition.

	Products and services transferred over time		Products and services transferred at a point in time					
	Projects (POC)		Materials		Services		TOTAL	
EUR Thousand	**1-12 2020**	**1-12 2019**	**1-12 2020**	**1-12 2019**	**1-12 2020**	**1-12 2019**	**1-12 2020**	**1-12 2019**
Industrial Cleaning	13,198	13,760		-	85,357	96,929	**98,555**	**110,689**
Recycling Services		-	23,410	28,055		-	**23,410**	**28,055**
Eliminations		-		-		-	**-5,206**	**-5,058**
GROUP TOTAL	**13,198**	**13,760**	**23,410**	**28,055**	**85,357**	**96,929**	**116,759**	**133,686**

Contract balances on contracts with customers

Information on trade receivables, contract asset and liabilites is described in the following table

EUR Thousand	**2020**	**2019**
Trade receivables	13,300	16,771
Contract assets	1,784	3,736
Contract liabilities	-11	-122
TOTAL	**15,074**	**20,384**

The contract asset relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities mainly relate to advances received from customers.

More information on trade receivables is included in Note 24.

Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

NOTE 8 OTHER OPERATING INCOME

EUR Thousand	2020	2019
Rental income	54	27
Sale of property, plant and equipment	87	169
Other income	64	44
TOTAL	**206**	**240**

Other operating income mainly consist of the sale of property, plant and equipment as well as other non-recurring income.

NOTE 9 MATERIALS AND SERVICES

EUR Thousand	2020	2019
Materials and services		
Purchases during reporting period	-13,725	-14,344
Change in inventories	232	114
Purchased services	-33,457	-39,194
TOTAL	**-46,950**	**-53,424**

NOTE 10 EMPLOYEE BENEFITS

The Group's personnel expenses consist of wages, salaries and remuneration and pension costs as well as other social costs. The Group's pension plans are classified as defined contribution plans, where contributions are recorded as an expense in the reporting period. Other personnel expenses consist of statutory and voluntary insurance and social security contributions.

Salaries and wages	2020	2019
Salaries and wages	-37,301	-36,897
Pension costs – defined contribution plans	-4,823	-5,301
Other social security costs	-5,698	-5,600
TOTAL	**-47,822**	**-47,797**

Delete Group had an average number of employees during the reporting period of 744 (739 in 2019). The number of Group personnel at the end of the reporting period were 714 employees (703 in 2019).

More detailed information on key management's employee benefits is presented in Note 30 Related party transactions.

NOTE 11 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

Below the depreciation, amortisation and impairment losses are presented by asset category.

Amortisation, depreciation and impairment losses by asset category

EUR Thousand	2020	2019
Intangible assets		
Intangible rights	-1,153	-1,500
Other intangible assets	-4	-4
TOTAL	**-1,157**	**-1,504**
Property, plant and equipment		
Buildings	-449	-411
Buildings, right-of-use	-3,274	-3,430
Machinery and equipment	-5,012	-5,390
Machinery and equipment, right-of-use	-2,949	-1,836
Other	-227	-94
TOTAL	**-11,911**	**-11,160**
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	**-13,068**	**-12,664**

The Group did not recognise impairment losses for the continuing operations in 2020 (TEUR 0 in 2019).

NOTE 12 OTHER OPERATING EXPENSES

EUR Thousand	2020	2019
Travel expenses	-1,784	-1,860
Premises and land rents, maintenance charges	-1,413	-726
Sale and marketing expenses	-471	-635
Vehicle expenses	-1,691	-1,702
Expected credit losses	-91	-91
Other expenses	-7,744	-8,145
TOTAL	**-13,194**	**-13,159**

The Group's rental expenses consist of premises, plots of land and equipment rental expenses. More detailed information on rentals in the consolidated income statement is disclosed in Note 25. Other expenses include vehicle expenses, ICT expenses and consulting and professional fees, among others.

Auditor's fees	2020	2019
Audit	131	195
Auditors' statements	5	3
Tax services	24	35
Other services	4	63
TOTAL	**165**	**296**

NOTE 13 FINANCE INCOME AND EXPENSES

Financial income

Interest income and other financial income include:

EUR Thousand	2020	2019
Interest income from others	-103	30
Exchange rate gains	0	0
Change in fair value of derivatives	137	63
Other finance income	0	0
TOTAL	**33**	**93**

Financial expenses

Interest and other financial expenses include:

EUR Thousand	2020	2019
Interest expenses on borrowings from financial institutions	-7,312	-8,001
Transaction costs of repaid loan *	0	0
Exchange rate losses	707	-531
Change in fair value of derivatives	0	0
TOTAL	**-6,605**	**-8,531**

NOTE 14 INCOME TAXES

Income taxes recognised in profit or loss

EUR Thousand	2020	2019
Current tax for the reporting year	-149	-259
Current tax adjustments for prior years	0	35
Change in deferred taxes	632	198
TOTAL	**483**	**-27**

Reconciliation between income tax expense in profit or loss and tax expense calculated by the Finnish tax rate

EUR Thousand	2020	2019
Profit before tax	-10,640	-9,407
Tax calculated using Finnish tax rate 20% (20% in year 2019)	2,128	1,881
Effect of tax rate in foreign subsidiaries	14	120
Non-deductible expenses	-1,707	-2,005
Non-taxable income	21	56
Current tax adjustments for prior years	-4	53
Other differences	31	-132
INCOME TAXES IN THE STATEMENT OF PROFIT OR LOSS	**482**	**-27**
Effective tax rate %	**4.5%**	**-0.3%**

NOTE 15 INTANGIBLE ASSETS AND GOODWILL

EUR Thousand	Goodwill	Intangible rights	Other long-term expenditure	Work in progress	Other intangible assets	TOTAL
Cost 1 January 2020	69,469	2,365	20	58	7,737	**79,649**
Exchange rate differences	163					**163**
Additions		104				**104**
Additions through business combinations						**0**
Disposals				-41		**-41**
Assets held for sale	5,000					**5,000**
Transfers						**0**
COST 31 DECEMBER 2020	**74,632**	**2,468**	**20**	**18**	**7,737**	**84,875**
Accumulated amortisation and impairment losses 1 January 2020		-2,045	-8	-6	-3,427	**-5,485**
Exchange rate differences					1	**1**
Amortisation		-156	-4		-997	**-1,157**
Additions through business combinations						**0**
Impairment						**0**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES 31 DECEMBER 2020	**0**	**-2,201**	**-12**	**-6**	**-4,423**	**-6,641**
CARRYING AMOUNT 31 DECEMBER 2020	**74,632**	**268**	**8**	**12**	**3,314**	**78,234**
Cost 1 January 2019	116,958	2,320	20	158	7,744	**127,201**
Exchange rate differences	-384			-3	-7	**-394**
Additions		6		32		**38**
Additions through business combinations						**0**
Assets held for sale	-47,106	-5		-32		**-47,142**
Transfers		43		-97		**-55**
COST 31 DECEMBER 2019	**69,469**	**2,365**	**20**	**58**	**7,737**	**79,649**
Accumulated amortisation and impairment losses 1 January 2019		-1,612	-3	-6	-2,357	**-3,978**
Exchange rate differences					-3	**-3**
Amortisation		-433	-4		-1,067	**-1,504**
Impairment						**0**
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES	**0**	**-2,045**	**-8**	**-6**	**-3,427**	**-5,485**
CARRYING AMOUNT 31 DECEMBER 2019	**69,469**	**320**	**12**	**53**	**4,310**	**74,164**

Goodwill and impairment testing

The Group's goodwill is tested for impairment annually. The recoverable amount is measured based on value in use. In addition, the Group monitors the internal and external indications and changes in circumstances, which may indicate an impairment of goodwill. Impairment test is performed at a cash-generating unit level that can be determined independent cash flows.

Goodwill is allocated for impairment testing purposes to cash-generating units, which are Cleaning Services Finland, Recycling Services Finland and Cleaning Services Sweden. The Group's management monitors goodwill at the level of these units. In addition, the Group's management estimates that expected synergies from business combination relate to increased capacity, the strengthening of human resources and skills as well as increase in market share, and are allocated to the above mentioned Cleaning Services and Recycling Services. Demolition Services Finland and Demolition Services Sweden have been classified as assets held for sale.

EUR million	Dec 31, 2020	Dec 31, 2019
Goodwill allocated to Cash Generating Units		
Industrial Cleaning Finland	49.3	44.3
Demolition Services Finland		
Recycling Services Finland	12.5	12.5
Industrial Cleaning Sweden	12.8	12.6
Demolition Services Sweden		
TOTAL	**74.6**	**69.5**

Goodwill is determined in local currencies and changes in exchange rates will affect the goodwill in euros. Forecast period used in impairment test is three years, after which a terminal growth rate has been used in calculation terminal value.

The key assumptions used in the impairment testing

The financial modelling used for the impairment testing is based on Board approved management budget for the coming year and strategic financial planning for the following years. The budget and strategic planning both are based on market outlook information, historical performance and planned business development initiatives. The terminal growth rates are assessed by a reputable global consulting group for which a reduction for prudency is made by the management.

2020	Industrial Cleaning Finland	Recycling Services Finland	Industrial Cleaning Sweden
Terminal growth rate (%)	2.4%	2.5%	2.3%
WACC (post-tax)	8.2%	8.2%	7.9%
WACC (pre-tax)	9.8%	9.7%	9.2%
2019			
Terminal growth rate (%)	2.4%	2.5%	2.3%
WACC (post-tax)	7.1%	7.1%	6.9%
WACC (pre-tax)	9.7%	9.6%	9.6%

The recoverable amount to exceed the carrying amount

EUR million	Dec 31, 2020	Dec 31, 2019
Cash Generating Units		
Industrial Cleaning Finland	14.8	50.4
Demolition Services Finland		
Recycling Services Finland	24.4	28.1
Industrial Cleaning Sweden	4.4	16.3
Demolition Services Sweden		

The recoverable amounts for the Demolition Services businesses in Finland and Sweden, that are for sale, are based on fair value less cost to sell, in accordance with IFRS 5. Based on this goodwill impairments of MEUR 20.3 have been recorded for these cash generating units. The fair value is determined on the basis of preliminary indications, expectations of the principal owner and the assessment of mandated banks.

For the year 2020 impairment testing business area Industrial Cleaning Services Sweden is closest to impairment. In Industrial Cleaning Services Sweden, a decrease of -0.5 percentage points in operating profit margin would lead to the recognition of an impairment loss as well as 1.0 percentage points increase in the discount rate (WACC).

For Industrial Cleaning Sweden, the comparable 2020 operating profit was 4.4%. The used level for testing on years 2020-2023 is between 1.8%-5.8% and the terminal period operating profit 5.5%. Relative working capital efficiency is expected to remain unchanged for the testing period and the capital investments are expected to grow from 2020 expenditure and terminal period investments are set to exceed depreciations slightly.

NOTE 16 PROPERTY, PLANT, EQUIPMENT AND RIGHT-OF-USE

EUR Thousand	Land areas	Buildings	Buildings, right-of-use	Machinery and equipment	Machinery and equipment, right-of-use	Other property, plant and equipment	Construction in progress	TOTAL
Cost 1 January 2020	113	7,415	9,836	81,545	5,761	1,613	1,557	**107,840**
Exchange rate differences	1	6	56	330	134	14	-0	**541**
Additions through business combinations								**0**
Additions		795	2,714	1,391	5,656	239	26	**10,820**
Disposals	-35		-132	-221	-1,159		-177	**-1,724**
Assets held for sale								**0**
Transfers		1,380					-1,380	**0**
COST 31 DECEMBER 2020	**79**	**9,596**	**12,473**	**83,044**	**10,393**	**1,865**	**26**	**117,477**
Accumulated depreciation and impairment losses 1 January 2020	-14	-3,286	-3,415	-53,388	-1,833	-1,020	-66	**-63,022**
Exchange rate differences	-1	-2	-48	-42	-47			**-140**
Additions through business combinations								**0**
Disposals	21						46	**67**
Depreciation for the reporting period		-449	-3,274	-5,012	-2,949	-227		**-11,911**
Impairment								**0**
Transfers		-20					20	**-0**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES 31 DECEMBER 2020	**7**	**-3,757**	**-6,738**	**-58,442**	**-4,829**	**-1,247**	**-0**	**-75,006**
CARRYING AMOUNT 31 DECEMBER 2020	**86**	**5,840**	**5,735**	**24,602**	**5,564**	**619**	**26**	**42,471**

EUR million	Land areas	Buildings	Buildings, right-of-use	Machinery and equipment	Machinery and equipment, right-of-use	Other property, plant and equipment	Construction in progress	TOTAL
Cost 1 January 2019	114	6,941	9,593	90,439	1,622	1,656	1,175	**111,539**
Exchange rate differences	-1	-0	-40	-440	-13		-1	**-495**
Additions through business combinations								**0**
Additions		113	3,207	6,669	6,038	9	1,698	**17,733**
Disposals			-1,048	-121	-2,406		-234	**-3,809**
Assets held for sale		-12	-2,089	-12,304	-2,049	-52	-678	**-17,183**
Transfers		373	213	-2,698	2,570		-403	**55**
COST 31 DECEMBER 2019	**113**	**7,415**	**9,836**	**81,545**	**5,761**	**1,613**	**1,556**	**107,840**
Accumulated depreciation and impairment losses 1 January 2018	-7	-2,876		-48,194		-926	-66	**-52,070**
Exchange rate differences	0	1	15	189	3			**207**
Additions through business combinations								**0**
Depreciation for the reporting period		-410	-3,430	-5,390	-1,836	-94		**-11,160**
Impairment								**0**
Transfers	-7			7				**0**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES 31 DECEMBER 2019	**-14**	**-3,286**	**-3,415**	**-53,388**	**-1,833**	**-1,020**	**-66**	**-63,022**
CARRYING AMOUNT 31 DECEMBER 2019	**99**	**4,130**	**6,421**	**28,157**	**3,928**	**593**	**1,490**	**44,818**

NOTE 17 INVESTMENTS

Investments consist of following items:

EUR million	2020	2019
Non-listed shares	0	0
Other investments	8	8
TOTAL	**8**	**8**

NOTE 18 CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES

2020

EUR Thousand	Jan 1, 2020	Recognised through profit or loss	Exchange rate differences	Business combinations	Reclassifications to assets held for sale	Dec 31, 2020
DEFERRED TAX ASSETS						
Lease	30	7	-0			36
Tax losses carried forward	1,620	343	0			1,963
TOTAL DEFERRED TAX ASSETS	**1,650**	**350**	**-0**	**0**	**0**	**1,999**
Deferred tax liabilities						
Intangible assets and property, plant and equipment	1,598	13		-301		1,309
Transaction costs on loans and borrowings	117	-25				92
Voluntary provisions in taxation	1,411	-270	1			1,142
TOTAL DEFERRED TAX LIABILITIES	**3,126**	**-282**	**1**	**-301**	**0**	**2,543**

In the financial statements, deferred tax assets and deferred tax liabilities are determined in accordance with each country's corporate tax rate. From accumulated losses of which some part are not approved by the tax authorities, deferred tax assets of EUR 4,483 thousand (2,593) have not been recognised.

2019

EUR Thousand	Jan 1, 2019	Recognised through profit or loss	Exchange rate difference	Business combinations	Reclassifications to assets held for sale	Dec 31, 2020
Deferred tax assets						
Lease	3	27	0		-1	30
Tax losses carried forward	884	742	-6			1,620
Total deferred tax assets	888	769	-6	0	-1	1,650
Deferred tax liabilities						
Intangible assets and property, plant and equipment	2,002	-394	-11			1,598
Transaction costs on loans and borrowings	175	-58				117
Voluntary provisions in taxation	1,552	159	0		-301	1,411
TOTAL DEFERRED TAX LIABILITIES	**3,730**	**-293**	**-11**	**0**	**-301**	**3,126**

The Group presents deferred tax assets and liabilities on a net basis if, and only if, the Group has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to the income taxes levied by same tax authority.

NOTE 19 INVENTORY

Inventories include materials and supplies used in the production of services.

EUR Thousand	2020	2019
Materials and consumables	1,392	1,115
Finished goods	0	12
TOTAL	**1,392**	**1,127**

In the financial year and the comparison year no write-downs of inventories were recognised.

NOTE 20 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

EUR Thousand	2020	2019
Trade receivables	13,300	16,771
Accrued income and prepayments	3,207	4,979
Other receivables	261	113
Reclassifications to assets held for sale	-4,879	0
TOTAL	**11,889**	**21,863**

Specification for accrued income and prepayments

EUR Thousand	2020	2019
Contract assets (see note 7)	1,784	3,736
Rent deposit	226	209
Other deposits	366	269
Employee benefits	9	25
Other accruals	822	741
TOTAL	**3,207**	**4,979**

The carrying amount of trade receivables and other current receivables is a reasonable estimate of their fair value.

The Group has recognised credit losses of TEUR 89 (TEUR 156 in 2019). Carrying amounts of trade receivables and other receivables correspond to the risk of maximum credit losses.

Aging of trade receivables and trade and other receivables by currency are presented in Note 24 Financial risk management.

NOTE 21 CASH AND CASH EQUIVALENTS

EUR Thousand	2020	2019
Cash at hand and bank balances	7,749	5,208
TOTAL	**7,749**	**5,208**

The Group has pledged cash and cash equivalents, which are described in note 28.

NOTE 22 EQUITY, RESERVES AND CAPITAL MANAGEMENT

	Number of P shares	Number of C shares	TOTAL SHARES
Jan 1, 2020	10,858,595	3,089,649	**13,948,244**
Dec 31, 2020	10,858,595	3,089,649	**13,948,244**
Jan 1, 2019	10,858,595	3,089,649	**13,948,244**
Dec 31, 2019	10,858,595	3,089,649	**13,948,244**

Share capital

The company's shares are divided into two series: C series and P series. All shares have equal voting rights. The shares have no nominal value. Shares have rights to the company's net assets in accordance with the company's Articles of Association. The company has no treasury shares.

Profit

The parent company's profit for the period was TEUR 367 (TEUR -672 in 2019). The Board of Directors proposes that no dividend be paid and that the profit be transferred to retained earnings.

Translation reserve

Translation reserve consist of exchange rate differences arising from the translation of foreign subsidiaries' financial statements.

Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes other equity type investments and share subscription prices to the extent that it is not recognised to share capital.

Capital management

The Group's capital management objective is to maintain a capital structure that allows preservation of the Group's operating requirements under various conditions. The objective of capital management is to ensure the adequacy of funding, availability of financing and financial cost management. The Group's management has not explicitly specified what items are taken into account in capital management and no numerical objectives has been set for capital management. The Group's loans and borrowings and covenants are described in Note 25 Interest-bearing loans and borrowings.

NOTE 23 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Carrying amounts and fair values of financial assets and liabilities by valuation category are presented in the table below:

2020 – Carrying amount

EUR Thousand	Fair value through profit or loss	Financial assets at amortised cost	Other financial liabilities at amortised cost	Total carrying amount	Total fair value	Fair value hierarchy
NON-CURRENT FINANCIAL ASSETS						
Other investments	0	8	0	8	8	level 2
CURRENT FINANCIAL ASSETS						
Trade and other receivables	0	13,561	0	13,561	13,561	
Other financial assets	0	0	0	0	0	level 2
Cash and cash equivalents		7,749	0	7,749	7,749	
TOTAL FINANCIAL ASSETS	**0**	**21,318**	**0**	**21,318**	**21,318**	
NON-CURRENT FINANCIAL LIABILITIES						
Loans from financial institutions	0	0	0	0	0	level 2
Lease liabilities	0	0	6,824	6,824		
Instalment credit	0	0	161	161	161	level 2
Derivative liabilities	41	0	0	41	41	level 2
CURRENT FINANCIAL LIABILITIES						
Loans from financial institutions	0	0	114,084	114,084	114,084	level 2
Lease liabilities	0	0	4,899	4,899	4,899	level 2
Trade payables	0	0	10,044	10,044	10,044	
Instalment credit	0	0	72	72	72	level 2
TOTAL FINANCIAL LIABILITIES	**41**	**0**	**136,084**	**136,125**	**136,125**	

2019 – Carrying amount

EUR Thousand	Fair value through profit or loss	Financial assets at amortised cost	Other financial liabilities at amortised cost	Total carrying amount	Total fair value	Fair value hierarchy
OTHER INVESTMENTS						
Other investments	0	8	0	8	8	level 2
CURRENT FINANCIAL ASSETS						
Trade and other recaivables	0	16,884	0	16,884	16,884	
Other financial assets	0	0	0	0	0	level 2
Cash and cash equivalents		5,208	0	5,208	5,208	
TOTAL FINANCIAL ASSETS	**0**	**22,100**	**0**	**22,100**	**22,100**	
NON-CURRENT FINANCIAL LIABILITIES						
Loans from financial institutions	0	0	109,303	109,303	109,303	level 2
Finance lease liabilities	0	0	6,110	6,110		level 2
Instalment credit	0	0	303	303	303	level 2
Derivative liabilities	178	0	0	178	178	level 2
CURRENT FINANCIAL LIABILITIES						
Loans from financial institutions	0	0	7,000	7,000	7,000	level 2
Finance lease liabilities	0	0	4,364	4,364	4,364	level 2
Trade payables	0	0	9,598	9,598	9,598	
Instalment credit	0	0	520	520	520	level 2
TOTAL FINANCIAL LIABILITIES	**178**	**0**	**137,196**	**137,374**	**137,374**	

Determination of fair values

Level 1 = Fair values are based on identical assets or liabilities quoted (unadjusted) in active markets

Level 2 = Fair values are based on other than level 1 quoted prices and are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)

Level 3 = Fair values are not based on observable market data

Transfers between levels

There were no significant transfers between fair value levels in 2020 and 2019.

NOTE 24 FINANCIAL RISK MANAGEMENT

The principles and organisation of financial risk management

Group and its operational functions are exposed to financial risks. Financial risks arise from interest rates, exchange rates and other fluctuations in market prices. The Company's management monitors the financial risks related to businesses. The Group does not apply IFRS 9 hedge accounting at the balance sheet date.

Liquidity and refinancing risk

Liquidity risk relates to maintaining adequacy and sustainability of funding required for the Group's working capital, debt repayment and investment. The purpose of liquidity risk management is to constantly maintain an adequate level of liquidity. The Group primary source of funding are operating cash flows and loan funding. At the end of the reporting period, the Group's cash and cash equivalents amounted to MEUR 7.7.

Interest rate risk

Maturity of financial liabilities is presented in the table below. The Group has limited interest rate risk, as 67% of the senior secured notes are hedged by interest swap contracts to 0.011% (+500 bps) level. Group loan contracts are further described in Note 25 Interest bearing loans and borrowings. The loan agreements contain conventional covenants, which are described in more detail in Note 25. The Group has met all covenants during the reporting period.

Credit risk

The Group's customer base consists of broad range of customers thus the credit risk is low. Payment terms for customers are usual. Credit losses are recorded on trade receivables, when there is objective evidence that the receivables will not be paid as a whole at the original terms. Ageing of trade receivables and credit losses recorded are presented below.

The Group uses an allowance matrix , a simplified approach allowed by IFRS 9, to measure expected credit losses for trade receivables from customers and contract assets. The loss allowance is measured at an amount equal to lifetime expected credit losses for trade receivables and contract assets. The Group uses its previous credit losses and historical credit loss experience for trade receivables to estimate the lifetime expected credit losses on financial assets.

Exchange rate risk

The exchange rate risk is associated with transactions and cash flows in foreign currencies and net investments in Group companies. The majority of the Group's income and expenses arise in the Euro area and in Swedish crowns. The exchange rate risk was not significant during the reporting period. Hedge accounting is not applied and derivative instruments are not used to hedge the exchange rate risk.

Maturity of the Group’s financial liabilities

The Group’s financial liabilities are due as follows:

2020	2021	2022	2023	2024	2025 and later
Borrowings from financial institutions	114,280				
Interest on borrowings from financial institutions	3,966				
Derivative liabilities	41				
Lease liabilities, incl. interest	5,567	3,889	1,943	954	895
Trade payables	10,044				
TOTAL	**133,898**	**3,889**	**1,943**	**954**	**895**

2019	2020	2021	2022	2023	2024 and later
Borrowings from financial institutions	7,000	110,000			
Interest on borrowings from financial institutions	5,715	5,638			
Derivative liabilities	107	71			
Finance lease liabilities, incl. interest	4,709	3,259	1,844	616	898
Trade payables	9,598				
TOTAL	**27,128**	**118,968**	**1,844**	**616**	**898**

Ageing of trade receivables and expected credit losses

The following table provides information about the exposure to credit risk and the amount of expected credit losses for trade receivables and contract assets at reporting date:

2020	Gross value	Expected credit loss rate, %	Loss allowance	Net
CONTRACT ASSETS	**1,784**	**0.0%**		**1,784**
TRADE RECEIVABLES				
Not past due	12,285	0.0%	0	12,285
Past due				
Less than 30 days	596	0.0%	0	596
31-60 days	106	0.0%	-2	105
61-90 days	52	0.0%	-1	50
Past due over 90 days	351	0.7%	-89	263
TOTAL	**13,391**	**0.7%**	**-91**	**13,300**
TOTAL	**15,175**	**0.6%**	**-91**	**15,084**

2019	Gross value	Expected credit loss rate, %	Loss allowance	Net
CONTRACT ASSETS	**3,736**	**0.0%**		**3,736**
TRADE RECEIVABLES				
Not past due	13,122	0.2%	-32	13,096
Past due				
Less than 30 days	2,540	0.6%	-16	2,525
31-60 days	242	1.0%	-2	240
61-90 days	152	2.0%	-3	149
Past due over 90 days	799	4.7%	-38	761
TOTAL	**16,855**	**0.5%**	**-91**	**16,771**
TOTAL	**20,591**	**0.4%**	**-91**	**20,507**

The Group uses an allowance matrix to measure the expected credit losses of trade receivables. The calculation of expected credit losses is described in risk management section above.

The carrying amount of trade receivables represent the maximum credit exposure on the reporting date. The Group does not require collateral in respect of trade and other receivables. No signifigant concentration of credit risk relate to receivables. The carrying amount of trade receivables and other receivables is a reasonable estimate of their fair value. As at 31 December 2020, the company had EUR 3.8 million sold receivables.

Trade and other receivables by currency:

	2020	2019
EUR	4,987	14,657
SEK	7,686	8,306
TOTAL	**12,673**	**22,963**

Movements in the allowance for impairment

TEUR	2020	2019
Loss allowance at 1 January	**-91**	**-537**
Reclassifications to assets held for sale	0	402
Expected credit losses on trade receivables	-91	-21
Expected credit losses on contract assets		
Credit losses	**89**	**64**
ALLOWANCE FOR IMPAIRMENT 31 DECEMBER	**-93**	**-91**

Current liabilities by currency:

	2020	2019
EUR	136,225	24,594
SEK	9,506	12,201
TOTAL	**145,731**	**36,795**

NOTE 25 INTEREST BEARING LOANS AND BORROWINGS

Below are presented terms and repayment program of the Group's interest bearing non-current and current loans from financial institutions measured at amortised cost.

In Note 24 Financial risk management are described maturities of loans from financial institutions. Furthermore, the note includes a description of the Group's exposure to interest rate risk, foreign currency risk and credit risk.

	Carrying amount	
EUR Thousand	**2020**	**2019**
Non-current liabilities		
Borrowings from financial institutions	0	109,303
Lease liabilities (2018 Finance lease liabilities)	6,824	6,110
Current liabilities		
Borrowings from financial institutions	114,084	7,000
Lease liabilities (2018 Finance lease liabilities)	4,899	4,364

Terms and repayment of interest-bearing liabilities

	Currency	Average interest rate %	Maturity
Borrowings from financial institutions	euro	5.47	2021-2022

Loans from financial institutions

At year end 2020, Delete had initiated a written procedure to amend certain terms and conditions of its outstanding senior secured notes, most notably a three-year extension of maturity and a partial EUR 24.8 million write-down of the debt, conditional to a partial redemption of the notes and certain other requirements. The process was successfully completed in February 2021, as described in more detail under section Key events after the reporting period. As the process was not yet completed at the Financial Statements' date 31 December, Delete's senior secured notes of EUR 109.8 million were reported as current liabilities, maturing 19 April 2021. In addition, the Group has committed revolving credit facilities to be used for general corporate purposes, acquisitions and capital expenditure.

Covenants

The group’s revolving credit facility includes covenants defined in the financing agreement. The Group has complied with the requirements of these covenants during the period.

Amounts recognised in statement of income and cash flow from leases

Amounts recognised in statement of income	
Short term leases	1 982
Leases of low value assets	114
Interest expense on leases	479
TOTAL	**2,574**

Cash flow from leases	**8,499**
Amounts recognised in statement of income	
Interest expense on leases	479
Short term leases	1,982
Leases of low value assets	114

	1 January 2020	**Cash flows**	**Non-cash changes**						**31 Dec 2020**
			Acquisitions	**Foreign exchange movements**	**Effective interest rate**	**New agreements**	**IFRS 16 impact**	**Reclassifications to assets held for sale**	
Interest-bearing financial liabilities	116,303	-2,263		-7	51				114,084
Lease liabilities	10,473	-5,925		59		7,115			11,723
Instalment credit	822	-533		-57					233
TOTAL	**127,598**	**-8,721**	**-**	**-4**	**51**	**7,115**	**-**	**-**	**126,040**

	1 January 2019	**Cash flows**	**Non-cash changes**						**31 Dec 2019**
			Acquisitions	**Foreign exchange movements**	**Effective interest rate**	**New agreements**	**IFRS 16 impact**	**Reclassifications to assets held for sale**	
Interest-bearing financial liabilities	103,416	12,714		-7	179				116,303
Lease liabilities	2,774	-6,628		-96		5,888	11,178	-2,643	10,473
Instalment credit	2,238	-1,219		-43				-153	822
TOTAL	**108,428**	**4,867**	**-**	**-146**	**179**	**5,888**	**11,178**	**-2,796**	**127,598**

NOTE 26 DERIVATIVE INSTRUMENTS

Derivative instruments at fair value through profit or loss.

Interest rate swaps

	Nominal value	
EUR Thousand	**2020**	**2019**
Interest rate swaps	73,337	73,337
TOTAL	**73,337**	**56,670**

	Fair value	
EUR Thousand	**2020**	**2019**
Interest rate swaps	41	178
TOTAL	**41**	**178**

Fixed rates for the Group's interest rate swaps varied in a range from 0.077% to 0.12% at 31 December 2020 and variable interest rate is tied to the 3-month Euribor. Hedge accounting in accordance with IFRS 9 is not applied to interest rate swaps, instead, the derivative contracts are concluded for hedging purpose.

Fair values of the derivative financial instruments are determined using publicly quoted market prices in an active market. The determination of fair value is described in Note 23 Classification of financial assets and liabilities.

Maturity of derivative instruments is presented in Note 24 Financial risk management.

NOTE 27 TRADE PAYABLES, OTHER PAYABLES AND PREPAYMENTS

Below is presented balance sheet items accounts payable, other liabilities, hire purchase liabilities and received advance payments.

TEUR	2020	2019
Trade payables	10,044	9,598
Other payables	3,471	3,602
Instalment credit	233	822
Contract liabilities (see note 6)	11	122
Accrued expenses	13,070	11,401
TOTAL	**26,830**	**25,546**
Total current	26,668	25,243
Total non-current	161	303

Carrying amount of trade payables and other payables approximate their fair value.

In Note 24 Financial risk management a maturity analysis of financial liabilities and trade payables by currency is presented. In Note 24 the Group exposure to exchange rate risk and liquidity risk is described in more detail.

Other liabilities

Other liabilities are mainly related to VAT, withholding taxes and social security liability.

Instalment credit

The Group companies are partly funding capital expenditure by instalment credit.

In the table below, the major items of accruals are presented.

TEUR	2020	2019
Personnel expenses	9,073	9,051
Finance items	1,145	1,131
Waste debt accrual	894	549
Other	1,958	670
TOTAL	**13,070**	**11,401**

NOTE 28 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees

EUR Thousand	2020	2019
Corporate mortgage, nominal value	1,847,197	1,848,571

Commitments

EUR Thousand	2020	2019
Bank guarantee facility	827	1,000
of which available	192	398
Other bank guarantees	884	3,308
Other	773	453

Pledges

EUR Thousand	2020	2019
Pledged cash and cash equivalents	592	256
Carrying amount of pledged shares	273,076	261,241

Borrowings from financial institutions includes covenants, which are described in Note 25 Interest bearing loans and borrowings.

NOTE 29 RELATED PARTY TRANSACTIONS

The Related Parties of the group in addition to parent company and subsidiaries are members of the Board of Directors, Chief Executive Officer and members of the group management team (Chief Financial Officer Ville Mannola, General Counsel Janika Vilkman, Director Group Finance Joonas Ekholm until 1th of November, Business Area Directors Raimo Huhtala and Henri Pesonen, and country managers (Peter Revay, Sweden and Tommi Kajasoja, Finland).

The Group structure is described in Note 5.

Management and related party compensation and benefits 2020

EUR thousand	Short-term employee benefits	Additional pension benefits	Post employment benefits
Chief Executive officer			
Tommi Kajasoja	277	9	0
Management	805	11	0
Board of Directors			
Martin Forss, Chair of the Board from 9 January 2020	43	0	0
Åsa Söderström Winberg, Chair of the Board until 9 January 2020	24	0	0
Holger C. Hansen, Member of the Board until 8 April 2020	0	0	0
Ronnie Neva-aho, Member of the Board	22	0	0
Christian Schmidt-Jacobsen	0	0	0

Management and related party compensation and benefits 2019

EUR thousand	Short-term employee benefits	Additional pension benefits	Post employment benefits
Chief Executive officer			
Tommi Kajasoja	301	9	0
Management	620	27	0
Board of Directors			
Åsa Söderström Winberg, Chair of the Board	48	0	0
Holger C. Hansen, Member of the Board	17	0	0
Ronnie Neva-aho, Member of the Board	26	0	0
Vilhelm Sundström, Member of the Board	0	0	0
Christian Schmidt-Jacobssen	0	0	0

Other related party transactions

EUR thousand	2020	2019
Real Estate rental payment to RNAH Invest Oy an entity under Ronnie Neva-aho's control	122	150
Consultancy fee to Amnis Quartum Oy an entity under Martin Forss's control	50	
TOTAL	**172**	**150**

Fair market values are always applied to Related Party Transactions.

Shares of the company

Th company's share capital consists of 10,858,595 P-shares and 3,089,649 C-shares. Ax DEL Oy owns 87% of the shares. Rest 13% of the shares are owned by key employees of the company (including the Board of Directors and Group Management) and certain other minority shareholders.

NOTE 30 EVENTS AFTER BALANCE SHEET DATE

Delete Group announced on 16 December 2020 a restructuring proposal to the noteholders of the senior secured notes issued by Delete Group Oyj. The restructuring proposal included certain amendments to the terms and conditions of Delete Group Oyj's senior secured notes, including a write-down the principal of the notes with approximately EUR 24.8 million and an extension of the maturity of the notes with three years, which were subject to certain conditions. The conditions included, among others, an immediate redemption of the notes in an aggregate amount of EUR 15 million and new equity investments by Delete's shareholders in an aggregate amount of at least EUR 10 million as well as further redemptions of EUR 10 million by the funds obtained from receivables sold under Delete Group's (non-recourse) factoring arrangement in two instalments of EUR 5 million.

On 15 January 2021, Delete announced the successful completion of a written procedure regarding the senior secured notes, as proposed on 16 December 2020.

On 16 January 2021, an Extraordinary General Meeting of Delete Group Oyj approved a new share issue of EUR 10 million, in order to raise capital for a partial redemption of the outstanding notes, as required in the amended Terms and Conditions, approved by the noteholders on 15 January.

On 29 January 2021, Demolition Services in Finland was divested with a purchase price of EUR 7.3 million to Lotus Maskin & Transport AB.

On 5 February 2021, Delete announced that the conditions for effectiveness of the amendments to the terms and conditions of its secured notes were satisfied with the amendments to the Terms and Conditions becoming effective on the same date, 5 February 2021.

On 12 February 2021, Delete made a EUR 20 million partial redemption of the notes, consisting of the required EUR 15 million redemption as well as the first EUR 5 million instalment to be made from the factoring proceeds, in accordance with the amended Terms and Conditions and the conditions for such amendments, financed by the new share issue, factoring proceeds and proceeds from the sale of Demolition Services in Finland.

On 12 February 2021, Delete's new super senior revolving credit facility (SSRCF) with Collector Bank AB became effective, replacing the existing SSRCF with Nordea Bank Plc. Nordea Bank Plc will continue to provide an EUR 2,000,000 guarantee facility to Delete.

The restructuring measures described above which took place in January-February 2021 are together referred to as the Restructuring.

PARENT COMPANY INCOME STATEMENT (FAS)

EUR	Jan 1–Dec 31, 2020	Jan 1–Dec 31, 2019
REVENUE	**0**	**0**
Other operating expenses	-230,982	-162,978
OPERATING PROFIT	**-230,982**	**-168,048**
Impairment on non-current investments	-20,300,610	0
Other financial income and expenses	598,818	-504,388
Financial income and expenses	-19,701,792	-504,388
PROFIT BEFORE APPROPRIATIONS AND TAXES	**-19,932,775**	**-672,436**
Income taxes	0	0
PROFIT/LOSS FOR THE PERIOD	**-19,932,775**	**-672,436**

PARENT COMPANY BALANCE SHEET (FAS)

EUR	Dec 31, 2020	Dec 31, 2019
ASSETS		
NON-CURRENT ASSETS		
Shares and securities in subsidiaries	49,440,606	69,741,216
TOTAL NON-CURRENT ASSETS	**49,440,606**	**69,741,216**
CURRENT ASSETS		
Receivables		
Long term receivables	107,438,178	107,711,400
Short term receivables	1,941,098	1,888,769
Cash and cash equivalents	721,980	172,622
TOTAL CURRENT ASSETS	**110,101,257**	**109,772,791**
TOTAL ASSETS	**159,541,863**	**179,514,008**

EUR	Dec 31, 2020	Dec 31, 2019
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000	80,000
Reserve for invested non-restricted equity	69,661,220	69,661,220
Retained earnings	-1,721,336	-1,048,900
Profit and loss for the year	-19,932,775	-672,436
TOTAL EQUITY	**48,087,110**	**68,019,884**
LIABILITIES		
Non-current liabilities	0	110,000,000
Current liabilities	111,454,753	1,494,124
TOTAL LIABILITIES	**111,454,753**	**111,494,124**
TOTAL EQUITY AND LIABILITIES	**159,541,863**	**179,514,008**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Group information

Delete Group Oyj is part of Ax DEL Oy Group. Parent company in Ax DEL Group is Ax DEL Oy which is domiciled in Helsinki, Finland.

The consolidated financial statements of Ax DEL Oy are available at Delete Group's office at Postintaival 7, 00230 Helsinki, Finland.

MEASUREMENT AND TIMING PRINCIPLES AND METHODS APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The acquisition cost of non-current assets includes the variable costs arising from the acquisition. Receivables and debts are measured at their nominal value or their lower probable value.

The financial statements have been prepared with the Government Decree on the Information presented in the Financial Statements of a Micro-Undertaking 1753/2015.

COMPARABILITY OF THE PREVIOUS FINANCIAL YEAR

The previous financial year is comparable.

THE BOARD OF DIRECTORS' PROPOSAL REGARDING THE USE OF PROFIT

The company's distributable funds amount to EUR 48,007,109.58, of which the result for the financial year is EUR -19,932,774.61.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid.

THE COMPANY'S SHARE CAPITAL IS DISTRIBUTED AS FOLLOWS:

EUR	2020	2019
C-shares	3,089,649	3,089,649
P-shares	10,858,595	10,858,595
TOTAL	**13,948,244**	**13,948,244**

Notes to the income statement

2 FINANCIAL INCOME AND EXPENSES

EUR	2020	2019
Impairment on non-current investments	-20,300,610,00	
Interest income from Group companies	6,305,429.38	5,943,526.50
Interest expenses to Group companies	0.00	
Interest and financial expenses to others	-5,706,611.59	-6,447,914.08
TOTAL	**-19,701,792,21**	**-504,387.58**

Notes on balance sheet assets

Holdings in other companies

Group companies	2020	2019
Ax DEL2 Oy	100%	100%

RECEIVABLES

3 NON-CURRENT RECEIVABLES	2020	2019
Receivables from Group companies		
Loan receivables	107,438,178.44	107,711,400.00
TOTAL	**107,438,178.44**	**107,711,400.00**
RECEIVABLES FROM GROUP COMPANIES	**107,438,178.44**	**107,711,400.00**

4 CURRENT RECEIVABLES	2020	2019
Receivables from Group companies		
Other receivables	2,624,252.71	1,865,575.14
TOTAL	**2,624,252.71**	**1,865,575.14**
RECEIVABLES FROM OTHERS		
Accrued income and prepayments	38,825.39	23,193.82
TOTAL	**38,825.39**	**23,193.82**
CURRENT RECEIVABLES TOTAL	**2,663,078.10**	**1,888,768.96**

5 ITEMISATION OF SHAREHOLDERS' EQUITY

EUR	2020	2019
Restricted shareholders' equity		
Share capital 1.1.	80,000.00	80,000.00
Share capital 31.12.	80,000.00	80,000.00
RESTRICTED SHAREHOLDERS' EQUITY	**80,000.00**	**80,000.00**

Unrestricted shareholders' equity	**2020**	**2019**
Invested unrestricted equity reserve 1.1.	69,661,,220.00	69,661,220.00
Invested unrestricted equity reserve 31.12.	69,661,220.00	69,661,220.00
Retained earnings 1.1.	-1,721,335.81	-1,048,899.81
Retained earnings 31.12.	-1,721,335.81	-1,048,899.81
Profit for the financial year	-19,932,774.61	-672,436.00
UNRESTRICTED SHAREHOLDERS' EQUITY TOTAL	**48,007,109.58**	**67,939,884.19**
SHAREHOLDERS' EQUITY TOTAL	**48,087,109.58**	**68,019,884.19**

CALCULATION OF DISTRIBUTABLE SHAREHOLDERS' EQUITY	**2020**	**2019**
Invested unrestricted equity reserve	69,661,220.00	69,661,220.00
Retained earnings	-1,721,335.81	-1,048,899.81
Profit for the financial year	-19,932,774.61	-672,436.00
TOTAL	**48,007,109.58**	**67,939,884.19**

6 NON-CURRENT LIABILITIES

EUR	2020	2019
Liabilities to Group companies	0.00	0.00
Loans from financial institutions	0.00	110,000,000.00
TOTAL	**0.00**	**110,000,000.00**
NON-CURRENT LIABILITIES TOTALS	**0.00**	**110,000,000.00**

7 CURRENT LIABILITIES

7 CURRENT LIABILITIES	2020	2019
Liabilities to Group companies		
Other payables	31,102.30	109,735.81
TOTAL	**31,102.30**	**109,735.81**
Trade payables	449,560.36	64,242.47
Loans from financial institutions	109,780,000.00	0.00
Accrued liabilities and deferred income	1,194,090.65	1,320,145.27
TOTAL	**111,423,651.01**	**1,384,387.74**
CURRENT LIABILITIES TOTAL	**111,454,753.31**	**1,494,123.55**

DEBTS, COLLATERAL AND CONTINGENT LIABILITIES

Collateral pledged

Book value of pledged shares	69,741,216.35	69,741,216.35

SIGNATURES OF THE FINANCIAL STATEMENTS

In Helsinki, 23 March 2021.

Martin Forss
Chairman of the Board

Åsa Söderström Winberg
Member of the Board

Christian Schmidt-Jacobsen
Member of the Board

Ronnie Neva-aho
Member of the Board

Tommi Kajasoja
CEO

THE AUDITOR’S NOTE

Our auditor’s report has been issued today.

In Tampere, 24 March 2021

KPMG Oy Ab
Authorised Public Accountants

Teemu Suoniemi
Authorised Public Accountant, KHT

AUDITOR'S REPORT

To the Annual General Meeting of Delete Group Oyj

KPMG

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Delete Group Oyj (business identity code 2565169-4) for the year ended 31 December 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 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.

Our opinion is consistent with the additional report submitted to the Audit Committee.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 12 to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Assets held for sale and discontinued operations – Accounting principles and note 6

The key audit matter

- In the financial statements for financial year 1.1.-31.12.2019 Delete Group has classified the demolition services, reported as operating segment in comparative years, as assets held for sale and discontinued operations. Part of the assets and business included in this segment was sold during the financial year 1.1.-31.12.2020, but the sale of the other part was finalized after year end and therefore the classification of as assets held for sale and discontinued operations is presented also in financial statements for financial year 1.1.-31.12.2020.
- The net sales from the discontinued operations in financial year 1.1.-31.12.2020 was 51.7 M€, which represents 30.7 % of the combined net sales from continuing and discontinued operations. From this 51.7 M€ sales, 32 M€ was recognized over time.
- The proportion of the assets held for sale and the discontinued operations is substantial part of the Group's total operational volume and from net assets. Therefore the presentation of the assets held for sale and discontinued operations is considered a key audit matter in the Group.

How the matter was addressed in the audit

- We performed procedures to assess the financial reporting related to segment information and valuation of the assets and liabilities reflected as held-for-sale and on the results presented as discontinued operations based on the group's segment accounting records.
- The audit procedures included review of the sales agreement relating to the demolition services segment sold after the year end of financial year 1.1.-31.12.2020, to assess the valuation of the assets held for sale and the related liabilities in financial statements for financial year 1.1.-31.12.2020.
- Furthermore, we evaluated whether these discontinued operations and held for sale related items were appropriately presented and disclosed in the Group's consolidated financial statements.

Financing of the group – Accounting principles and note 13, 23, 24, 25 and 30

The key audit matter

- At the year end 2020 the group had a bond that amounted to 109.8 M€, which is classified as current liability according to the terms of the bond.
- After the year end 2020 the terms of the bond have been revised and composition agreement was made relating to part of the principal.
- The amount of interest bearing liabilities compared to the total assets is substantial. The classification of the bond has changed during the financial year and after the financial year end according to the terms of financing and therefore the financing of the group is considered a key audit matter in the Group.

How the matter was addressed in the audit

- Our audit procedures have included an assessment of the documents and terms relating to the financing agreements.
- We have assessed the appropriateness of the accounting principles and valuation of the financial instruments. We have conducted also substantial procedures.
- Additionally, we have assessed the classification and presentation of the non-current and current liabilities and the appropriateness of the notes in the consolidated financial statements for these items.

Revenue recognition – Accounting principles and note 4, 6 and 7

The key audit matter

- The consolidated revenue from continuing operations amounted to 116.8 M€ and consists of revenues from two business lines: Cleaning services and Recycling services. Demolition services is classified as discontinued operations and asset held for sale in the financial statements.
- For projects for which revenue is recognized over time the Group measures progress by applying input method based on costs incurred. Of the revenue related to continued operations 13 M€ was recognized according to input method.
- Due to management judgement involved in determining the cost and revenue estimates in measuring progress in revenue recognition is considered a key audit matter in the Group.

How the matter was addressed in the audit

- Our audit procedures have included an assessment of the internal control environment associated with the sales processes, and testing of the effectiveness of the key controls. We have conducted also analytical and substantial procedures.
- We have analysed the revenue recognition of projects for which revenue is recognized by applying input method against IFRS standards and Group accounting principles and contractual terms. We have analysed also ongoing projects and their income and cost forecasts.
- The audit procedures included also interviews with key personnel in the process to form an overall understanding and to assess the appropriateness of the Group’s revenue recognition policies and practices.
- Additionally, we have assessed the appropriateness of the notes related to revenue in the consolidated financial statements.

Valuation of goodwill and shares in subsidiaries – consolidated balance sheet and parent company's balance sheet and note 15

The key audit matter

- At the year end 2020 the goodwill of continuing operations amounted to 74.6 M€ and accounted for 46.2 % of total assets in the consolidated balance sheet. The goodwill increased from previous year with 5.2 M€ as Group classified part of the assets from assets held for sale back to continuing operations.
- Goodwill is tested for impairment at least annually. An impairment arises when the recoverable amount according to the impairment test is less than the carrying value of the asset.
- Delete Group Oyj determines recoverable amounts for impairments tests based on value in use. Preparation of cash flow projections underlying impairment tests requires management making judgements over profitability, long term growth rate and discount rate.
- The valuation of goodwill is a key audit matter, as the presumptions and forecasts that relate to impairment testing include managements' judgements and the total value of goodwill is substantial.
- The value of the subsidiary shares on parent company's balance sheet at year end 2020 was 49.4 M€ after recognized impairment loss of 20.3 M€. Receivables from group companies amount to 110.1 M€ in total.
- The valuation of the subsidiary shares and receivables from group companies in parent company's balance sheet is dependent on development of the future profitability of the group.

How the matter was addressed in the audit

- We have conducted the following audit procedures relating to impairment testing:
  - We have assessed the presumptions used in the calculations, such as profitability, discount rate and long-term growth rate.
  - We have assessed the realization of the forecasts for previous years, prepared by the management, against actual cash flows.
  - Valuation experts from KPMG have participated in the audit, and they have tested the technical accounting and compared the presumptions against market and industry data.
- Additionally, we have assessed the appropriateness of the notes in the consolidated financial statements for these items.
- We have assessed the basis of the recognized impairment loss of the subsidiary shares and the principles applied in the valuation of the subsidiary shares and receivables from group companies.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director 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 Managing Director 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 Managing Director are responsible for assessing the parent company's and the group's ability to continue as a 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 the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director'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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

Delete Group Oyj has become a public interest entity on 19 April 2018. KPMG Oy Ab has been company's auditor during the time it has been a public interest entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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 identified above 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. With respect to the report of the Board of Directors, 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Tampere, 24 March 2021

KPMG Oy Ab

Teemu Suoniemi
Authorised Public Accountant, KHT

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