Delete Group Oyj

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2018

CONSOLIDATED FINANCIAL STATEMENTS

For the financial year 1.1.–31.12.2018

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BOARD OF DIRECTORS' REPORT 2018

Delete Group Oyj

Delete Group Oyj (formerly Ax DEL1 Oy) is the parent company of Delete Group. The company's main purpose is to serve as a holding company.

Delete was formed in 2010 through the combination of Toivonen Yhtiöt and Tehoc and was acquired by private equity investor Axcel in 2013. Since 2011, Delete has made over 35 acquisitions within the industrial cleaning and demolition segments.

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 specialized equipment through three business segments: Industrial Cleaning Services, Demolition Services, and Recycling Services.

The Industrial Cleaning Services business segment consists of a comprehensive industrial service offering, including specialized process cleaning, shutdown maintenance, as well as sewer maintenance and inspection services. In addition, the Industrial Cleaning Services business segment offers property services, such as facade washing and graffiti removal.

The Demolition Services business segment consists of demolition services, including demolition of complete buildings and industrial sites, renovation demolition, as well as mapping and removal of asbestos and other hazardous substances.

The Recycling Services business segment provides reception, recycling, and processing of solid construction and demolition waste and oily liquid waste, as well as waste container services. Delete Group serves its customers at all stages of material processing; in re-use, recycling, and re-utilization.

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

At December 31, 2018, Delete Group employed 986 persons at over 30 locations in Finland and Sweden.

Operational environment

Industrial Cleaning Services

The core demand for industrial cleaning services remained stable while industrial customers' maintenance shutdown activities were somewhat slow. The market continues to demand capabilities to handle increasingly complex projects with high-quality environmental, health and safety standards, which favours large professional players.

Demolition Services

While the number for new construction permits declined, the overall construction market demand for demolition services remained on a good level supported by the resilient underlying market drivers. The ageing building stock in both Finland and Sweden increase the demand for demolition services, with buildings from the 1960s and early 1970s being renovated. Public sector real estate, especially municipality-owned, such as hospitals and schools require renovation or even complete demolition.

Recycling Services

Increasing environmental awareness continues to drive improvements and new regulations, such as the EU's 70% recycling target by 2020 and landfill ban on construction and demolition waste. Regulatory development in both the EU Circular Economy Action plan and national legislation as well as generally increasing sustainability awareness continue to support the demand growth for recycling services. The weak market demand for recycled fuel (REF) suppressed the margins for the operators and increased price pressure.

Highlights of the year 2018

Tommi Kajasoja was appointed the CEO of Delete Group on 1 February 2018.

Delete Group's growth continued in 2018 driven by acquisitions. Net sales increased 9% and EBITDA 22%. Net sales developed favorably enabled by the growth of Industrial Cleaning and Recycling Services segments. Demolition Services did not quite reach previous year's level in net sales, however the profitability improved.

As of 12 March 2018, Ax DEL1 Oy changed its name to Delete Group Oyj. In addition to the name registration the company became a public limited company. On the same date the former Delete Group Oy, a subsidiary to AxDEL 1 Oy, registered its new name Delete Oy.

The name and business entity changes were related to the issuance of the EUR 85 million senior secured bond Delete issued on 7 April 2017. The Finnish Financial Supervisory Authority approved on 17 April 2018 the English language listing prospectus of the Notes. The Notes were listed on Nasdaq Helsinki Ltd in April 2018 under the trading code "DELJVAIH21". The proceeds from the Notes have been applied towards the repayment of the existing indebtedness and general corporate purposes.

In May 2018, Delete Group acquired Karhupurku Oy, a company spesialising in the dismantling of elevators and in June 2018, Delete Sweden AB bought Waterjet Karlstad from European Hydro Demolition AB.

In August 2018, The Board of Directors of Delete Group decided to initiate a strategic assessment of options to support the company's future growth. One of the options considered was listing the company's shares on Nasdaq Helsinki Ltd.

In September 2018, Delete Sweden AB acquire two more companies from European Hydro Demolition AB. The companies acquired were Waterjet Stockholm and W-tech.

NET SALES, PROFITABILITY AND RESULT

Delete Group

Delete Group's net sales in January–December 2018 totalled EUR 192.8 (177.3) million growing by 9%. Delete's growth was mainly driven by acquisitions in the Industrial Cleaning segment. The Recycling Services grew steadily. The growth in these segments mitigated the contracting Demolition Services net sales.

Net sales by segment

EUR, million	2018	2017	Change
Industrial Cleaning	88.0	70.9	24%
Demolition Services	83.4	86.5	-4%
Recycling Services	24.8	22.8	9%
Eliminations	-3.4	-2.9	16%
Group total	192.8	177.3	9%

Delete Group's EBITDA for January–December 2018 amounted to EUR 18.0 (14.8) million. The main driver for the improvement was the Demolition Services gradual recovery over the weak 2017. Recycling Services profitability weakened due to lower market demand for recycled fuel.

EBITDA by segment

EUR, million	2018	2017	Change
Industrial Cleaning	13.7	13.7	0%
Demolition Services	8.4	4.3	96%
Recycling Services	4.7	5.3	-12%
Administration	-8.8	-8.5	4%
Group total	18.0	14.8	22%

The profit/loss for January–December 2018 amounted to EUR -0.5 (-2.8) million.

Delete Group key figures

EUR, million	2018	2017	2016	2015
Net sales	192.8	177.3	167.0	128.1
EBITDA	18.0	14.8	19.1	18.7
EBITDA-%	9.3%	8.3%	11.5%	14.6%
Operating profit/loss	7.2	6.7	11.9	12.9
Operating profit/loss %	3.7%	3.8%	7.1%	10.1%
Return on Equity	-0.7%	-3.9%	5.3%	9.0%
Equity ratio	31.5%	32.8%	39.8%	40.7%
Net Debt	100.0	90.0	76.1	68.1

Delete Group Oyj

Delete Group Oyj serves as a holding company. The company had no net sales during the reporting period.

Delete Group Oyj key figures

EUR, million	2018	2017	2016	2015
Net sales	0.0	0.0	0.0	0.0
Operating profit/loss	0.0	0.0	0.0	0.0
Return on Equity	0.4%	-1.9%	0.0%	0.0%
Equity ratio	44.1%	44.2%	100.0%	100.0%
Net Debt	85.0	84.6	0.0	0.0

Statement of financial position and financing

Delete Group's operating cash flow totalled EUR 15.7 (5.7) million in 2018. Delete Group's cash and cash equivalents at the end of December 2018 were EUR 8.5 (8.3) million. In addition, Delete Group has committed undrawn revolving credit facilities of EUR 5.0 million to be used for general corporate purposes, acquisitions and capital expenditure. Delete Group's interest-bearing debt was EUR 108.4 (98.3) million, consisting mainly of a EUR 85.0 million secured bond and a EUR 19.0 million drawn revolving credit. The revolving credit facility's quarterly maintenance covenant for debt leverage was reached at the end of December 2018.

On 9 May 2018 Delete Group extended its revolving credit of EUR 20 million to EUR 25 million with Nordea Bank (publ.), Finnish Branch. The Company has entered into the revolving credit agreement together with the issuance of the company's EUR 85 million senior secured bond on 19 April 2017. The facility includes a maintenance covenant on leverage.

The revolving credit is intended to be used as working capital and for general corporate purposes of the company and its subsidiaries.

At year end, Delete Group's net debt amounted to EUR 100.0 (90.0) million, increasing mainly due to the utilisation of the revolving credit facility for acquisition financing.

The balance sheet total at the end of December 2018 was EUR 223.7 (217.4) million. Property, plant and equipment totalled EUR 48.3 (44.2) million. Equity ratio was 31.5% (32.5%).

Investments and acquisitions

Capital expenditure in intangible and tangible assets in 2018 was EUR 9.8 (5.8) million. In 2018, total capital expenditure EUR 18.9 (16.9) million included a final settlement for companies acquired in December 2017. Investments in shares in acquired companies was EUR 10.1 (12.5) million.

In 2018, Delete Group acquired four companies, including Waterjet Entreprenad Karlstad AB, Waterjet Stockholm AB, W-Tech AB in Sweden and Karhupurku Oy in Finland. The acquisitions further strengthened Delete's position as the leading provider of environmental services in the Nordic countries.

In 2017 the combined net sales of the acquired companies was EUR 13.4 million.

Personnel

Delete Group had 986 (947) employees at the end of December 2018. On average, Delete Group had 984 (818) employees in 2018. Total wages and salaries paid was EUR 66.4 (55.1) million.

Research an development

The R&D related expenditure was immaterial in 2018 and consisted consisting of minor development of processes and tools.

Summary of risks and risk management

Delete Group carries out an extensive annual risk assessment analysis annually. The risk management capabilities are updated and reviewed and approved by the Board of Directors.

Delete Group's key risks are divided into strategic, operative and financing risks.

Operational risks are mainly related to project execution and integration of acquired businesses both quality-wise and financially. The internal control environment is under constant development to improve preventative measures.

Financing risks are mainly related to interest rates, credit and liquidity.

Other uncertainties are related to the market environment as well as the successful implementation of Delete Group's growth strategy and related corporate acquisitions and the integration of the acquired companies, personnel and recruitments.

In Delete Group 2018, there has not been relevant changes that influence the business, given the risks mentioned hereinabove.

Prospects for 2019

The demand for industrial cleaning services is expected to remain stable. The demand for demolition services is expected to remain on a reasonable level supported by the somewhat resilient renovation construction market. The market demand for recycled fuel is expected to improve to some degree during 2019.

Delete Group's reported operating profit (EBIT) is expected to improve in 2019.

Corporate and social responsibility and non-financial report

Responsibility is a vital 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 opportunities to support its' customers with services whose value is substantially based on responsibility and sustainable development.

Delete Group publishes, together with the Annual Report, a separate Corporate and Social Responsibility Report on the company's website. The report includes the non-financial report.

Shares and shareholders

Delete Group Oyj (former Ax DEL1 Oy) changed its name and company form to a public entity, amended the articles of association and increased share capital from EUR 2,500 to EUR 80,000 on 12 March 2018.

The number of registered shares is 10,858,595 P-shares and 3,089,649 C-shares. All of the shares have one vote each. The Group is owned by Ax DEL Oy (85% of the shares) and a group of key employees and other minority investors (15%). The Group does not hold any own shares.

Corporate governance

In its decision making and administration, Delete Group applies the Finnish Companies Act (624/2006, as amended), 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 2015, with few exceptions due to its ownerships structure. These exceptions relate to, among others, rules regarding annual general meetings.

Delete Group publishes, together with the Annual Report, the Corporate Governance Statement as a separate statement on the company's website.

Annual corporate meeting

The Annual General Meeting of Delete Group Oyj shareholders held on March 21st, 2018 adopted the Financial Statements and discharged the members of the Board of Directors and the CEO from liability for the financial year January 1st - December 31st, 2017. The Annual General Meeting resolved that no dividend will be paid for the fiscal year 2017.

The Annual General Meeting resolved to re-elect the members of the Board: Åsa Söderström Winberg (Chair), Vilhelm Sundström, Ronnie Neva-aho and Holger Hansen.

Authorised Public Accounting firm KPMG Oy Ab was elected as the Auditor of the company and Teemu Suoniemi, Authorised Public Accountant, will act as the Principal Auditor.

The Chair of the Board will be paid EUR 40,000 and the Board members EUR 22,000 as remuneration for 2018. 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 Vilhelm Sundström will not be paid remuneration.

It was resolved that the remuneration for the Auditor shall be paid according to the Auditor's reasonable invoice.

The board's proposal for distribution of profit

The distributable funds of Delete Group's parent company on 31 December 2018 totalled EUR 68,612,320.19. The net profit of the parent company was EUR 244,305.58.

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

Events after the reporting period

There were no key events after the reporting period.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousand	Note	JAN 1–DEC 31, 2018	JAN 1–DEC 31, 2017
Revenue		**192,754**	**177,311**
Other operating income	7	572	707
Materials and services	8	-85,951	-87,054
Employee benefits	9	-66,360	-55,143
Depreciation, amortisation and impairment losses	10	-10,783	-8,076
Other operating expenses	11	-23,040	-21,055
Operating profit		**7,193**	**6,690**
Financial income	12	33	539
Financial expenses	12	-6,974	-9,925
Net financial expenses		**-6,941**	**-9,386**
Profit (-loss) before taxes		**252**	**-2,696**
Income taxes	13	-754	-152
Profit (-loss) for the financial year		**-503**	**-2,848**
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss			
Foreign currency translation difference		-189	-115
Total comprehensive income (-loss) for the year		**-691**	**-2,963**

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, 2018	DEC 31, 2017
ASSETS			
Non-current assets			
Goodwill	14	116,958	115,762
Intangible assets	14	6,265	7,276
Property, plant and equipment	15	48,256	44,232
Investments	16	141	150
Deferred tax assets	17	888	52
Total non-current assets		**172,508**	**167,473**
Current assets			
Inventories	18	1,476	1,271
Trade receivables and other current assets	19	39,901	40,099
Tax receivables		1,356	215
Cash and cash equivalents	20	8,450	8,320
Total current assets		**51,183**	**49,906**
Total assets		**223,690**	**217,378**

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, 2018	DEC 31, 2017
EQUITY			
Equity			
Share capital	21	80	3
Reserve for invested non-restricted equity		69,661	69,739
Translation reserve		-815	-626
Retained earnings		2,061	4,908
Profit (-loss) for the financial year		-503	-2,848
Total equity		**70,484**	**71,176**
Liabilities			
Non-current liabilities			
Borrowings from financial institutions	22	84,416	84,226
Finance lease liabilities	24	1,995	885
Instalment credit		1,330	2,127
Derivative liabilities		241	252
Deferred tax liabilities		3,730	3,964
Current liabilities			
Interest-bearing financial liabilities		19,000	9,300
Finance lease liabilities	24	779	687
Prepayments	6	212	525
Trade payables		16,758	12,439
Instalment credit		908	1,055
Other payables		6,698	12,975
Tax liabilities		1,054	1,508
Accrued expenses and deferred income	26	16,086	16,258
Vieras pääoma yhteensä		**153,206**	**146,202**
Total equity and liabilities		**223,690**	**217,378**

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

EUR thousand	JAN 1–DEC 31, 2018	JAN 1–DEC 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit (loss) before taxes	252	-2 696
Adjustments:		
Depreciation, amortisation and impairment losses	10,783	8,076
Financial expenses	6,974	9,925
Financial income	-33	-539
Other adjustments	-402	127
Change in net working capital:		
Change in trade and other receivables	5,454	-2,000
Change in inventory	-210	129
Change in trade and other payables	1,923	1,778
Received interest	0	0
Paid interest	-5,648	-7,701
Income taxes paid	-3,376	-1,377
Cash flows from operating activities (A)	**15,716**	**5,721**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in intangible assets	-115	-354
Investments in property, plant and equipment	-9,807	-5,754
Proceeds from disposal of property, plant and equipment	1,152	1,576
Payments for business acquisitions, net of cash acquired	-10,118	-12,487
Change in other receivables	9	156
Cash flows from investing activities (B)	**-18,880**	**-16,863**

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

CONTINUES

EUR thousand	JAN 1–DEC 31, 2018	JAN 1–DEC 31, 2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current loans and borrowings	0	85,000
Repayments from non-current loans and borrowings	-2,145	-78,112
Change in current loans and borrowings	6,454	9,029
Paid finance lease liabilities	-1,013	-719
Cash flows from financing activities (C)	**3,297**	**15,198**
Change in cash flows (A+B+C)	**134**	**4,057**
Cash and cash equivalents on 1 January	8,320	4,267
Exchange rate differences	-5	-3
Cash and cash equivalents on 31 December	8,450	8,320
Change	129	4,053

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

Euros	Share capital	Unregistered share capital	Reserve for invested non-restricted equity	Translation reserve	Retained earnings	Total
Equity on 1 January 2018	3	0	69,739	-626	2,061	**71,176**
Share capital increase	77		-77			**0**
Comprehensive income						
Profit for the reporting period	0	0	0	0	-503	**-503**
Other comprehensive income						
Translation differences	0	0	0	-189	0	**-189**
Total comprehensive income	**0**	**0**	**0**	**-189**	**-503**	**-691**
Equity on 31 December 2018	**80**	**0**	**69,661**	**-815**	**1,558**	**70,484**
Equity on 1 January 2017	3	0	69,739	-511	4,908	**74,138**
Comprehensive income						
Profit for the reporting period	0	0	0	0	-2,848	**-2,848**
Other comprehensive income						
Translation differences	0	0	0	-115	0	**-115**
Total comprehensive income	**0**	**0**	**0**	**-115**	**-2,848**	**-2,963**
Equity on 31 December 2017	**3**	**0**	**69,739**	**-626**	**2,061**	**71,176**

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. Industrial Cleaning business provides services to industry, power plants, shipyards and customers in construction business in Finland and Sweden. 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. The recycling business receives and processes construction and industrial waste in the Helsinki metropolitan area and in the Tampere region.

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 authorized these consolidated financial statements for issue on 20 February 2019. 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 EU and in force on 31 December 2018. 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 Group has adopted the following new standards from the beginning of the reporting period:

IFRS 9 Financial Instruments

IFRS 9 has replaced the former guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group has utilized the transition relief for not restating the comparative figures. IFRS 9's impact on the Group’s consolidated financial statements has not been significant.

IFRS 15 Revenue from Contracts with Customers

The new standard has replaced IAS 18 and IAS 11 standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognize revenue, and at what amount. Revenue is recognized when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The standard introduces also new disclosure requirements.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients) at the date of initial application. Accordingly, the information presented in earlier periods has not been restated.

The impact of the new standard has not been significant. In addition to the new disclosures there has been a change in revenue recognition of scrap metal, which under former standards was recognized combined with the demolition contract it related to. According to IFRS 15 the sale of scrap metal is identified as a separate contract with another customer. Therefore it cannot be combined to the constructing contract and the scrap metal is recognized when control is transferred to the customer. In some customer contracts the Group is acting as an agent for the scrap metal sales. For these contracts the Group will recognize only the fee received for the scrap metal sales. These changes did not have any material effect on the Group’s equity on Jan 1, 2018.

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 percent 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. Unrealized 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 recognized 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 recognized 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 recognizes 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 recognized 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 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 recognized 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 amortized, 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 recognized through business combinations. Intangible assets with a finite useful life are measured at cost less accumulated amortization and impairment losses. Amortization 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 amortized. Intangible assets with indefinite useful lives are not amortized, but tested annually for impairment.

Research and development

Research costs are expensed as incurred. Development costs are capitalized 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 work in-process development projects relate to development of enterprise resource planning system.

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 recognized 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 capitalized only if it is probable that they will generate more future economic benefit compared with earlier circumstances. Otherwise, the costs are recognized 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 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 recognized 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 amortized 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 recognized 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.

The Group's leases are classified as finance leases if the rewards and risks of ownership are transferred substantially to the lessee. Finance leases are recognized in the balance sheet at the beginning of the lease period at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the repayment of the finance lease liability and interest expense. Lease obligations are included in interest-bearing liabilities. The leased assets are depreciated according to the depreciation principles that apply to similar assets over their useful lives. Lease agreements where all significant risks and rewards of ownership are retained by the lessor are accounted for as operating leases. Payments made under such leases are charged to the income statement on a straight-line basis as rental expenses.

Inventory

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

Inventories are measured at cost or net realizable value, whichever is lower. Net realizable 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 amortized 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 amortized 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 amortized cost. The cash flows of these assets consist solely of payments of principal and interest on the principal amounts outstanding.

After initial recognition, these financial assets are measured at amortized cost using the effective interest rate method and by deducting any impairment. The Group recognizes an allowance for expected credit losses for financial assets recognized at amortized cost. Expected credit losses are recognized under other operating expenses in the statement of profit or loss. Impairment losses are recognized in profit or loss.

Trade receivables and other receivables that are non-derivative assets are classified as financial assets measured at amortized 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 realized within 12 months after the end of the reporting period.

Expected credit losses are estimated in accordance with so-called simplified approach allowed in IFRS 9 where credit losses are recognized 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 amortized cost and to assets based on customer contracts in accordance with IFRS 15. Expected credit losses are recognized 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.

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.

Realized and unrealized gains and losses arising from changes in fair value are recognized 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 recognized at trade date and measured using the effective interest rate method at amortized cost. Transaction costs for those financial liabilities that are measured at amortized 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 derecognized when the liability is paid or becomes due. In this case, gains or losses on derecognition are recognized 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 unrealized fair value are recognized 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 recognized on the trade date and measured at cost. Foreign currency items are translated into Euros on the closing date exchange rates.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence of impairment of a financial asset or a group of financial assets.
A financial asset or a group of financial assets is impaired only if there is objective evidence of im-

pairment as a result of an event that occurred after the recognition of the financial asset.

The Group recognizes an impairment loss on receivables if there is objective evidence of a customer's financial difficulties.

Borrowing costs

Directly attributable borrowing costs related to the acquisition, construction or production of an item of property, plant and equipment are capitalized 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 recognized as financial expenses using the effective interest rate method. Other interest and other costs related to interest-bearing liabilities are recognized 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, amortization 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 recognized 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 recognized in other comprehensive income are recognized 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 recognized 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 recognized 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 recognized when it is probable that the future taxable profit will be available against which the temporary difference can be utilized. 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 recognized 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 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 yet adopted the following new and amended standards and interpretations already 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.

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. IFRS 16 replaces the former IAS 17 standard and related interpretations.

The Group applies IFRS 16 initially on 1 January 2019, using the modified retrospective approach which means that the comparative information will not be restated. The Group will recognize new assets and liabilities for its operating leases of premises and machinery. Under IAS 17 the Group has recognized finance leases on balance sheet as asset and liabilities which will be transferred as such to opening balance 1 January 2019. According to the Group's assessment there will be a significant impact on balance sheet when adopting IFRS 16. Estimated impact is about EUR 11.1 million due to recognizing new assets and liabilities. IFRS 16 will also change the nature of expenses as a depreciation charge for right-of-use assets and interest expense on lease liabilities will be recognized instead of lease expenses. The Group will apply exemptions for both to short-term leases and low value leases.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after 1 January 2019)

The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment. The group expects that there will not be any significant impacts from this interpretation.

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

NOTE 4 SEGMENTS

The Group has three reportable segments, Industrial Cleaning Services, Demolition Services and Recycling, which are the Group's business areas. The reporting segments have been aggregated from the group's five operating segments: the operating segments for Industrial Cleaning Services in Finland and Sweden as well as the operating segments for Demolition Services in Finland and Sweden have been combined as reportable segments as they are considered to be similar and having similar economic characteristics.

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 Demolition Services Segment comprises very complex demolition projects, renovation demolition inside buildings, asbestos and other hazardous substance removal as well as hydro demolition and water jet cutting.

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.

Operating profit (EBIT) is the measure of profit or loss for the reportable segment which is regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segments and assess their performance. Segment assets and liabilities are not presented as these are no regularly monitored by the Board of Directors.

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.

Net sales

	2018			2017		
EUR thousand	**External**	**Intra group**	**Total**	**External**	**Intra group**	**Total**
Industrial Cleaning	87,481	502	87,983	70,520	429	70,949
Demolition Services	83,082	291	83,373	86,421	38	86,459
Recycling Services	22,191	2,601	24,793	20,371	2,469	22,840
Elimination		-3,395	-3,395		-2,937	-2,937
GROUP	**192,754**		**192,754**	**177,311**		**177,311**

CONTINUES

Depreciation, amortisation and impairment losses

EUR THOUSAND	2018	2017
Industrial Cleaning	-4,151	-2,799
Demolition Services	-2,736	-2,612
Recycling Services	-1,174	-1,042
Administration	-2,722	-1,623
GROUP	**-10,783**	**-8,076**

Operating profit (EBIT)	2018	2017
Industrial Cleaning	8,607	10,249
Demolition Services	4,568	931
Recycling Services	3,499	4,263
Administration	-9,482	-8,753
Operating profit (EBIT)	**7,193**	**6,690**
Net financial expenses	-6,941	-9,386
Profit (-loss) before taxes	**252**	**-2,696**

Geographical information

	2018		2017	
EUR thousand	Net sales	Non-current assets	Net sales	Non-current assets
Finland	150,285	136,194	137,928	133,454
Sweden	42,470	36,314	39,383	34,018
Total	**192,754**	**172,508**	**177,311**	**167,473**

NOTE 5 BUSINESS COMBINATIONS AND GROUP STRUCTURE

CHANGES IN OWNERSHIP IN SUBSIDIARIES DURING 2018

Delete Group acquired the following companies during 2018:

- Karhupurku Oy (31 May 2018)
- Waterjet Entreprenad Karlstad AB (28 June 2018)
- Waterjet Entreprenad i Oslo AS (28 June 2018)
- Waterjet Entreprenad i Stockholm AB (28 September 2018)
- W-Tech Entreprenad AB (28 September 2018)

The Karhupurku Oy acquisition introduces a new and strong business area with growth potential for Delete in our Demolition business area in connection with elevator dismantling.

Waterjet Entreprenad Karlstad AB serves Industrial Cleaning customers in the Karlstad region providing new geographical Delete.

Waterjet Entreprenad i Stockholm AB and W-Tech Entreprenad AB specialise in infrastructure services, including bridge, garage, tunnel and car park maintenance. The companies' customers operate mainly in the construction and infrastructure sectors.

If the acquisitions had taken place on 1 January 2018, the Group's revenue would have been EUR 204.9 million and consolidated profit for the financial year would have been EUR 0.8 million.

Following information for acquistions is disclosed in aggregate as they are individually immaterial.

Assets acquired during the financial year 2018 and the liabilities assumed at the acquisition date were the following:

EUR thousand	Recognised amounts
Intangible assets (customer contracts)	361
Property, plant and equipment	3,144
Receivables	5,354
Cash and cash equivalents	1,074
Total assets	**9,933**
Other liabilities	6,527
Interest bearing borrowings	1,116
Deferred tax liabilities	80
Total liabilities	**7,723**
Net assets	2,210
Goodwill	2,145
Purchase price	4,355
of which paid in cash	2,353
of which is to be paid in cash based on closing accounts	2,002

The acquisition resulted in goodwill totaling EUR 2,145 thousand, which is based on expected synergies of the acquired companies.

The management believes that synergies will be gained from increased capacity, strengthened human resources and skills as well as increased market share in demolition and cleaning services.

Acquisition related costs of EUR thousand 121 have been recorded in other operating expenses.

CHANGES IN OWNERSHIP IN SUBSIDIARIES DURING 2017

Delete Group acquired the following companies during 2017:

- Ykköspurku Oy (28 April 2017)
- Uudenmaan Erikoispuhdistus Oy (27 December 2017)
- T&K Karppanen Oy (27 December 2017)
- Kaivopumppu M. Kulmala Oy (27 December 2017)
  - Teknopuhto Oy (27 December 2017)
  - Sertech Oy (27 December 2017)

Ykköspurku Oy in Finland focuses on diamond cutting and drilling and indoor excavation.

Uudenmaan Erikoispuhdistus Oy and T&K Karppanen Oy contribute to Delete's offering in the field of industrial cleaning, which is extended and strenghtened by the acquisition.

Kaivopumppu M Kulmala Oy and its subsdiairies Teknopuhto Oy and Sertech Oy, operate in the Pirkanmaa region with a regional stronghold in providing sewer services in an area where the outlook for construction is positive and growing. The acquisition includes and extensive fleet of machinery and equipment and a range of skills and experience in sewer services.

If the acquisitions had taken place on 1 January 2017, the Group's revenue would have been EUR 199.5 million and consolidated profit for the financial year would have been EUR -0.1 million.

Assets acquired during the financial year 2017 and the liabilities assumed at the acquisition date were the following:

EUR thousand	Recognised amounts
Intangible assets (customer contracts)	5,806
Property, plant and equipment	6,254
Receivables	3,413
Cash and cash equivalents	2,523
Total assets	**17,995**
Other liabilities	2,924
Interest bearing borrowings	1,286
Deferred tax liabilities	1,772
Total liabilities	**5,982**
Net assets	12,013
Goodwill	11,809
Purchase price	23,822
of which paid in cash	14,928
of which is to be paid in cash based on closing accounts	8,894

The acquisition resulted in goodwill totaling EUR 2,145 thousand, which is based on expected synergies of the acquired companies.

The management believes that synergies will be gained from increased capacity, strengthened human resources and skills as well as increased market share in demolition and cleaning services.

Acquisition related costs of EUR 117 thousand have been recorded in other operating expenses.

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	Acquisition date	Domicile	Ownership interest %
Ax DEL2 Oy		Finland	100.0
• Delete Oy		Finland	100.0
• Delete Finland Oy		Finland	100.0
• Ykköspurku Oy		Finland	100.0
• Sertech Oy		Finland	100.0
• Karhupurku Oy	MAY 31, 2018	Finland	100.0
• Delete Sweden AB		Sweden	100.0
• Delete Service AB		Sweden	100.0
• DemCom Demolition AB		Sweden	100.0
• DemCom Machine AB		Sweden	100.0
• Waterjet Entreprenad Karlstad AB	JUN 28, 2018	Sweden	100.0
• Waterjet Entreprenad i Oslo AS	JUN 28, 2018	Sweden	100.0
• Waterjet Entreprenad i Stockholm AB	SEP 28, 2018	Sweden	100.0
• W-Tech Entreprenad AB	SEP 28, 2018	Sweden	100.0

All subsidiaries have bee consolidated in the financial statements.

Suomen Saneeraustekniikka Oy, Uudenmaan Erikoispuhdistus Oy, T&K Karppanen Oy ja Kaivopumppu M Kulmala Oy (AUG 31, 2018) were merged into Delete Finland Oy.

NOTE 6 REVENUE

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

In 2018, the sales under the retired IAS 18 / IAS 11 standard would have been EUR 5,955 thousand higher and material costs 5,955 lower, without any impact on EBITDA. IFRS 15 adoption had no impact to equity on January 1st , 2018.

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					
EUR thousand	**Projects (POC)**		**Materials**		**Services**		**Total**	
	1–12/2018	**1–12/2017**	**1–12/2018**	**1–12/2017**	**1–12/2018**	**1–12/2017**	**1–12/2018**	**1–12/2017**
Industrial Cleaning	-	-	-	-	87,983	70,949	**87,983**	**70,949**
Demolition Services	28,465	34,616	5,207	8,759	49,701	43,084	**83,373**	**86,459**
Recycling Services	-	-	24,793	22,840	-	-	**24,793**	**22,840**
Eliminations	-	-	-	-	-	-	**-3,395**	**-2,937**
Group total	**28,465**	**34,616**	**30,000**	**31,599**	**137,684**	**114,033**	**192,754**	**177,311**

Contract balances on contracts with customers

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

EUR thousand	2018	2017
Trade receivables	30,041	33,799
Contract assets	6,938	2,083
Contract liabilities	212	525
Total	**37,190**	**36,407**

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 the note 23.

Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

EUR thousand	2018	2017
Less than one year	2,514	7,584
Over one year	0	0
Total	**2,514**	**7,584**

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 7 OTHER OPERATING INCOME

EUR thousand	2018	2017
Rental income	10	0
Sale of property, plant and equipment	402	670
Other income	160	37
Total	**572**	**707**

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

NOTE 8 MATERIALS AND SERVICES

EUR thousand	2018	2017
Materials and services		
Purchases during reporting period	-20,191	-19,168
Change in inventories	223	-1,369
Purchased services	-65,983	-66,517
Total	**-85,951**	**-87,054**

NOTE 9 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	2018	2017
Salaries and wages	-51,100	-41,894
Pension costs – defined contribution plans	-8,261	-6,398
Other social security costs	-7,000	-6,851
Total	**-66,360**	**-55,143**

Delete Group had an average number of employees during the reporting period of 984 (818 in 2017). The number of Group personnel at the end of the reporting period was 986 employees (947 in 2017). More detailed information on key management's employee benefits is presented in Note 29 Related party transactions.

NOTE 10 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

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

EUR thousand	2018	2017
Intangible assets		
Intangible rights	-1,621	-1,061
Other intangible assets	-3	0
Total	**-1,624**	**-1,061**
Property, plant and equipment		
Buildings	-387	-354
Machinery and equipment	-8,539	-6,510
Other	-233	-151
Total	**-9,159**	**-7,015**
Total depreciation, amortisation and impairment losses	**-10,783**	**-8,076**

The Group recognised impairment losses of EUR 66 thousand in 2018 (EUR 0 thousand in 2017).

NOTE 11 OTHER OPERATING EXPENSES

EUR thousand	2018	2017
Travel expenses	-4,116	-3,679
Premises and land rents, maintenance charges	-5,503	-4,463
Sale and marketing expenses	-922	-955
Vehicles expenses	-3,229	-2,935
Expected credit losses	135	83
Other expenses	-9,404	-9,106
Total	**-23,040**	**-21,055**

The Group's rental expenses consist of premises, plots of land and equipment rental expenses. Other expenses include vehicle expenses, ICT expenses and consulting and professional fees, among others.

Auditor's fees	2018	2017
Audit	132	154
Auditors' statements	2	0
Tax services	42	28
Other services	17	63
Total	**193**	**244**

NOTE 12 FINANCIAL INCOME AND EXPENSES

Financial income

Interest income and other financial income include:

EUR thousand	2018	2017
Interest income from others	21	30
Exchange rate gains	0	0
Change in fair value of derivatives	11	507
Other finance income	0	2
Total	**33**	**539**

Financial expenses

Interest and other financial expenses include:

EUR thousand	2018	2017
Interest expenses on borrowings from financial institutions	-6,017	-6,730
Transaction costs of repaid loan *	0	-2,190
Exchange rate losses	-956	-753
Change in fair value of derivatives	0	-252
Total	**-6,974**	**-9,925**

* See note 24

NOTE 13 INCOME TAXES

Income taxes recognised in profit or loss

EUR thousand	2018	2017
Current tax for the reporting year	-1,885	-1,830
Current tax adjustments for prior years	-9	-69
Change in deferred taxes	1,139	1,747
Total	**-754**	**-152**

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

EUR thousand	2018	2017
Profit before tax	252	-2,696
Tax calculated using Finnish tax rate 20% (20% in year 2017)	-50	539
Effect of tax rate in foreign subsidiaries	102	130
Non-deductible expenses	-377	-748
Non-taxable income	22	45
Current tax adjustments for prior years	-274	-69
Other differences	-177	-49
Income taxes in the statement of profit or loss	**-754**	**-152**
Effective tax rate %	**299.7%**	**-5.6%**

NOTE 14 INTANGIBLE ASSETS AND GOODWILL

EUR thousand	Goodwill	Intangible rights	Other long-term expenditure	Work in progress	Other intangible assets	Total
Cost 1 January 2018	115,762	2,113	0	162	7,400	**125,437**
Exchange rate differences	-949			-2	-17	**-968**
Additions		110	5	96		**211**
Additions through business combinations	2,145				361	**2,506**
Transfers		98	15	-98		**15**
Cost 31 December 2018	**116,958**	**2,320**	**20**	**158**	**7,744**	**127,201**
Accumulated amortisation and impairment losses 1 January 2018		-1,195	0	-6	-1,198	**-2,399**
Exchange rate differences		112			-67	**45**
Amortisation		-417	-3		-1,204	**-1,624**
Additions through business combinations						**0**
Impairment						**0**
Accumulated amortisation and impairment losses 31 December 2018	**0**	**-1,500**	**-3**	**-6**	**-2,469**	**-3,978**
Carrying amount 31 December 2018	**116,958**	**820**	**16**	**153**	**5,276**	**123,223**
Cost 1 January 2017	104,562	1,753	0	6	1,632	**107,953**
Exchange rate differences	-609			-2	-32	**-643**
Additions		354		98		**452**
Additions through business combinations	11,809	6			5,800	**17,615**
Transfers				61		**61**
Cost 31 December 2017	**115,762**	**2,113**	**0**	**162**	**7,400**	**125,437**
Accumulated amortisation and impairment losses 1 January 2017		-819	0	-6	-528	**-1,352**
Exchange rate differences					14	**14**
Amortisation		-377			-684	**-1,061**
Impairment						**0**
Accumulated amortisation and impairment losses 31 December 2017	**0**	**-1,195**	**0**	**-6**	**-1,198**	**-2,399**
Carrying amount 31 December 2017	**115,762**	**918**	**0**	**157**	**6,202**	**123,038**

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, Demolition Services Finland, Recycling Services Finland, Cleaning Services Sweden and Demolition 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 Demolition Services, Cleaning Services and Recycling Services.

EUR million	DEC 31, 2018	DEC 31, 2017
Goodwill allocated to Cash Generating Units		
Industrial Cleaning Finland	44.5	44.9
Demolition Services Finland	37.3	37.1
Recycling Services Finland	12.6	12.7
Industrial Cleaning Sweden	11.0	11.0
Demolition Services Sweden	11.7	10.0
Total	**117.0**	**115.8**

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.

2018	Industrial Cleaning Finland	Demolition Services Finland	Recycling Services Finland	Industrial Cleaning Sweden	Demolition Services Sweden
Terminal growth rate (%)	2.4%	2.5%	2.5%	2.3%	2.7%
WACC (post-tax)	8.2%	8.2%	8.2%	8.0%	8.0%
WACC (pre-tax)	9.7%	9.6%	9.6%	9.6%	9.4%

2017	Industrial Cleaning Finland	Demolition Services Finland	Recycling Services Finland	Industrial Cleaning Sweden	Demolition Services Sweden
Terminal growth rate (%)	1.5%	1.5%	1.5%	2.0%	2.0%
WACC (post-tax)	9.3%	9.3%	9.3%	9.4%	9.4%
WACC (pre-tax)	11.2%	11.4%	11.0%	12.2%	11.6%

The recoverable amount to exceed the carrying amount

EUR million

Cash Generating Units	DEC 31, 2018	DEC 31, 2017
Industrial Cleaning Finland	66.8	25.6
Demolition Services Finland	68.3	36.1
Recycling Services Finland	54.2	33.7
Industrial Cleaning Sweden	6.8	10.7
Demolition Services Sweden	16.2	2.5

For the year 2018 impairment testing business area Industrial Cleaning Services Sweden is closest to impairment. In Industrial Cleaning Services Sweden, a decrease of -1.2 percentage points in operating profit margin would lead to the recognition of an impairment loss as well as 1.6 percentage points increase in the discount rate (WACC).

For Industrial Cleaning Sweden, the comparable 2017 operating profit was 10,2% and in 2018 5,0%. The used level for testing on years 2019-2022 is between 6,5%-7,3% and the terminal period operating profit 6,8%. Relative working capital efficiency is expected to remain unchanged for the testing period and the capital investments are expected to grow from 2018 expenditure and terminal period investments are set to exceed depreciations slightly.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

EUR thousand	Land areas	Buildings	Machinery and equipment	Other property, plant and equipment	Construction in progress	Total
Cost 1 January 2018	122	6,509	77,254	1,495	1,433	**86,812**
Exchange rate differences	-1	-2	-899		-9	**-911**
Additions through business combinations			3,950			**3,950**
Additions		72	9,957	51	1,164	**11,244**
Disposals			-750			**-750**
Transfers	-7	363	927	110	-1,413	**-21**
Cost 31 December 2018	**114**	**6,941**	**90,439**	**1,656**	**1,175**	**100,324**
Accumulated depreciation and impairment losses 1 January 2018	-7	-2,491	-39,322	-759	0	**-42,580**
Exchange rate differences		2	466		-0	**468**
Additions through business combinations			-806			**-806**
Depreciation for the reporting period		-387	-8,539	-167		**-9,092**
Impairment					-66	**-66**
Transfers			7			**7**
Accumulated depreciation and impairment losses	**-7**	**-2,876**	**-48,194**	**-926**	**-66**	**-52,070**
Carrying amount 31 December 2018	**106**	**4,065**	**42,245**	**730**	**1,109**	**48,256**

EUR thousand	Land areas	Buildings	Machinery and equipment	Other property, plant and equipment	Construction in progress	Total
Cost 1 January 2017	123	6,434	64,980	1,377	866	**73,781**
Exchange rate differences	-1	-1	-554		-9	**-566**
Additions through business combinations		9	7,224	5		**7,238**
Additions		88	6,172	113	901	**7,274**
Disposals			-914	0		**-914**
Transfers		-21	346		-325	**0**
Cost 31 December 2017	**122**	**6,509**	**77,254**	**1,495**	**1,433**	**86,812**
Accumulated depreciation and impairment losses 1 January 2016	0	-2,160	-32,137	-604	0	**-34,900**
Exchange rate differences	0	1	296			**297**
Additions through business combinations		-1	-978	-4		**-984**
Depreciation for the reporting period		-354	-6,510	-151		**-7,015**
Impairment					0	**0**
Transfers	-7	23	7	0		**23**
Accumulated depreciation and impairment losses 31 December 2016	**-7**	**-2,491**	**-39,322**	**-759**	**0**	**-42,580**
Carrying amount 31 December 2017	**114**	**4,018**	**37,931**	**736**	**1,433**	**44,232**

Finance leases

The Group leases under finance lease agreements mainly vehicles, scaffolding, waste compactors and exchange platforms. The leased asset is included in a tangible asset category machinery and equipment.

The Group’s tangible fixed assets include assets acquired under finance lease agreements as follows:

EUR thousand	2018	2017
Carrying amount 31 December	2 783	1,502

NOTE 16 INVESTMENTS

Investments consist of the following items:

EUR thousand	2018	2017
Non-listed shares	123	123
Other investments	18	27
Total	**141**	**150**

NOTE 17 CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES

2018

EUR thousand	1 January 2018	Recognised through profit or loss	Exchange rate differences	Business combinations	31 December 2017
Deferred tax assets					
Finance lease	14	-11	0		**3**
Tax losses carried forward	38	848	-1		**884**
Total deferred tax assets	**52**	**837**	**-1**	**0**	**888**
Deferred tax liabilities					
Intangible assets and property, plant and equipment	2,360	-426	-23	92	**2,002**
Transaction costs on loans and borrowings	245	-69			**175**
Voluntary provisions in taxation	1,359	193			**1,552**
Total deferred tax liabilities	**3,964**	**-302**	**-23**	**92**	**3,730**

In the financial statements, deferred tax assets and deferred tax liabilities are determined in accordance with each country’s corporate tax rate

2017

EUR thousand	1 January 2017	Recognised through profit or loss	Exchange rate differences	Business combinations	31 December 2016
Deferred tax assets					
Finance lease	20	-6	0	0	**14**
Tax losses carried forward	39		-1		**38**
Total deferred tax assets	**59**	**-6**	**-1**	**0**	**52**
Deferred tax liabilities					
Intangible assets and property, plant and equipment	854	-247	-20	1,772	**2,360**
Transaction costs on loans and borrowings	482	-237		0	**245**
Voluntary provisions in taxation	2,641	-1,269	-12	0	**1,359**
Total deferred tax liabilities	**3,977**	**-1,753**	**-32**	**0**	**3,964**

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 18 INVENTORY

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

EUR thousand	2018	2017
Materials and consumables	1,310	1,107
Finished goods	167	165
Total	**1,476**	**1,271**

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

NOTE 19 TRADE RECEIVABLES AND OTHER CURRENT ASSETS

EUR thousand	2018	2017
Others		
Trade receivables	30,041	33,799
Accrued income and prepayments	8,465	6,101
Other receivables	268	199
Total	**38,774**	**40,314**

Specification for accrued income and prepayments

EUR thousand	2018	2017
Contract assets (see note 6)	6,938	2,083
Rent deposit	289	169
Other deposits	406	155
Current tax assets	0	0
Employee benefits	5	280
Other accruals	828	3,414
Total	**8,465**	**6,101**

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

The Group has recognized impairment losses of EUR 225 thousand (EUR 117 thousand in 2017). Carrying amounts of trade receivables and other receivables correspond the risk of maximum credit losses.

Aging of trade receivables and trade and other receivables by currency are presented in Note 23 Financial risk management.

NOTE 20 CASH AND CASH EQUIVALENTS

EUR thousand	2018	2017
Cash at hand and bank balances	8,448	8,242
Total	**8,448**	**8,320**

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

NOTE 21 EQUITY, RESERVES AND CAPITAL MANAGEMENT

	Number of A shares	Number of B shares	Number of C shares	Total shares
JAN 1, 2018	4,571,965,272	46,181,468	426,907,920	**5,045,054,660**
DEC 12, 2018	4,571,965,272	46,181,468	426,907,920	**5,045,054,660**
JAN 1, 2017	4,571,965,272	46,181,468	426,907,920	**5,045,054,660**
DEC 12, 2017	4,571,965,272	46,181,468	426,907,920	**5,045,054,660**

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. When distributing the company's assets, the C shares holders must always receive the amount corresponding to their relative (pro rata) share of the total number of shares issued by the company. The remaining distribution of funds when the amount allocated to C shares is deducted should be allocated between A and B shares in accordance with the more detailed principles established in the Articles of Association. Total shares outstanding are equal to shares authorised. The company has no treasury shares.

Profit

The parent company's profit for the period was EUR 244 thousand (EUR -1,275 thousand in 2017). The Board of Directors proposes that no dividend be paid and that the profit be transferred to retained earnings.

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.

Translation reserve

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

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 24 Interest-bearing loans and borrowings.

NOTE 22 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

In table below is presented carrying amounts and fair values of financial assets and liabilities by valuation category:

2018 – 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 financial assets	0	0	0	**0**	**0**	level 2
Current financial assets						
Trade and other receivables	0	30,309	0	**30,309**	**30,309**	
Other financial assets	0	0	0	**0**	**0**	level 2
Cash and cash equivalents		8,448	0	**8,448**	**8,448**	
Total financial assets	**0**	**38,757**	**0**	**38,757**	**38,757**	
Non-current financial liabilities						
Loans from financial institutions	0	0	84,416	**84,416**	**84,416**	level 2
Finance lease liabilities	0	0	1,995	**1,995**	**1,995**	level 2
Instalment credit	0	0	1,330	**1,330**	**1,330**	level 2
Derivative liabilities	241	0	0	**241**	**241**	level 2
Current financial liabilities						
Loans from financial institutions	0	0	19,000	**19,000**	**19,000**	level 2
Finance lease liabilities	0	0	779	**779**	**779**	level 2
Trade payables	0	0	16,758	**16,758**	**16,758**	
Instalment credit	0	0	908	**908**	**908**	level 2
Total financial liabilities	**241**	**0**	**125,186**	**125,427**	**125,427**	

2017 – 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 financial assets	0	0	0	**0**	**0**	level 2
Current financial assets						
Trade and other receivables	0	33,998	0	**33,998**	**33,998**	
Other financial assets	0	0	0	**0**	**0**	level 2
Cash and cash equivalents		8,242	0	**8,242**	**8,242**	
Total financial assets	**0**	**42,240**	**0**	**42,240**	**42,240**	
Non-current financial liabilities						
Loans from financial institutions	0	0	84,226	**84,226**	**84,226**	level 2
Finance lease liabilities	0	0	885	**885**	**885**	level 2
Instalment credit	0	0	2,127	**2,127**	**2,127**	level 2
Derivative liabilities	252	0	0	**252**	**252**	level 2
Current financial liabilities						
Loans from financial institutions	0	0	9,300	**9,300**	**9,300**	level 2
Finance lease liabilities	0	0	687	**687**	**687**	level 2
Trade payables	0	0	12,439	**12,439**	**12,439**	
Instalment credit	0	0	1,055	**1,055**	**1,055**	level 2
Total financial liabilities	**252**	**0**	**110,719**	**110,972**	**110,972**	

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 2018 and 2017.

NOTE 23 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 IAS 39 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 EUR 8.4 million.

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 for a fixed interest rate 0,249% (+500 bps). Group loan contracts are further described in Note 24 Interest bearing loans and borrowings. The loan agreement contain conventional covenants, which are described in more detail in Note 24. 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:

2018	2019	2020	2021	2022	2023 and later
Borrowings from financial institutions	19,000	0	85,000		
Interest on borrowings from financial institutions	4,452	4,388	2,155		
Derivative liabilities	241				
Finance lease liabilities, incl. interest	881	767	653	544	163
Trade payables	16,758				
Total	**41,332**	**5,154**	**87,808**	**544**	**163**

2017	2018	2019	2020	2021	2022 and later
Borrowings from financial institutions	9,300	300	150	85,000	
Interest on borrowings from financial institutions	4,497	4,464	4,464	2,311	
Derivative liabilities	252				
Finance lease liabilities, incl. interest	720	370	241	218	126
Trade payables	12,439				
Total	**27,209**	**5,133**	**4,855**	**87,529**	**126**

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:

2018	**Gross value**	**Expected credit loss rate; %**	**Loss allowance**	**Net**
Contract assets	**7,340**	**5.5%**	**-402**	**6,938**
Trade receivables				
Not past due	24,652	0.2%	-49	24,602
Past due				
Less than 30 days	3,454	0.6%	-21	3,433
31–60 days	684	1.0%	-7	677
61–90 days	286	2.0%	-6	280
Past due over 90 days	1,100	4.7%	-52	1,049
Total	**30,176**	**0.4%**	**-135**	**30,041**
Total	**37,516**	**1.4%**	**-537**	**36,979**

2018	**Gross value**	**Expected credit loss rate; %**	**Loss allowance**	**Net**
Contract assets	**2,083**			**2,083**
Trade receivables				
Not past due	23,626	0.1%	-24	23,626
Past due				
Less than 30 days	8,752	0.4%	-31	8,752
31–60 days	910	0.8%	-7	910
61–90 days	172	2.0%	-3	172
Past due over 90 days	422	4.4%	-19	340
Total	**33,882**	**0.2%**	**-83**	**33,799**
Total	**35,965**	**0.2%**	**-83**	**35,882**

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 loss allowance in 2018 for contract assets relates to certain projects. According to the risk assessment no such risks were identified for the ongoing projects at the end of 2017.

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.

Trade and other receivables by currency:

	2018	2017
EUR	28,646	31,780
SEK	12,611	8,534
Total	**41,257**	**40,314**

Movements in the allowance for impairment

EUR thousand	2018	2017
Loss allowance at 1 January	**-83**	**-30**
Expected credit losses on trade receivables	-142	-87
Expected credit losses on contract assets	-402	
Credit losses	90	34
Allowance for impairment 31 December	**-537**	**-83**

Current liabilities by currency:

	2018	2017
EUR	47,584	46,521
SEK	13,910	8,145
Total	**61,494**	**54,748**

NOTE 24 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 23 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	**2018**	**2017**
Non-current liabilities		
Borrowings from financial institutions	84,416	84,226
Finance lease liabilities	1,995	885
Current liabilities		
Borrowings from financial institutions	19,000	9,300
Finance lease liabilities	779	687

Terms and repayment of interest-bearing liabilities

	Currency	Average interest rate	Maturity
Borrowings from financial institutions	euro	5.47	2019–2021

Loans from financial institutions

The Group's financing was reorganised during the review period by issuing a floating rate senior secured bond. The proceeds of the bond issue were used to repay existing financing and to finance further acquisitions. The unrecognised portion of the transaction cost amounting to EUR 2,190 thousand for the repaid financing was recognised as finance expense. 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.

Finance lease liability

The Group leases under finance lease agreements mainly vehicles, scaffolding, waste compactors and exchange platforms.

Finance lease liabilities

EUR thousand	2018	2017
Finance lease liabilities - Maturities of minimum lease payments		
Within 12 months	881	743
1–5 years	2,127	949
Total	**3,008**	**1,692**
Finance lease liabilities - Present value of minimum lease payments		
Within 12 months	779	687
1–5 years	1,995	885
Total	**2,774**	**1,572**
Future interest expenses from finance lease agreements		
Interest	234	120
Total	**234**	**120**

	1 January 2018	Cash flows	Non-cash changes				31 December 2018
			Acquisitions	Foreign exchange movements	Effective interest rate	New agreements	
Interest-bearing financial liabilities	93,526	5,809	488	9	347	3,237	103,416
Finance lease liabilities	1,572	-1,013		-14		2,230	2,774
Instalment credit	3,183	-1,500	629	-74			2,238
Total	**98,281**	**3,296**	**1,116**	**-80**	**347**	**5,467**	**108,428**

	1 January 2017	Cash flows	Non-cash changes				31 December 2017
			Acquisitions	Foreign exchange movements	Effective interest rate	New agreements	
Interest-bearing financial liabilities	74,936	17,331	750	-58	567		93,526
Finance lease liabilities	1,313	-719		-6		984	1,572
Instalment credit	4,124	-1,414	536	-63			3,183
Total	**80,373**	**15,198**	**1,286**	**-128**	**567**	**984**	**98,281**

NOTE 25 DERIVATIVE INSTRUMENTS

Derivative instruments at fair value through profit or loss.

Interest rate swaps

	Nominal value	
EUR thousand	**2018**	**2017**
Interest rate swaps	56,670	56,670
Total		**56,670**

	Nominal value	
EUR thousand	**2018**	**2017**
Interest rate swaps	241	252
Total	**241**	**252**

Fixed rates for the Group's interest rate swaps varied in a range from 0.00249% to 0.00328 % at 31 December 2018 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 22 Classification of financial assets and liabilities.

Maturity of derivative instruments is presented in Note 23 Financial risk management.

NOTE 26 TRADE PAYABLES, OTHER PAYABLES AND PREPAYMENTS

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

EUROS	2018	2017
Trade payables	16,758	12,439
Other payables	6,698	12,975
Instalment credit	2,238	3,183
Contract liabilities (see note 6)	212	525
Accrued expenses	16,086	16,260
Total	**41,991**	**45,383**
Total current	40,661	43,255
Total non-current	1,330	2,127

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

In Note 23 Financial risk management a maturity analysis of financial liabilities and trade payables by currency is presented. In Note 23 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.

EUROS	2018	2017
Personnel expenses	12,976	10,898
Finance items	903	936
Waste debt accrual	397	876
Other	1,809	3,549
Total	**16,086**	**16,260**

NOTE 27 OPERATING LEASES

In this Note the operating leases where the Group is a lessee are described.

The minimum lease payments of non-cancellable other leases are described below:

EUR thousand	2018	2017
Payable during following reporting period	4,630	4,438
Paid during later reporting periods 1-5 years	5,382	5,755
Total of minimum lease payments	**10,012**	**10,193**

The Group has leased various operating premises and storage facilities, vehicles and office equipment.

Leases for the premises are 1-1.5 years in length and the length of other lease contracts is on average from 3 to 6 years.

NOTE 28 CONTINGENT ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees

EUR thousand	2018	2017
Corporate mortgage, nominal value	1,484,116	704,217

Commitments

EUR thousand	2018	2017
Bank guarantee facility	1,000	3,500
of which available	234	1,573
Other bank guarantees	3,052	2,745
Other	511	454

Pledges

EUR thousand	2018	2017
Pledged cash and cash equivalents	244	324
Carrying amount of pledged shares	245,306	245,521

Borrowings from financial institutions includes covenants, which are described in Note 24 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 and country managers (Lars-Gunnar Almryd, Sweden and Tommi Kajasoja, Finland).

The Group structure is described in Note 5.

Management and related party compensation and benefits 2018

	Short-term employee benefits	Additional pension benefits	Post employment benefits
Chief Executive officer			
Tommi Kajasoja, Group CEO since 1.2.2018	244	9	0
Jussi Niemelä, Group CEO until 31.1.2018	111	9	0
Management	684	22	0
Board of Directors			
Åsa Söderström Winberg, Chair of the Board	46	0	0
Holger Hansen, Member of the Board	26	0	0
Ronnie Neva-aho, Member of the Board	26	0	0
Vilhelm Sundström, Member of the Board	0	0	0

Management and related party compensation and benefits 2017

	Short-term employee benefits	Additional pension benefits	Post employment benefits
Chief Executive officer			
Jussi Niemelä, Group CEO	264	1	0
Management	971	10	20
Board of Directors			
Åsa Söderström Winberg, Chair of the Board	42	0	0
Holger Hansen, Member of the Board	26	0	0
Ronnie Neva-aho, Member of the Board	22	0	0
Vilhelm Sundström, Member of the Board	0	0	0

Other related party transactions

EUR thousand	2018	2017
Real Estate rental payment to RNAH Invest Oy an entity under Ronnie Neva-aho's controll	120	144
Consulting agreement Salinira Oy (Robert Öhman) - Delete Oy	0	21
Consultancy fee to Leadaway Oy an entity under Jussi Niemelä's control	11	0
Total	**120**	**165**

Fair market values are always applied to Related Party Transactions

Shares of the Company

Company's share capital consist of 10 858 595 P-shares and 3 089 649 C-shares. Ax DEL Oy owns 85% of the shares. Rest 15% of the shares are owned by key employees of the Company (including the Board of Directors and Goup Management) and certain other minority shareholders.

PARENT COMPANY INCOME STATEMENT (FAS)

EUROS	JAN 1–DEC 31, 2018	JAN 1–DEC 31, 2017
REVENUE	**0**	**0**
Other operating income	0	0
Other operating expenses	-34,551	-36,463
OPERATING PROFIT	**-34,551**	**-36,463**
Financial income and expenses	278,857	-1,238,219
PROFIT BEFORE APPROPRIATIONS AND TAXES	**244,306**	**-1,274,682**
Income taxes	0	0
PROFIT/LOSS FOR THE PERIOD	**244,306**	**-1,274,682**

PARENT COMPANY BALANCE SHEET (FAS)

EUR	JAN 1–DEC 31, 2018	JAN 1–DEC 31, 2017
ASSETS		
NON-CURRENT ASSETS		
Shares and securities in subsidiaries	69,741,216	69,741,216
TOTAL NON-CURRENT ASSETS	**69,741,216**	**69,741,216**
CURRENT ASSETS		
Receivables		
Long term receivables	83,711,400	83,711,400
Short term receivables	2,163,082	832,042
Cash and cash equivalents	25,180	469,255
TOTAL CURRENT ASSETS	**85,899,661**	**85,012,697**
TOTAL ASSETS	**155,640,878**	**154,753,913**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,000	2,500
Reserve for invested non-restricted equity	69,661,220	69,738,720
Retained earnings	-1,293,205	-18,524
Profit and loss for the year	244,306	-1,274,682
TOTAL EQUITY	**68,692,320**	**68,448,015**
LIABILITIES		
Non-current liabilities	85,000,000	85,100,000
Current liabilities	1,948,558	1,205,898
TOTAL LIABILITIES	**86,948,558**	**86,305,898**
TOTAL EQUITY AND LIABILITIES	**155,640,878**	**154,753,913**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

Group informarmation

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.

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 68,612,320.19, of which the profit for the financial year is EUR 244,305.58.

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

The company's share capital is distributed as follows:

	2018	2017
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

EUROS	2018	2017
Interest income from Group companies	4,897,233.17	3,448,188.84
Interest expenses to Group companies	-1,843.19	-3,638.31
Interest and financial expenses to others	-4,616,533.17	-4,682,769.21
Total	**278,856.81**	**-1,238,218.68**

Notes on balance sheet assets

Holdings in other companies

Group companies	2018	2017
Ax DEL2 Oy	100%	100%

Receivables

3 NON-CURRENT RECEIVABLES

EUROS	2018	2017
Receivables from Group companies		
Loan receivables	83,711,400.00	83,711,400.00
Total	**83,711,400.00**	**83,711,400.00**
Receivables from Group companies	**83,711,400.00**	**83,711,400.00**

4 CURRENT RECEIVABLES

EUROS	2018	2017
Receivables from Group companies		
Other receivables	2,188,261.42	1,301,296.58
Total	**2,188,261.42**	**1,301,296.58**
Current receivables total	**2,188,261.42**	**1,301,296.58**

5 ITEMISATION OF SHAREHOLDERS' EQUITY

EUR	2018	2017
Restricted shareholders' equity		
Share capital 1.1.	2,500.00	2,500.00
Share capital 31.12.	80,000.00	2,500.00
Restricted shareholders' equity	**80,000.00**	**2,500.00**

EUR	2018	2017
Unrestricted shareholders' equity		
Invested unrestricted equity reserve 1.1.	69,738,720.00	69,738,720.00
Invested unrestricted equity reserve 31.12.	69,661,220.00	69,738,720.00
Retained earnings 1.1.	-1,293,205.39	-18,523.79
Retained earnings 31.12.	-1,293,205.39	-18,523.79
Profit for the financial year	244,305.58	-1,274,681.60
Unrestricted share-holders' equity total	**68,612,320.19**	**68,445,514.61**
Shareholders' equity total	**68,692,320.19**	**68,448,014.61**

Calculation of distributable shareholders' equity

EUR	2018	2017
Invested unrestricted equity reserve	69,661,220.00	69,738,720.00
Retained earnings	-1,293,205.39	-18,523.79
Profit for the financial year	244,305.58	-1,274,681.60
Total	**68,612,320.19**	**68,445,514.61**

6 NON-CURRENT LIABILITIES

EUR	2018	2017
Liabilities to Group companies	0.00	100,000.00
From others	85,000,000.00	85,000,000.00
Total	85,000,000.00	85,100,000.00
Non-current liabilities totals	**85,000,000.00**	**85,100,000.00**

7 CURRENT LIABILITIES

EUR	2018	2017
Liabilities to Group companies		
Other payables	31,102.30	31,102.30
Total	**31,102.30**	**31,102.30**
Trade payables	685,260.41	18,572.91
Other debt	1,209,614.45	1,153,723.11
Accrued liabilities and deferred income	22,580.42	2,500.00
Total	**1,917,455.28**	**1,174,796.02**
Current liabilities total	**1,948,557.58**	**1,205,898.32**

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 Stockholm, 20 February 2019

Åsa Söderström Winberg
Chairman of the Board

Holger Hansen
Member of the Board

Vilhelm Sundström
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, 21 February, 2019

KPMG Oy Ab
Authorised Public Accountants

Teemu Suoniemi
Authorised Public Accountant, KHT

AUDITOR'S REPORT

To the Annual General Meeting of Delete Group Oyj

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, 2018. 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 11 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.

Valuation of goodwill – consolidated balance sheet and note 14

The key audit matter

- At the year end 2018 the goodwill amounted to 117 M€ and accounted for 52 % of total assets and for 166 % of the consolidated equity.
- Goodwill is tested for impairment at least annually. An impairment arises when the recoverable amount 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.

How the matter was addressed in the audit

- We have conducted the following audit procedures relating to audit impairment testing:
  - We have reviewed the presumptions used in the calculations as profitability, discount rate and long term growth rate.
  - 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 financial statements for these items.

Revenue recognition – Accounting principles and note 6

The key audit matter

- The consolidated revenue amounted to 193 M€ and consists of revenues from the following business lines: Demolition services, Cleaning services and Recycling services.
- For projects for which revenue is recognised over time the Group measures progress by applying input method based on costs incurred. Revenue recognized according to input method amounted to 28 € in 2018.
- 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 to sales items.
- We have analysed the accounting principles and contractual terms of projects against IFRS. We analysed also the ongoing projects' income and cost forecasts.
- The audit procedures included interviews with key personnel in the process to form a complete understanding and to assess the appropriateness of the Group's revenue recognition policies and practices.
- Additionally we have assessed the appropriateness of the notes in the financial statements for these items.

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 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. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. 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 on the other information that we obtained prior to the date of this auditor's report, 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, 21 January 2019

KPMG Oy Ab

Teemu Suoniemi
Authorised Public Accountant, KHT

Delete

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