



CONSTI

CONSTI GROUP PLC ANNUAL REPORT

2016

CUSTOMER FIRST



2016

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CONSTI

CONSTI IN BRIEF

Consti is one of Finland's leading companies focused on renovation and technical building services.

Consti has a comprehensive service offering covering technical building services, residential pipeline renovation, renovation contracting, building facade repair and maintenance, and other renovation and technical services for demanding residential and non-residential properties.

Consti's offering includes service contracting as well as technical repair and maintenance services to contract customers. Consti has focused its operations especially to Finland's growth centres in southern and western Finland.



Net sales EUR 261.6 million

Adjusted EBIT EUR 11 million

Average number of employees 933



Technical Building Services

We provide installation and repair as well as maintenance and upkeep services related to technological building systems such as heating, plumbing, electric, ventilation, fire safety and automation systems.



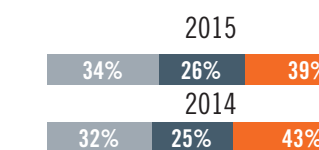
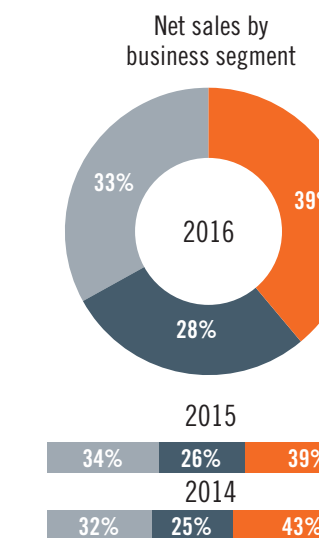
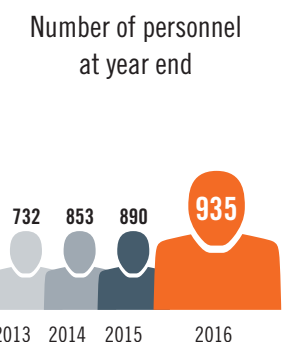
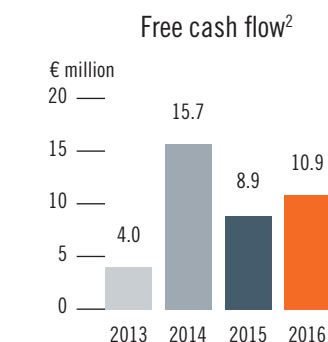
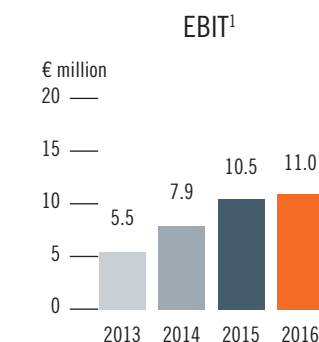
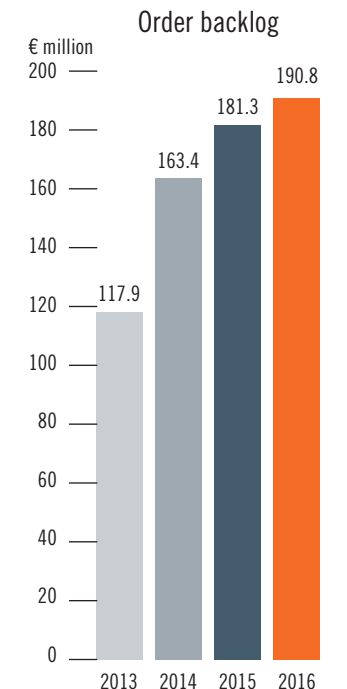
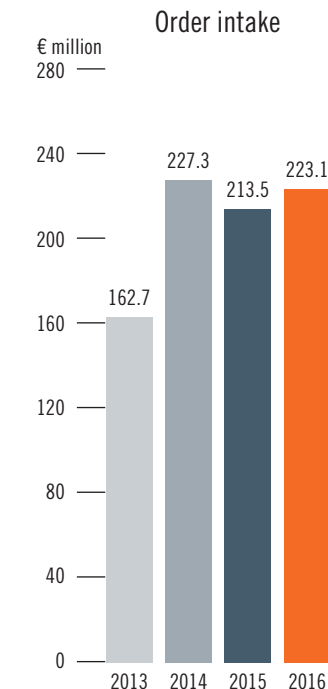
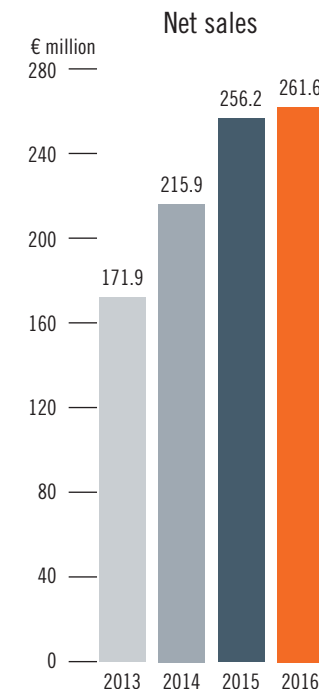
Building Facades

We provide repair and maintenance services related to building exteriors, such as facades, roofs, windows, balconies and yards, along with the renovation of rental apartment buildings and the construction of extra storeys for residential buildings.

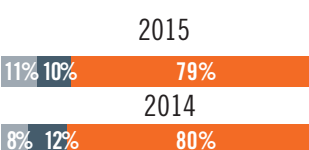
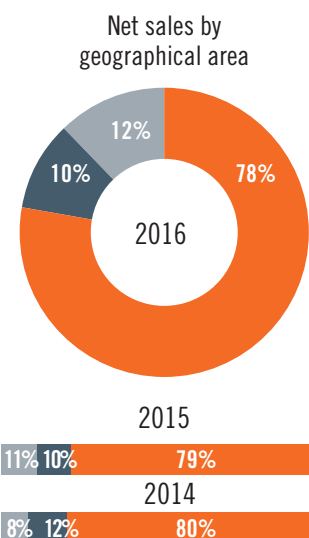


Renovation Contracting

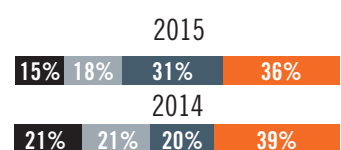
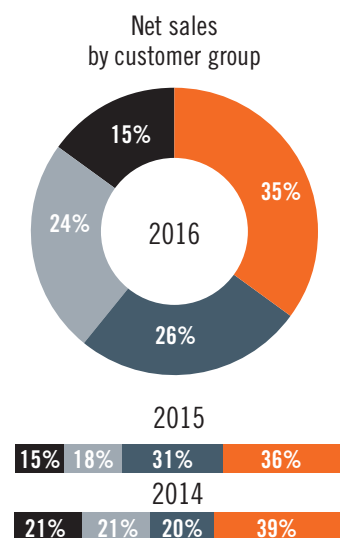
We provide comprehensive renovation and modifications of the use of buildings in non-residential buildings as well as service contracting and repair and maintenance services related to same.



- Technical Building Services
- Renovation Contracting
- Building Facades



- Helsinki & Uusimaa
- Tampere & Pirkanmaa
- Other



- Housing companies
- Public sector
- Real estate investors
- Corporations

1) Adjusted EBIT before items affecting comparability

2) Net cash flow from operating activities before financial and tax items less investments in intangible and tangible assets



CONSTI'S BEST YEAR YET

For Consti, 2016 nearly matched expectations. Our net sales grew and our profitability clearly improved.

Although the growth of our net sales was slightly slower than we anticipated, 2016 was Consti's best year to date by many measures. Our net sales, result and order backlog were all better than ever. The strong development of our order backlog also warrants positive expectations for 2017.

The past year was marked by the strong increase in new construction. This had a positive impact on the demand of technical building services, as Consti also operates on the new construction market in this field. However, the effect of new construction shows in building technology instalments with a slight delay, and the major share of new construction sites started in 2016 will have building technology installed during 2017.

In contrast, new construction somewhat decreased interest towards large renovations in business premises. Demand for residential building pipeline renovations and facade renovations, as well as maintenance services and service contracting were highlighted in order intake.

Consti Group's net sales for the entire year was 261.6 million euro, which is 2.1 percent more than the previous year. Our comparable EBIT grew to 11.0 million euro, which is 4.2 percent of net sales. The corresponding figures from the previous year were 10.5 million euro and 4.1 percent of net sales. Our order backlog at the end of the year was 191 million euro, which is 10 million euro more than at the end of the previous year.

The slower than anticipated net sales growth was mainly due to our net sales cumulating from relatively small projects, the competition for skilled personnel caused by the active new construction market, and the slow start of large projects. We have now added investments into recruiting personnel, training, and developing career paths. In addition to continually updated technical skills, renovation and building technology instalments require good cooperation skills and understanding customer

needs. We have particularly focused on enhancing competence in collaboration and understanding customers at Consti.

Renovations sustain our national heritage and it has been gratifying to see an increasing number of housing corporations also recognising the value of maintenance and care services. The regular care of facades, for instance, expands their service life and reduces future renovation costs. Our goal was to increase the share of our Service Business in 2016 and we succeeded in reaching this goal very well.

We also succeeded in expanding our offering with acquisitions both in the Greater Helsinki area and in Pirkanmaa and we will continue scouting good acquisition targets. Our net sales growth in 2016 was primarily a result of net sales brought in through acquisitions. As new construction stabilises, achieving organic growth will become easier because it will somewhat improve opportunities for hiring skilled professionals. Renovation is expected to return to a growth path that surpasses new construction already during 2017.

I wish to thank all our customers, Consti personnel, our owners and partners for a successful year 2016.

Marko Holopainen

The strong
development of
order backlog
warrants positive
expectations also
for 2017.

BUSINESS STRATEGY

Service offering was strengthened with acquisitions.
Growth in Service Business.

Measured in net sales, Consti is one of the leading companies focusing on renovation and technical building services in Finland.

The renovation market activity in Finland is currently strongly centralised in the regions of Uusimaa and Pirkanmaa. This is mostly due to the large building stock in these areas built in the 1960s and 1970s, in which renovations are now starting, as well as strong migration. According to population projections, migration to the cities of Helsinki, Tampere, Turku and Oulu will continue strong.

Consti seeks to grow further in its current market areas in business activities in which it has decades of experience and a strong position, such as in residential building pipeline and facade renovations, and demanding hotel and restaurant renovations. 78 percent of the Company's net sales in 2016 came from Uusimaa, 10 percent from Pirkanmaa, and the rest came from Turku, Oulu and Lahti. In 2015 the corresponding figures were 79, 10 and 11 percent. In addition, Consti aims to expand its offering so that the entire Group's service offering will be available locally in all Finnish growth centres.

In 2016 net sales were successfully increased particularly in Renovation Contracting and Service Business.

Strengthening the service offering and Service Business growth

Consti is one of the few companies that is able to offer technical building services, building facade work and renovation contracting services with its own personnel resources. Consti also has planning capabilities, extensive special competence in renovations and repairs in all its business areas and the capacity to carry out very large projects and also small projects and small-scale maintenance.

Consti continues to further strengthen and complement its service offering in its current business areas. Such competence areas include, for example, building automation, glass construction and roof renovations.

In 2016 Consti started expanding its Service offering to Oulu. In addition to supplementing its offering, Consti's goal was to expand its Service Business, e.g. care and maintenance contracting, and this goal was reached as planned. The Service Business' share of the entire Group's net sales grew from approximately 12 percent to 15 percent.

Accomplishing supplementary acquisitions

Consti's management has extensive experience in completing acquisitions in all of the Company's business and market areas, and a good track record in successfully integrating the acquired businesses. The renovation market in Finland is highly fragmented and still provides many opportunities for acquisitions. Consti plans to continue acquisitions to support its growth. The acquisitions may, for example, support the strengthening and complementing of Consti's service offering and its geographical expansion.

In 2016, Consti made three acquisitions: it acquired Eleta Talotekniikka in January, which brought new competence in building automation especially to the Greater Helsinki area. Eleta Talotekniikka was integrated with Consti Technical Building Services in May. In 2015, Eleta Talotekniikka's net sales were approximately 2.2 million euro and its net sales showed strong growth in 2016. In November Consti strengthened its facade maintenance services in Pirkanmaa with the acquisition of Pirkanmaan JT-Palvelut Oy. JT-Palvelut has net sales amounting to approximately 1.3 million euro and the company focuses on element grouting and structural firestop installations. In November, Consti also acquired Cool Air Service Finland Ky's business. The company focuses on cooling equipment service and maintenance and has strong competence in ventilation and building technology automation systems. It operates in Pirkanmaa, and its net sales are approximately 0.2 million euro.

Strengthening customer relationships and increasing efforts in advanced projects, technological innovations and customer-oriented operating models

Consti has a diverse customer base consisting of housing corporations and their property managers, public institutions, real estate investors as well as corporations and industrial players. Strong and close customer relationships support Consti in developing and using advanced project models. Models developed specially to accelerate project completion include full responsibility building, co-operation projects and the Plan and Complete model developed for smaller projects. All the models were in use in 2016.

Consti also has strong experience in introducing



Photo: Shutterstock

Consti strengthened its service offering in Tampere area with two business acquisitions in November 2016.

new renovation methods and innovations in building technology. For instance, in pipeline renovations Consti offers all the renovation methods that exist on the market for different kinds of renovation sites.

In 2016 training was arranged on for example customer work. Supervisor training encouraged renewing and developing established operational models across units.

A survey conducted during pipeline renovations showed customer satisfaction has improved in all measured areas.

Improvement of operations and efficiency

In recent years, Consti has succeeded in maintaining and continuously improving its profitability, despite rapid growth in net sales. This has been possible due to, among others, the successful integration of previously acquired companies, the focusing of competence in specific business areas, the harmonisation of operating models and data systems,

the deepening and systematisation of risk management, successful project management and the control of fixed costs. Endeavours aiming at increasing project profitability were especially successful in Renovation Contracting and Building Facades.

Consti seeks to continuously improve its operations and efficiency. In 2016 training was organised particularly to develop production planning and supervision. The foundation for the development work is streamlining production. This means more specific and more accurately paced planning and supervision, which decreases the time-lag between work phases. The principle has been taken into use in several projects, and methods relating to it are also being developed in joint projects with the entire building industry. Significant leaps in efficiency have been sought by adapting pre-manufactured fixing methods that have been developed together with a partner, and by developing and taking into use new supervision tools based on Lean thinking.

CUSTOMER PROMISES

We do what we promise

- We never promise more than we can deliver.
- We take responsibility of the promises we make to our customers.
- We work as if we were building for ourselves.
- We react immediately to unexpected changes.

Fast and reliable – and ready in one go

- Consti employees always strive to work without mistakes and receive the best customer feedback.
- The fastest and most cost-effective solution is always doing everything right – ensuring we fix things in one go.
- We think first and then act.
- Consti employees always come with the right methods, tools, equipment, and attitude.

We listen, understand and offer a solution

- Consti listens, and never assumes.
- Consti employees take pride in their skills.
- Consti always thinks and acts in the customer's best interest.
- Consti has a unique, well-known offering.
- Consti finds solutions through cooperation.

Consti – the human factor

- We always take into consideration users and inhabitants.
- We take care of everyone's safety.
- A smile and polite behaviour do not cost a thing.
- We keep things tidy – clean clothes, vehicles and sites.

Complementary acquisitions

Strengthening of the service offering and growth of the Service business

Growth in the current market areas and extending the full Consti service offering to Finnish growth centres

Improvement of operations and efficiency

Strengthening of customer relationships and increasing efforts in advanced projects, technological innovations and customer-oriented operating models

VALUES

Customer orientation

Enthusiasm

Reliability and honesty

Profitable growth

Professional skill and experience

Consti's long-term financial targets are the following

Growth:
Average annual growth in revenue of at least

10%

Profitability:
Adjusted EBIT-margin exceeding

> 5%

Cash flow:
Cash conversion ratio exceeding

> 90%

Capital structure:
Net debt to adjusted EBITDA ratio of less than

< 2,5 x

while maintaining an efficient capital structure

STABLE GROWTH IN RENOVATION TO CONTINUE

In 2016, renovation growth slowed down somewhat as a result of increase in new building. However, the renovation needs of existing building stock are believed to sustain steady growth in the coming years.

In international comparison, renovation has increased strongly in Finland in recent years. The most obvious reason is the relatively young age of the Finnish building stock. In other parts of Western Europe renovation has for long time exceeded the value of new building.

Renovation spending in Finland has been as large as the value of new building since 2014. In Finland the renovation market was estimated to be worth 12.4 billion euro in 2016, which amounts to approximately 50 percent of the entire building market.

The aging building stock increases the need for technical renovations such as sewer pipeline and building facade renovations. At present mainly buildings from the 1960s and an increasing number of buildings from the considerably larger stock of the 1970s are being renovated in Finland. Next, renovations will start on the much larger building stock of premises from the 1980s. The demand for renovation construction is also increased by growing energy efficiency requirements, urbanisation and the aging population's need for barrier-free premises, as well as the need to modify the use of various kinds of business premises. Increasingly higher requirements are also being set for the comfort of living.

The general economic situation has a considerably smaller impact on renovation than it does on new building. The Confederation of Finnish Construction Industries RT (CFCI) estimates that the entire building market grew approximately 8 percent in Finland in 2016, and the new building market grew up to 14 percent, while the renovation market grew 1.5 percent. Also the European construction business research group Euroconstruct has estimated that the Finnish building market increased by 8 percent year-on-year while the increase in renovation totalled 1.5 percent. Renovation growth is estimated to have fallen short of previous year's levels since brisk growth in new building generally reduces activity in renovation.

The strong growth in new building, in Consti's opinion, decreased the amount of large-scale office premise renovation projects in 2016. Although renovation growth slowed down somewhat, the renovation needs of existing building stock are believed to sustain steady growth in to the next decade. According to Euroconstruct estimates, the Finnish renovation market is expected to grow at an annual average rate of two percent in 2017–2019 while the corresponding projection for new building is a decline of one percent.

Growth in renovation is projected to concentrate even more clearly in growth centres. Renovations in declining suburbs and less populated areas are often economically unviable. In renovations, the greatest growth within the next decade is expected to come from renovations of housing association residential buildings in growth centres.

Building technology market expected to grow

When renovations are divided into building technology, facades and renovations of building interiors, the largest share measured in euros comes from building technology. Building technology includes for instance heating, plumbing, air conditioning, electricity, cooling, access control, data and fire safety system installations, and repair and maintenance services.

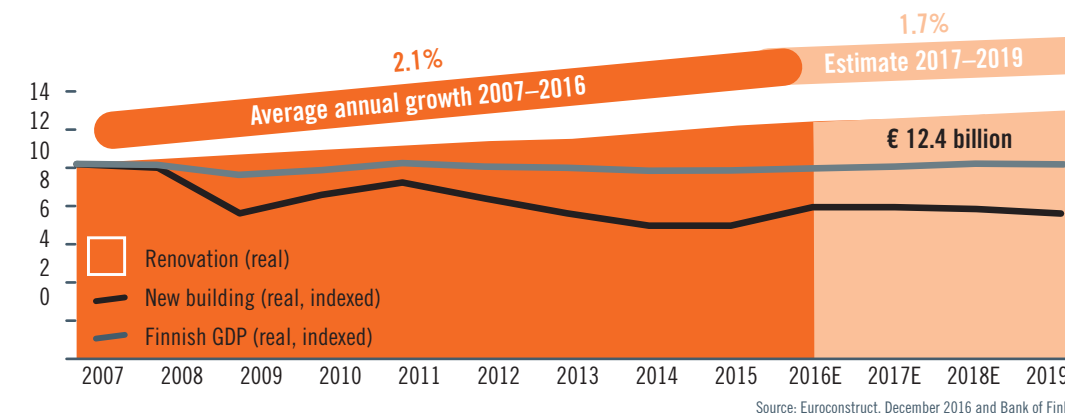
The Finnish building technology market totalled approximately 5.3 billion euros in 2016. The share of HPAC (heating, plumbing, air conditioning) is approximately two thirds of the total building technology market. Within HPAC, the share of plumbing accounts for approximately half of the market, heating represents one third and air conditioning one fifth of the market. Almost half of the sales generated by HPAC installation and contracting companies is attributable to renovation, around 35 percent to new building and approximately 15 percent to maintenance services. In building technology, Consti operates both in the new building and renovation markets, offering a wide range of technical building services for the entire life cycle of properties.

In new building, the amount of building technology is still growing and an increasing amount of modern building technology is installed in renovated buildings. The significance of building technology and automation is increasingly emphasised as systems continue to develop and the amount of technology is growing in buildings. Hence, the building technology market is expected to grow faster than the renovation market in general.

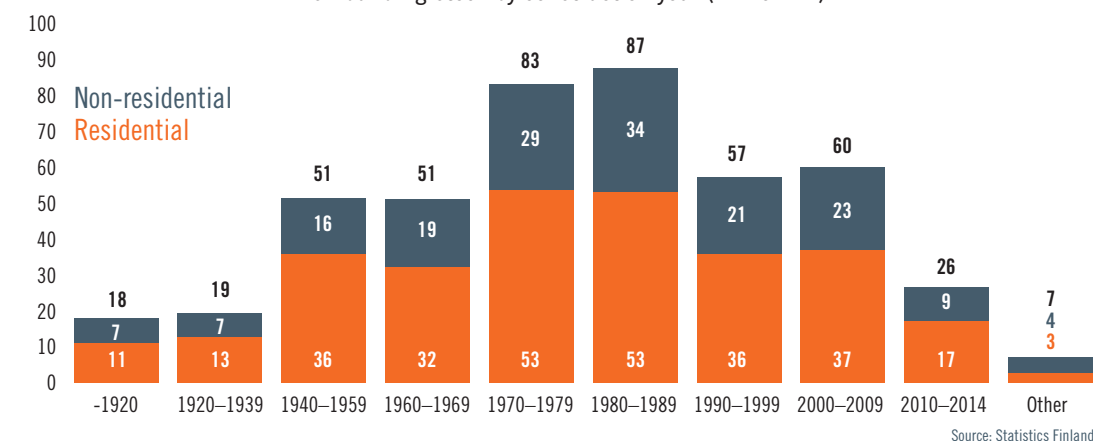
Pipelines, facades and yards emphasised in housing association renovations

In addition to pipeline and facade renovations especially yard construction is expected to grow. According to the November 2016 renovation barometer published by The Finnish Real Estate Federation (FREF), over fourth of housing associations reported a need for renovation of yard

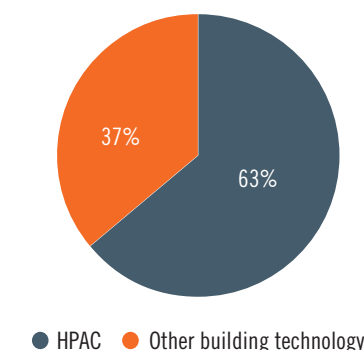
Finnish renovation market (€ billion)



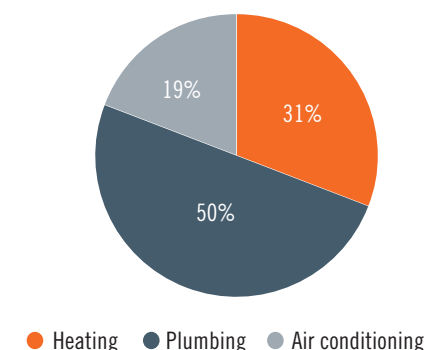
Finnish building stock by construction year (million m²)



Building technology market (EUR ~5.3bn)



HPAC market (EUR ~3.3bn)



Source: Finnish Association of HPAC Technical Contractors

structures during the next five years, and every fifth housing association intends to renovate pipelines and facades. According to the barometer, the confidence among the housing associations is strongest in the capital area, while in Eastern and Northern Finland the sentiment has weakened.

In addition to technical repairs, the yards' comfort and functionality are developed. In facade renovations the buildings' energy efficiency and often also the comfort of living are improved. In conjunction with pipeline renovations also other building sections and systems are often renovated.

Consolidation is taking place in the renovation and building technology markets

The renovation and building technology markets are very fragmented in Finland. Large construction

companies focus on new building, where projects are larger than in renovations. The field of renovation and building technology has typically consisted of several small companies that usually focus on only one segment of renovation or building technology. Consolidation has occurred on the market, however, as large construction companies are acquiring renovation and building technology competence through acquisitions.

Measured in sales, Consti is one of Finland's leading companies focused on renovation. Consti is also set apart from competition with its extensive offering in service and maintenance ranging from service contracting to long-term collaboration lasting years and worth millions of euro.

Growth drivers



Aging building stock



Energy efficiency



Urbanisation



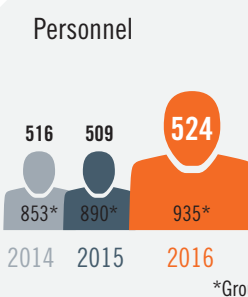
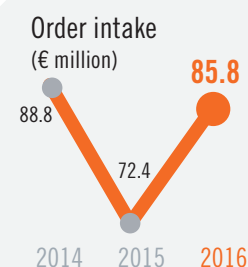
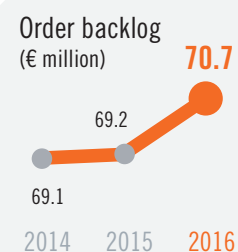
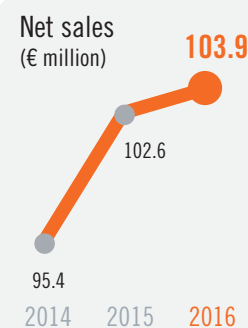
Modifications of the use of buildings



Increased need for building technology and automation

TECHNICAL BUILDING SERVICES IMPROVE RESIDENTIAL AND WORK ENVIRONMENTS

There are many options for pipeline renovations, and Consti knows them all.



Consti Technical Building Services offers installation and repair services for building technology systems such as heating, plumbing, ventilation, electrical and automation systems, and related servicing and maintenance services. Slightly over half of its net sales comes from office premises and nearly half from residential buildings.

Technical Building Services' net sales grew somewhat from the previous year and was 103.9 (102.6) million euro.

Building technology is used to improve comfort of living and work environments, to take care of the safety of residents, workers and customers, and to increase the energy efficiency of buildings. Demand is increasing due to both growing official regulations and the rising appreciation of comfortable living and work environments.

Cooperation reduces surprises

The best-known building technology renovation in Finland is a pipeline renovation. Often times electrical and ventilation technology are also renewed alongside pipeline renovations. Pipeline renovations are currently carried out in prime properties from the beginning of the 20th century, element apartment buildings from the 1960s and 1970s and also to some extent in buildings from the 1980s. The best method for completing a pipeline renovation depends on the building's construction method and the needs of its residents.

Annually, Consti completes pipeline renovations for approximately 3,500 apartments and it has participated in developing several innovative solutions which can be used to reduce the cost or duration of the renovation, and diminish inconvenience caused to residents. For example, Consti Ideal Pipeline and Bathroom Renovations™ are on average finished in three weeks, with apartment habitable for the entire time.

The Plan and Complete cooperation model,

in which the main contractor takes care of the planning in tight-knit cooperation with the housing corporation, reduces the amount of surprising and often costly additional work. Consti has also increased the number of customer service engineers it employs to improve customer collaboration.

Contrary to most of its building technology competitors, Consti acts as the main contractor, which means that in addition to the pipeline renovation, it also takes care of general construction work, bathroom and kitchen renovations, and electrical, telecommunication and data cable installation work that is conducted alongside the pipeline renovation.

The most significant public contracts in 2016 were a building automation work in Helsinki City Theatre's complete renovation as well as Järvenpää's new Social and Health Centre carried out with the alliance model.

Service offering expanded with acquisitions

Consti also installs building technology into new buildings. A significant portion of the new construction sites that started in 2016 will have building technology installed during 2017.

At the end of 2016 Consti Technical Building Services employed a total of 524 (509) building technology professionals. The order backlog at the end of 2016 was 70.7 (69.2) million euro.

In 2016 Consti strengthened its building technology offering with the acquisition of Eleta Talotekniikka Oy, a company focusing on building automation services in the Greater Helsinki area. At the end of 2016 Consti purchased the business of Cool Air Service to boost cooling technology expertise in the Pirkanmaa region. Consti aims at further strengthening its building technology offering in its current operation areas the Greater Helsinki area and Pirkanmaa and expand operations to Turku and Oulu.

Photo: Matti Rajala



“These boys have done their share of welding in the past”

“Hard-working and skilled boys,” says apartment owner and long-time resident of housing corporation Nuoranpunojankatu 7, **Tauno Lökkala**, amidst the pipeline renovation. The housing corporation's name dates back to the time when the street in Southern Helsinki was still called Nuoranpunojankatu, instead of its current name Köydenpunojankatu.

“My own maintenance company has its workspace in the same building, so I see the remodelling progress every day. I went to take a look at how the pipe-welding was advancing and I could clearly see that these boys have done their share of welding in the past as well. In addition, the electrician got praise from a resident that does not give praise lightly, and the tiling man also did an impeccable job.

At first I think Consti's guys were perplexed to see me wandering around the worksite, but now it's already nice to shoot the breeze with them on the courtyard.

The building was finished in 1928 and up until now only a few measures of pipe have been fixed here and there. Now everything is replaced at once, together with electrical and broadband work. Several truckloads of renovation waste have left the yard.

One of the reasons for choosing Consti to carry out the renovation was the fact that it is a well-known and reliable partner, and nobody needs to worry about it going bankrupt mid-contract.”

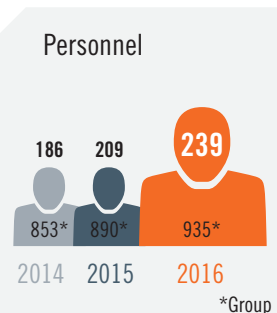
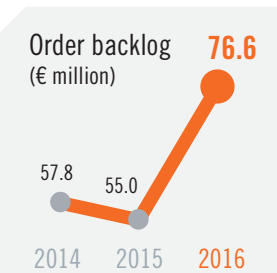
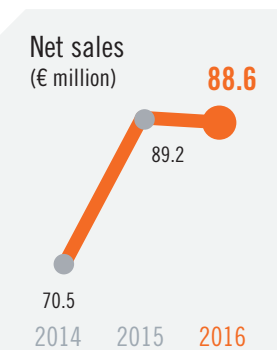
Share of Group's net sales in 2016

39%

39% (2015)

NEW FACADES FOR SUBURBS AND PRIME PROPERTIES IN CITY CENTRES

Facade renovations improve energy efficiency and cultivate history.



Share of Group's net sales in 2016

33%

34% (2015)

Consti Building Facades renovates facades, roofs, windows, balconies and courtyard structures; it conducts technical construction work for housing corporations, as well as complete renovations for tenant buildings and apartments. Facade maintenance services are also part of its offering.

Building Facade's net sales was slightly less than the previous year but the order backlog clearly grew. Net sales were decreased mainly by slow demand in complete renovations of tenant buildings as well as the shortage of available skilled professionals for worksites. Net sales amounted to 88.6 (89.2) million euro. Demand continued good in Uusimaa and Oulu. The market situation remained challenging in Pirkanmaa.

Prime properties require special skills

Facade renovations are currently conducted especially on buildings built between 1960–1980. The poor condition of facades is often the immediate reason for renovations, but at the same time energy efficiency is also improved. New windows are up to 50 percent more energy efficient than old ones. For instance, in an apartment complex of 250 apartments built in the 1980s, housing corporation Meri-Kamppi in Helsinki, a facade renovation project includes renewing all facades, windows and glazing. In housing corporation Trumpettitie's facade renovation Consti is renewing the windows, balcony doors and element seams of seven buildings, and also renovating the courtyard.

Consti has expertise and a good track record in renovating prime properties as well. In the end of 2016, Consti was chosen to carry out the modification of a prime property with considerable historical value in Helsinki's Korkeavuorenkatu 21. The building was originally built for residential use in 1889, and it was used, for example, as the headquarters of the national police during the Czarist regime. Now the over 5,000 square meter property is being refurbished back to residential use

and part of the apartments will have balconies installed. The nearly 20-million-euro project involves Consti's expertise in facade and apartment renovations and building technology. The project was commissioned by real estate development company Grand Residence Development Oy.

In Oulu city centre, Consti is completely renovating an old pharmacy building with cultural and historical value. This project also involves work from all Consti's business areas.

Historic work sites call for special skills in for instance matching modern ventilation, sound and fire regulations with decrees set by the National Board of Antiquities. In 2016 Consti conducted several facade renovations for churches and water towers, which are also unique sites that require special expertise.

Servicing and maintenance extend the service life of facades

There is growing interest towards facade maintenance such as renewing grouting in element seams. Regular maintenance prolongs the service life of a building. Servicing and maintenance services ensure that renovation needs are noticed in time, which in turn decreases future renovation costs. In addition to grouting, Consti's service offering includes for example annual repairs on tin roofs, envelope painting and coating work. In 2016 facade maintenance was carried out with, for instance, Espoo city.

Consti's maintenance service offering was strengthened in November with the acquisition of Pirkanmaa based JT-Palvelut Oy. JT Palvelut focuses on element grouting and structural firestop installations.

At the end of the year Building Facade's staff count was 239 (209). New talent was recruited especially for maintenance work.

Building Facade's order backlog at the end of 2016 amounted to 76.6 (55.0) million euro. The order backlog grew especially during the second half of the year and demand is expected to continue good in 2017.

Photo: Matti Rajala



Praise from passers by

The residents of housing corporation Nummenmaja in Nummela have been enjoying the benefits of a thorough facade renovation since the beginning of 2016.

"The expansion and glazing of the balconies was the biggest and best change," ponders **Maija Salomaa**, Chairman of the housing corporation's Board.

"The balconies were made about half a meter deeper and every balcony was glazed. Our building does not have an elevator and therefore balconies are extremely important for our older residents.

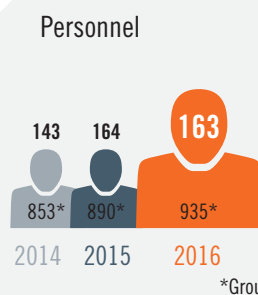
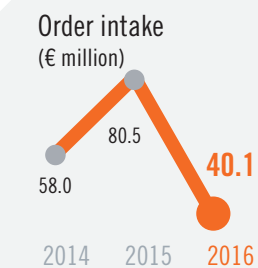
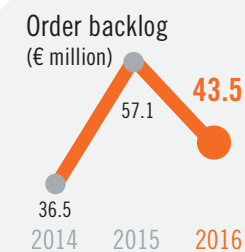
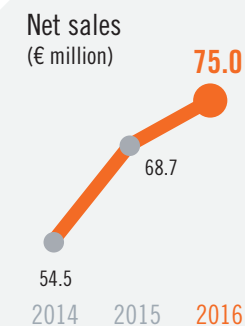
New windows improved sound proofing so much that the nearby freight train cannot be heard inside at all any more. At the same time ventilation was also improved.

The overall appearance of the building changed a great deal and it has been delightful to hear praise on, for instance, the use of colours even from passers-by.

The glazing of a few balconies had to be replaced, but all in all things were taken care of well, including the subsoil drainage which was carried out as additional work. It was also nice that the renovation was completed without our building covered by tarpaulins."

GOOD PLANNING IS HIGHLIGHTED IN RENOVATION CONTRACTING

An increasing number of renovations are carried out so that the building is in use all through the renovation work. Good planning and understanding customer needs make this possible.



Consti Renovation Contracting offers renovations and modifications, and related contract and maintenance services to office and business premises, hotels and restaurants, schools and day care centres, hospitals and other public buildings as well as manufacturing facilities and historically valuable buildings.

Renovation Contracting's net sales grew 9.1 percent and was 75.0 (68.7) million euro. Business developed positively in the Greater Helsinki area and especially in Turku. The strong economic recovery in new construction somewhat decreased demand for larger renovation projects in the beginning of the year. Demand for small and medium sized projects, however, continued good.

Among Consti's largest projects finished in 2016 were the Haliskylä residential complex of 14 buildings owned by the Student Village Foundation of Turku, the Lahti courthouse built at the premises of Lahti Askonalue's old industrial facility, and the renewal of the Kaivotalo Building's business facilities, owned by the Student Union of the University of Helsinki and located in Helsinki city centre. In Turku, work started on the complete renovation of the culturally and historically valuable Sappalinna swimming stadium, and the work is scheduled to be finished by summer 2017. In Helsinki, the building of hotel George commenced.

Consti also launched a new operation model in which it designed and carried out amenity renovation for Hoas Foundation for Student Housing in the Helsinki region. In amenity renovations, an apartment's floors, cabinets, lighting, and kitchen and bathroom furniture were renewed in two days. In communal areas, Consti replaced lighting and flooring, and gave the walls a fresh coat of paint. The work was done from 8 a.m. to 6 p.m., and thus tenants could use their apartments during the evening and night between the two renovation days.

Facilities are renovated more frequently

Traditionally, business premises were renovated if tenants changed or when the building's use was modified. Lately, however, renovations have started to take place also during existing tenant agreements. In commercial buildings, it is typical for the customers to keep using the building for the entire duration of the remodelling work, which increases the significance of planning and customer service.

In large scale renovation contracts, collaboration between the developer, planner, contractors and end users is also emphasised. Consti has actively taken part in developing and utilising new kinds of models for cooperation and contracts that aim at for example improving information flow and decreasing risks. The contributing parties are chosen at the earliest possible phase of the project and the Cooperation Agreement stipulates shared goals, responsibilities and incentives.

The alliance model is in use, for instance, in Turku in the remodelling contract for 17 apartment buildings for real estate company Jyrkkälänpolku. The complete renovation of Espoonlahti church, which is carried out as a cooperation project, started in spring 2016.

Aiming at expansion into Pirkanmaa

At the end of 2016, Renovation Contracting employed 163 (164) renovation professionals. The order backlog at the end of the year was 43.5 (57.1) million euro.

Renovation Contracting aims at continuing its profitable growth by strengthening its current service offering in Uusimaa, Southwest Finland, and Päijänne-Tavastia region. The aim is to also expand operations to Pirkanmaa.

Photo: Matti Rajala



The renovation was a happy surprise

"I moved into a Hoas apartment here in Helsinki's Malminkartano in 2013 and I practically cried out loud when I saw the apartment's age-old grey and worn out vinyl flooring. I admit it made me very happy last year when I heard that a remodelling was coming up," says **Sanna Metsäketo**, who is training to become a midwife.

"In my apartment, the kitchen cabinet doors and equipment were renewed, and so were the wardrobes, the bathroom cabinets and lighting. That dismal vinyl flooring was also replaced. The new walnut laminate flooring is really nice and cosy.

The two-day remodelling did not cause any trouble, because I was at school and work during the days. I only had to empty the bookshelves and the kitchen cabinets so they could be moved during the remodelling. One of the baseboards had been broken during the work but once I mentioned it, it was soon replaced.

The stairwell also looks completely different than before, but home is where you spend most of your time and I am so grateful that it was remodelled."

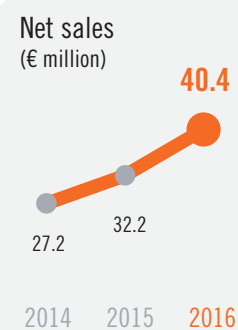
Share of Group's net sales in 2016

28%

26% (2015)

SERVICE BUSINESS CONTINUED TO GROW

Renovations include increasing amounts of maintenance and service contracting.



Servicing and maintenance relating to Technical Building Services, Facade Renovations and Renovation Contracting are monitored at Consti as a separate unit: Service. Servicing and maintenance services are offered as individual service and maintenance work, and also service agreements for several years. Individual projects include for example ventilation maintenance, and cleaning and maintenance for heat distribution systems. Service contracting includes for example modifying building layouts and renewing surface materials and building technology.

Consti's strategic goal is to increase Service Business' share of its net sales. In 2016 Service Business net sales grew clearly and was 40.4 (32.2) million euro. Its net sales' share of the entire Group's net sales grew 3 percent. Net sales grew significantly in the Greater Helsinki area, Pirkanmaa and Tavastia Proper.

Small projects brought growth

In 2016 Service Business grew due to many small and medium-large projects. In the Greater Helsinki area, numerous business premises were modified with uninterrupted customer operations ongoing in the building throughout the project. For example, at Länsi-Auto's Hyvinkää dealership the building was renovated in stages so that all central business areas such as vehicle maintenance and sales continued almost without any disturbance all through the renovation.

Service contracting also continued amenity renovations at Student Foundation Hoas' apartments in Helsinki, and development work is advancing on creating similar renovation models for other customers as well.

Large property owners are showing increasing interest towards facade servicing and

maintenance. In the past year, Consti took care of grouting and maintenance painting for instance at eight sites for Espoo city. In Pirkanmaa, Consti strengthened its offering in facade maintenance with the acquisition of Pirkanmaan JT Palvelut Oy in November.

Long-term contracts were made for example with Hämeenlinna and Hyvinkää cities, University of Oulu and the Hospital Districts of Turku and Oulu Region.

Service Business employed approximately 215 (200) people at the end of 2016 of which 155 (160) worked in Technical Building Services.

New construction adds to the demand of maintenance services

The demand for servicing and maintenance services is increasing hand in hand with new construction, as new buildings include more building technology than older ones, and the building technology is also more demanding in new buildings than in the older building stock. For example, smart technology that allows a resident to set an apartment's temperature from afar requires increasingly more sophisticated building automation solutions. In complete renovations, the amount of building technology is also increasing. Servicing and maintenance services are also in growing demand due to property ownership becoming progressively professional. The development of building technology also necessitates continual personnel training.

Consti's goal is to increase the share of long-term servicing and maintenance contracts in its Service Business. Geographically, Consti aspires to expand its Service Business particularly in Oulu and Tampere, where also Facade Renovations had a promising start last year.

Photo: Matti Rajala



Cooling cannot fail

"Improving secure operating conditions, which means taking care of rapid repair needs and preventive HVAC maintenance on time and above all thoroughly," Finland's national public service broadcasting company Yle's facility services' HVAC Operations Manager **Ari Räsänen** explains the goals of their contract with Consti. Since December, Consti has been Yle's primary partner in ventilation and pipe work.

"Yle's buildings here in eastern Pasila in Helsinki were built at different times and thus the building technology is also from many different decades. Our facilities have a great deal of equipment that is critical for our production, such as spaces

that resemble data centres and equipment cabinets that must have ventilation working without any discontinuities. Also for example film archives require extremely specific conditions. When you think of building technology, our facilities resemble a manufacturing unit more than an office building.

We now have two Consti professionals working at our premises. So far their work has mostly been repairs and small modifications. We expect high quality and thorough work. We have got off to a very good start and the price and quality match our needs."

Share of Group's net sales in 2016

15%

12% (2015)

BUILDING AN ENCOURAGING AND SAFE WORK ENVIRONMENT

In addition to technical competence, high quality renovations require good collaboration skills and the ability to understand customer needs. We also support the development of these skills with internal training.

At the end of 2016 Consti employed a total of 935 professionals in renovations and building technology. Our personnel count increased with approximately five percent from the previous year, when we employed 890 people. A substantial part of our new talents joined us through acquisitions. The average employee count during the period was 933 (910).

At the end of the year 524 (509) employees worked in Technical Building Services, 239 (209) in Building Facades, and 163 (164) in Renovation Contracting. Consti is one of the few service providers that can offer building technology, building facade, and renovation contracting services through its own employee resources. As need be we can also supplement our offering with outside talent.

Of the personnel employed at the end of the year, 9.2 (6.5) percent worked with fixed-term employment contracts. Nearly one quarter of them were interns. During the year Consti offered summer jobs or internships to over a hundred students training in the field. In the summer our employee head count surpassed one thousand for the first time in our company's history. In renovations and building technology there is currently a shortage of skilled workforce and we strived to offer as many summer workers and interns as possible a permanent work contract. New construction is picking up and this adds to the competition for skilled staff especially in building technology. We have also developed new social media methods for recruiting.

The construction business is typically very male-dominated. At the end of the year 90.7 (90.6) percent of Consti employees were male. The female staff count was slightly above the Finnish industry average of 7.7 percent. Personnel surveys have also looked into how well we accomplish equality, and based on these results we have developed leadership and communication.

Improved occupational safety

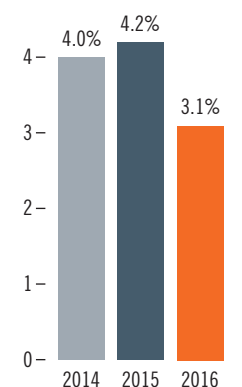
We increased supervisor training in personnel development and work continued in improving safety, project management skills, and customer relationship competence.

Sickness and accident related leaves decreased to 3.1 percent of work hours and are now slightly less than the industry average. During the previous year they amounted to 4.2 percent of work hours. We were particularly pleased with the decrease of occupational accidents in relation to work hours. Our occupational accident frequency monitoring also covers all subcontractors working for Consti.

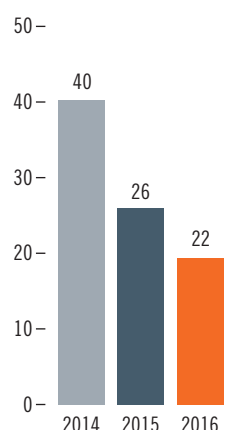
We enhanced occupational safety with new policy already during autumn 2015. Reforms include discussions about accidents after every accident that leads to a sick leave. The summaries of these accident discussions are handled in the safety committee. In 2016 we also sharpened our guidelines on protective gear and enhanced monitoring of the use of protective gear.

Participating in the Safety park (Turvapuisto) activities is central to Consti's safety procedure development. Consti has its own work safety site at the park, at which worksite situations typical to Consti are showcased from a work safety point of view.

AVERAGE ABSENCE RATE OF PERSONNEL, %

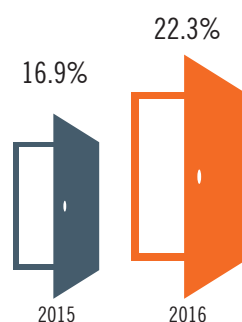


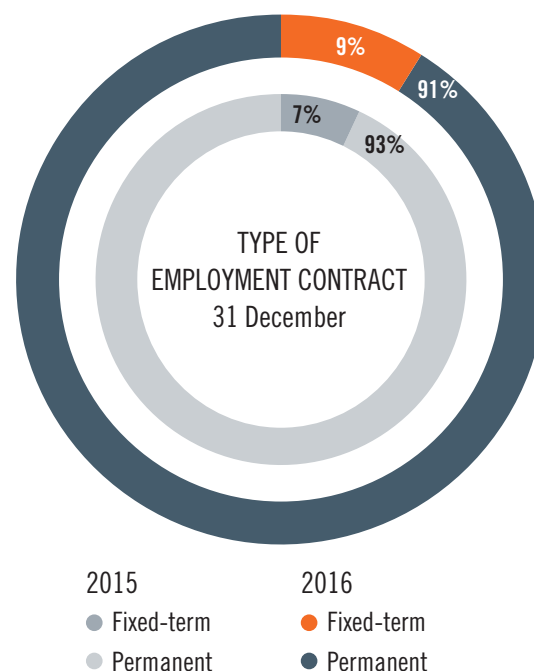
ACCIDENT FREQUENCY



Per million hours worked, own personnel

PERMANENT PERSONNEL TURNOVER PERCENTAGE





All our new employees visited the Safety park during 2016. The Safety park is located in Espoo and it was founded in 2009 as a joint initiative by companies working in the construction industry. The park aims at improving work safety in the entire construction industry.

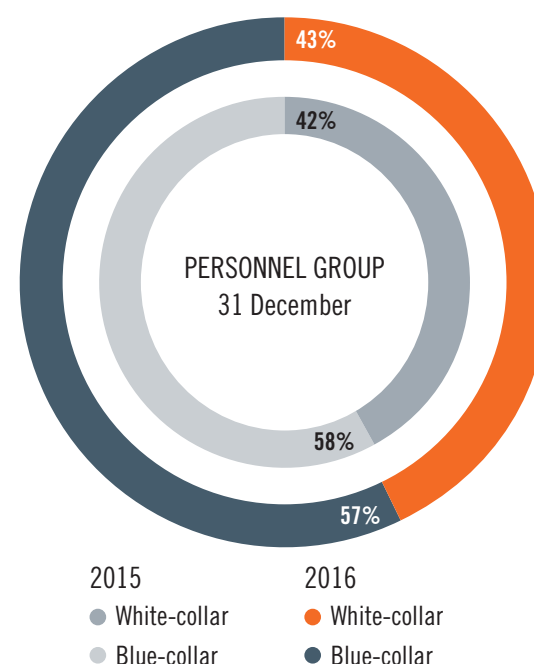
Enhancing supervisor skills

Consti aspires to be a good, development-oriented and valued workplace with non-discriminatory comradeship, which offers a great deal of opportunities for employees to develop their professional skills. Supervisors have an important role in creating a good work environment. In supervisor training this past year, we concentrated on immediate supervisor skills such as development discussions and early support practices.

Our Talent Management training programme for new and future supervisors enhances the participants' understanding of their own strengths and encourages renewing and developing established operational models across units. The training program commenced at our Technical Building Services where it was received very well, and it is now available in our entire Group.

To develop our customer-focused operations and customer care we continued training in our Consti Customer Competence professional degree programme. In renovation and building technology instalments, our customers are present in a completely different manner than in new construction. Residents may even live in the apartments that are being renovated and also commercial properties are increasingly being renovated so that business continues at the premises for the duration of the renovation. Mere technical skills are not sufficient, as good communication and collaboration skills and the desire and ability to understand customer needs are prerequisites to success.

At Consti Academy, our staff can supplement their professional skills, for example, relating to production and quality. To support professional development, we sharpened our career path planning.



A share-based incentive plan in use from 2017 onwards

Compensation at Consti is based on a fixed basic income in addition to which the Group's executives and the majority of white-collar workers are included in a bonus plan. The principles and terms of the bonus plan as well as people who are included in the plan are annually confirmed by the Board of Directors.

At the end of 2016, the decision was made to supplement the Company's bonus plans with a long-term share-based incentive plan. The aim of the new plan is to merge the objectives of the shareholders and key people in order to increase the value of the Company in the long-term, to engage key people to the Company, and to offer them a competitive reward plan based on earning of the Company's shares. The plan offers the key people included in the plan the opportunity to earn Company shares as bonuses by altering half or all of their performance based bonuses for 2016 and 2017 into shares. The performance based bonuses altered into shares will be multiplied with a bonus factor determined by the Board before the bonuses are paid. The plan can include a maximum of approximately 70 key people and it was taken into use at the beginning of 2017.

We also strive to build an encouraging work environment, long employment contracts and good team spirit by offering our entire personnel comprehensive occupational health care and by supporting physical wellbeing with exercise both together and individually. At Consti people can take care of their physical wellbeing and meet co-workers in various sport activities such as floorball, football, ice hockey, golf, running, hunting and shooting.

Photo: Matti Rajala

What do you do at Consti?

I'm a foreman at Consti Service, more precisely at Consti Renovation Contracting's service contract work unit. Our worksites are often hectic with fast paced work and we have several worksites ongoing at once. I am an intermediary between the workers and middle management and one of my most important responsibilities is to improve work safety for example by ensuring that protective gear is used properly.

You have experience in for instance renovation projects at several car dealerships. What is the best thing about these projects?

Versatility. In dealerships, business is always ongoing. Customers are visiting the building and their needs have to be taken into consideration.

What kind of a supervisor are you?

My role is to encourage people and praise them. Those days are long gone when being a foreman meant you had the mentality of a master and whipped people to work harder. Even challenging situations can always be solved with a good sense of humour and a great team to work with.

What is your favourite thing about your job?

I have never known how to keep still and I enjoy having many things in progress at the same time. The thing I find especially great is that when a project is finished, work does not end at the site because we continue working with the customer, providing servicing, maintenance, and lifecycle services. Interaction between Consti's different units is constantly increasing and this supports our everyday work.

Tell about a particularly memorable worksite.

An old sea pilot station from the 19th century was situated in the middle of the ocean in Porvoo. It was a magnificent place, and once we got stuck there when we were surprised by a storm. In the end we got away from the worksite on the back of a tractor.

What kind of a man are you at home?

I live with my wife and my 18 and 22-year-old daughters in a large house in Mäntsälä, where there is plenty of remodeling to do as well. I always wake up early in the morning and also go to sleep early, no matter what day of the week it is. This rhythm has its roots deep in my youth, when I used to work on a farm.

Describe your dream job.

The one I have. At home my spouse cannot grasp why I am so enthusiastic about my work. The best thing about it is that I can interact with people face to face, talk shop and figure things out to make sure work gets done and everyone is in good spirits. Just typing emails is something that does not suit me. Also, I talk so much that there is no way you could put me in an open office.

JARI KIVIAHO'S DREAM JOB

JOB IS ALL ABOUT TALKING SHOP AND FIGURING THINGS OUT

A seasoned professional in renovations and property maintenance, Jari Kiviaho, 50, joined Consti some 3.5 years ago. The first things he did in his new job were taking chocolate to the women in charge of payroll and negotiating a discount for his own team from a nearby diner.



CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility and business ethics are a fundamental part of Consti Group companies’ operations and strategy. Our corporate social responsibility themes are health and safety, occupational procedures, environment and corporate social responsibility.

Our annually published corporate social responsibility report combines operational models stemming from Consti’s different corporate cultures, collects corporate social responsibility issues into one report and enhances risk management. Practical corporate social responsibility is seen in our everyday operations, and we continuously monitor and measure how it is carried out. Consti published its latest corporate social responsibility report in May 2016, and the next report will be published in spring 2017.

Health and safety – the basis of all our actions

Consti is responsible for providing a safe and healthy work environment to its personnel. We prevent accidents on worksites with correct safety procedures and risk analyses. We emphasise the role of supervisors in occupational safety monitoring and define necessary work safety plans. We ensure a safe work environment for our personnel, taking also into account end-users and stakeholders. We support our personnels’ working capacity by developing supervisor work, ensuring appropriate work equipment and offering sport and cultural benefits and high-quality and wide-ranging occupational health services.

In 2016, we succeeded in cutting both accident frequency and the number of sick leaves compared to previous year. In recent years, we have undertaken numerous actions in order to improve health and safety, and this work is to continue also in the future.

Work-life practices improve occupational wellbeing

We aim to continually develop our operations and encourage employees to make initiatives in all aspects of our business. Consti also has an incentive scheme for all permanently employed white-collar workers. We mainly make permanent work contracts and abide to collective labour agreements and current Finnish labour law. Fixed term contracts are

made for relevant reasons, which are for instance temporary posts, seasonal work and project work. We develop our competence continuously and in the end of 2013 we founded Consti Academy to provide additional training to employees. We are an equal opportunity employer, and we do not tolerate discrimination. An equality and non-discrimination plan has been made on these issues, and it is part of Consti’s personnel strategy.

As a result of increase in new construction activity the fight for competent personnel was fierce in construction industry in 2016. In Consti, the improved market situation was reflected in increase in personnel turnover. Therefore, we increased our investments into, for example, personnel recruitment, training, and career paths during 2016.

Taking care of environmental issues is important to us

Renovations tend to decrease the built environment’s harmful influences, due to for example lower energy consumption of renovated properties. We follow worksite environmental plans and take care of waste disposal, end-disposal and material and energy efficiency. As a general rule, the shorter the renovation project, the smaller the environmental impact. Accordingly, we make minimising project completion time a priority, which we accomplish with efficient production planning and scheduling.

In 2016, no environmental risks or reclamations on environmental impacts were reported.

We bear our corporate social responsibility

We emphasise ethical action and actively participate in developing society, stakeholder cooperation and charity. We renounce black market activity in all our operations and utilise our own employees to a large extent as this enables us to ensure that laws and regulations are abided by. We follow the Contractor’s Obligations and Liability Act and belong to Tilajavastuu Oy’s Reliable Partner programme. We do not approve of corruption, bribery

Photo: Shutterstock



or attempting them in any form. We continuously cooperate with several educational institutions and participate in developing the industry together with other leading companies in the business. As a result of a Regional State Administrative Inspection carried out in 2015, Consti received one

sanction during 2016. The sanction was related to deficiencies in regulatory reporting of posted workers employed by one of Consti’s subcontractors. In 2016, no events in contrast to the ethical guideline were reported.

Summary of 2016

Corporate social responsibility themes	Measured aspect	Measure	Measurement frequency	2014	2015	2016
Health and safety	Number of accidents	Accident frequency	1 month	40	26*	22*
Health and safety	Number of sick leaves	Sick leave, %	1 month	4.0%	4.2%	3.1%
Health and safety	Occupational illnesses / other work-related illnesses	Number / year	1 month	1	2	1
Occupational procedures	Personnel turnover percentage	% of employees leaving (monthly average)	1 year		15.2%	19.9%
Occupational procedures	No employment contract disputes	Number / year	1 year	0	0	1
Occupational procedures	Number of fixed-term work contracts	% of fixed-term work contracts (annual average)	1 year	6.2%	8.7%	9.0%
Environment	No public environmental risks	Number / year	1 year	0	0	0
Environment	No reclamations on environmental impacts	Number / year	1 year	0	0	0
Corporate social responsibility	Regional State Administrative Agency inspections, no sanctions	Number / year	1 year	0	0	1
Corporate social responsibility	No events that are prohibited in the ethical guideline	Number / year	1 year	0	0	0

* The measurement method was altered in 2015 to correspond with the industry standard. Figures from 2015 include subcontractor accidents and work hours.

Consti’s Corporate social responsibility report will be available on the company’s website in the 2nd quarter of 2017 www.consti.fi -> Investors

CORPORATE GOVERNANCE STATEMENT

Consti Group Plc (Consti) is registered in Finland, and it is a public listed company at Nasdaq Helsinki Ltd Stock Exchange. Consti's governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, the company's Articles of Association and the rules and guidelines of NASDAQ Helsinki Ltd. Consti complies with the Finnish Corporate Governance Code (www.cg-finland.fi) with the exception that its Board has not set up a separate Audit Committee.

The company's Board of Directors has not set up an Audit Committee, and the responsibilities of such a committee have been included in the Board's rules of procedure. The Board collectively takes care of the duties of an Audit Committee. The Board has stipulated that the Group's scope of operations does not necessitate the creation of a separate Audit Committee.

This Corporate Governance review has been given as a separate entity alongside of the Financial Statements, Report of the Board of Directors and Remuneration Statement. The review is available online on the Group's website www.consti.fi > Investors > Corporate Governance.

Consti Group Plc's Board has assessed the review in its meeting 15th February 2017, and the company's auditor has confirmed that the reviews general description on internal control and risk management is in line with the financial statement.

BOARD OF DIRECTORS

The Board's responsibilities

The Board of Directors confirms Consti's strategy and monitors its implementation. In accordance to the Companies Act and Consti's Articles

of Association, the Board of Directors attends to Consti's administration and organization of its operations and represents the company. Consti's Board of Directors has established written Rules of Procedure, in which its central responsibilities and principles of operation are defined.

Consti's Board of Directors has three to nine members. The Board elects a Chairman and a Deputy Chairman from among its members. A proposal for the composition of the Board of Directors is prepared by the Nomination and Compensation Committee established annually by the Board of Directors.

The Board of Directors

- defines the Company's dividend policy
- decides on donations within the framework of the Finnish Companies Act
- defines the operating principles for the risk management system and internal control
- considers and approves interim reports, the report of the Board of Directors and the annual financial statements
- confirms its own Rules of Procedure
- confirms the Company's operating principles and monitors how they are carried out
- approves the Company's strategy and monitors how it is carried out
- approves annually a business plan and budget based on the strategy and monitors how they are carried out
- sets personal goals for the CEO annually and assesses how they are achieved as well as approves the targets for the members of the Management Team and assesses how those are achieved
- confirms the Group's organisational structure

- appoints and discharges from their duties the CEO and the members of the Management Team and decides on their terms of employment and incentive schemes
- prepares draft resolutions as necessary for the General Meeting of Shareholders concerning remuneration schemes for management and personnel
- monitors succession issues of the management
- considers other matters that the Chairman of the Board or CEO has submitted on the agenda. Members of the Board are also entitled to bring matters before the Board by informing the Chairman of this.

In 2016, the Board of Directors concentrated, in addition to its central responsibilities outlined in Rules of Procedure, on developing publicly listed company's corporate governance, e.g. preparing and executing activities required by the new Market Abuse Regulation (MAR).

Board Members 2016

Consti Group Plc's Board of Directors on 31st December 2016 comprised of Tapio Hakakari (Chairman), Antti Korkeela, Erkki Norvio, Janne Näränen, Niina Rajakoski, Petri Rignell and Pekka Salokangas. All Board members were elected in the Annual General Meeting on 6th April 2016.

The Board of Directors held 10 meetings during 2016, the average attendance rate of Board Members was 98.6. The attendance rate per Member was: Tapio Hakakari 100%, Antti Korkeela 100%, Erkki Norvio 100%, Janne Näränen 90%, Niina Rajakoski 100%, Petri Rignell 100% and Pekka Salokangas 100%.

Board of Directors' Committees

The Board set up a Nomination and Compensation Committee to improve the efficiency of board work on 6th April 2016. The Board annually nominates at least three Committee Members and appoints one of them as Chairman of the Committee, and confirms the Committee's written charters. The Committee meets when necessary, however at a minimum three times a year. Until 16th August 2016, the Committee consisted of Janne Näränen, Petri Rignell and Tapio Hakakari and it had two meetings. All Members attended the meetings. Janne Näränen resigned on his own initiative from Consti Group Plc's Nomination and Compensation committee on August 16th 2016. In the Board meeting on August 16th 2016, Pekka Salokangas was appointed as member of the Nomination and Compensation committee in place of Janne Näränen.

The Committee has no independent decision-making power; it prepares matters to be presented to and decided by the Board. The Committee directly presents the proposal for composition and compensation for the Board of Directors to the Annual General Meeting; prepares a proposal for the CEO and the terms of his/her employment and when necessary also prepares proposals on the appointment and remuneration of other executives prior to the Board of Directors' meeting. The Committee prepares the Group's remuneration principles, short and long-term compensation schemes and monitors their efficiency and realisation. The Committee also prepares the company's diversity policy.

In 2016, the Committee made a proposal of a new long-term share-based incentive plan targeted to the key personnel of Consti Group.

The Board has stipulated that the

Group's scope of operations does not necessitate the creation of a separate Audit Committee, and the Board will take care of its responsibilities. In this capacity, the Board meets the external auditor at least once a year without the members of the management employed by the Company. In the capacity of the Audit Committee, the Board's responsibilities include reviewing the Company's financial statements, half-year financial report and interim reports, monitoring the internal control system, and seeing to internal and external audits.

CEO

The Board appoints Consti's CEO and determines the related terms of employment. The employment terms of the CEO are defined in a written employment contract. The CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within the Company. According to the Finnish Companies Act, the CEO ensures that the accounting practices of the company comply with the law and that financial matters are handled in a reliable manner. The Board assesses the CEO's work and monitors the CEO's development in achieving set targets.

In 2016, Consti's CEO was Marko Holopainen. Marko Holopainen was born in 1967 and he is a Master of Science (Technology). At the end of the fiscal period the CEO owned 71,600 Consti Group Plc shares, which amounts to 0.91 percent of the company's shares and votes.

MANAGEMENT TEAM

Supporting the CEO in his/her duties, the Management Team is responsible for business development and

the Company's operational activities in accordance with targets set by the Board of Directors and the CEO. The Management Team also defines operative principles and procedures in accordance with guidelines set by the Board. The Management Team convenes every month and whenever necessary and concentrates on the strategic issues of the Group and the business areas. On the agenda there are regular reports and questions concerning the development of the financials, governance, corporate responsibility and development projects. The CEO acts as Chairman of the Management Team.

During the fiscal period, on 1st February 2016 Pekka Pöykkö started work as Consti Talotekniikka Ltd's CEO and Management Team Member. Up until that point Consti Group Plc's CEO Marko Holopainen had also been acting as Consti Talotekniikka Ltd's CEO.

EXTERNAL AUDIT

The statutory external audit for the financial period includes auditing of accounting records, financial statements and administration. The Annual General Meeting on April 6th 2016 chose Ernst & Young as auditor with APA Mikko Ryttilähti as principal auditor. In 2016 audit costs amounted to 153,000 euro. In addition, the auditor received compensation for other services amounting to 5,000 euro. These other services were related to preparations for adoption of new IFRS standards as well as to IFRS training.

Ernst & Young Oy has acted as Consti's auditor since 2008 and APA Mikko Ryttilähti has acted as principal auditor since 2008.

INTERNAL CONTROL OF THE FINANCIAL REPORTING PROCESS

Consti compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Securities Markets Act, the Finnish Accounting Act and the Finnish Accounting Board's guidelines and statements, while complying with the standards of the Financial Supervisory Authority (FIN-FSA) and the rules of NASDAQ Helsinki Ltd. The internal control and risk management principles, guidelines, practices and responsibilities pertaining to the company's financial reporting process, have been designed to ensure that the financial reports disclosed by Consti are reliable and meet the requirements of the law, regulations and company principles.

Instructions regarding the publication of financial information and external communications are included in Consti's disclosure policy approved by the Board of Directors. Its main principles are available on the company website at www.consti.fi (Investors > Corporate Governance). Investor Relations together with Corporate Communications are responsible for ensuring the accuracy of and compliance with the policy.

Risk management

The central principle of Consti's risk management is continuous, systematic and pre-emptive action to identify risks, define the level of risk the company accepts, evaluate and handle risks and, in the event of risk realisation, see to their effective management and administration so that the company will meet its strategic and financial goals. Risk management is a part of the company's management, monitoring and reporting systems. Risk

management includes risk identification, evaluation and risk contingency planning.

Consti's strategic and operative goals are used as a basis for identifying risks. Risk analysis and evaluations are conducted as self-assessments. The probability of a risk materialising and the impact this would have is evaluated on a scale of 1–3 as defined in the company's risk principles.

Consti's Board of Directors duty is to confirm the company's risk management principles and evaluate the adequacy and appropriateness of risk management. The CEO is responsible for the company's risk management and its organisation, allocating resources for the work and reviewing the risk management principles. The Group's Management Team is responsible for the actualisation of risk management, operative risk monitoring and risk related actions.

Financial and operational risks, as well as actions taken, are regularly reported to the Management Team. Strategic risks are handled annually together with the strategy. Risk reports are assessed by the Board, the Management Team and in the business areas' own management teams.

Central risks and risk management actions are reported yearly in the annual report and in interim reports.

Internal control

Internal control aims at protecting the company and its business areas' resources from wrongful use; it makes sure all business transaction are authorised in the necessary manner, supports IT system management and ensures the reliability of financial reporting. In Consti, internal control is foremost the responsibility of line management, which is supported by the

Group's support functions. A third level of internal control is made up of internal and external audit, which confirm that the first two levels of control function efficiently.

Internal audit

Consti does not have a separate corporate audit function, as internal control responsibilities have been divided inside the corporation between different functions and areas. The Board may use external experts for assessments regarding the control environment or separate operational evaluations. Consti's external auditor's audit plan takes into consideration that the company does not have a separate corporate audit function.

The CEO creates the foundation for internal control by leading and guiding top management and ensuring that the company's bookkeeping practice follow legislation and financial administration is managed reliably.

The Management Team is responsible for making sure that the organisation's different units have detailed internal control guidelines and procedures. The financial administration staff have an especially important role, as its control actions span all of the company's operational and other units.

The Group's financial administration helps units create appropriate control procedures. It also guides the company's risk management process and reports on its execution to management and monitors the internal control procedures' efficiency and effectiveness in practise.

The business areas' management sees that all of the units and employees that are their responsibility follow the appropriate laws, regulation and internal guidelines.

Financial reporting process

Internal control efficiency regarding financial reporting is overseen by the Board of Directors, and also the CEO and Group and business area Management Teams. Internal control measures, such as reconciliations, logic analyses and comparative analyses are conducted on an organisational level. The purpose of these control measures is to detect, prevent and correct any errors and deviations in financial follow-up.

Consti's financial reporting is based on monthly performance monitoring in a centralised reporting system. Financial reports are handled first at the reporting unit level, then in the Management Teams of the business area and finally in the Group's Management Team. The Board of Directors also receives a monthly report on financial figures. Controllers report any deviations from the plans to the Management Teams, analyse the reasons for such deviations and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and financial forecasts are up to date. Financial administration aims to harmonise the work practises of controllers and ensure guidelines are interpreted consistently throughout the organisation, and also further improve the guidelines.

INSIDER MANAGEMENT

Consti complies with EU Regulation on Market Abuse ((EU) 596/2014, "MAR") and 2- and 3-tier regulation supplementing it, the Finnish Securities Markets Act, the insider guidelines of Nasdaq Helsinki Ltd as well as guidance issued by authorities. In addition, the company has

internal Insider Guidelines which Consti's Board of Directors has approved on 22nd June 2016 and which set, to some extent, stricter requirements than the above-mentioned minimum level regulation.

Consti has defined the members of the Board of Directors, the CEO and members of the Group Management Team as persons discharging managerial responsibilities ("persons discharging managerial responsibilities"). Consti publishes the transactions persons discharging managerial responsibilities and their closely associated persons have conducted relating to financial instruments of Consti in accordance with the notifications the company has received and at latest within three business days after the transactions in question were conducted. After the publication, information will also be available on the company's website. In addition, the share-ownership details on Insiders Subject to Declaration Requirement and their closely associated persons have been updated up to 2 July 2016 and are available on the company's website www.consti.fi > Investors > Corporate Governance > Insider Register.

Consti has additionally defined e.g. management team members of Consti's subsidiaries as well as persons dealing with preparation of financial reporting as persons who act in the informative core of the company, i.e. persons who have access to such informative core of the company on the basis of the tasks they deal with ("persons who act in the informative core"). People employed by Consti and people who work for Consti under a contract, and who, due to their duties, have access to insider information associated with Consti, are entered in the company's project-specific insider register, which is established when necessary.

Persons discharging managerial responsibilities or persons who act in the informative core of the company shall not trade or conduct other transactions, on their own account or for the account of a third party, directly or indirectly, relating to Consti's financial instruments during the so called closed window. The closed window begins 30 days prior to the publication of Consti's interim reports, half-year financial report or financial statement bulletins. The trading prohibition also applies to the day when results are published. Project-specific insiders are prohibited from trading in the company's financial instruments until the project concerned has been cancelled or disclosed.

Consti's CFO is responsible for adherence to insider regulations and for monitoring the duty to declare as well as the maintenance of insider registers.



Photo: Pasi Salminen

Janne Näränen
Board Member since 2008
(Chairman of the Board from 2011 to 2015)

M.Sc. (Tech.), M.Sc. (Econ.),
born 1975
Finnish citizen
Independent of the company, independent of significant shareholders as of 13 June 2016

Key work experience
Intera Partners Ltd, Partner since 2008
Booz Allen Hamilton, Senior Associate 2004–2008

Key positions of trust
Renta Group Ltd, Chairman of the Board since 2015
Hoplop Holding Ltd, Chairman of the Board since 2015
Kreate Ltd, Chairman of the Board since 2016 and Board Member since 2014
Intera Partners Ltd, Intera Equity Partners I Ltd, Intera Equity Partners II Ltd, Board Member since 2011

Does not own Consti Group Plc shares
(31 December 2016)

Board members from left to right: Pekka Salokangas, Antti Korkeela, Petri Rignell, Niina Rajakoski, Tapio Hakakari, Janne Näränen, Erkki Norvio.

BOARD OF DIRECTORS 31st December 2016

Pekka Salokangas
Board Member since 2012
Member of the Nomination and Compensation Committee

M.Sc. (Econ.) born 1961
Finnish citizen
Independent of the company and significant shareholders

Key work experience
Relacom Ltd, CEO since 2009
Wiltrain Consulting Ltd and PlanStone Ltd, Management Consultant 2008–2009
ISS Palvelut Ltd, Business Unit Director 1998–2008
Talotek Ltd, CEO 1996–1998
Onninen Oy Whosale International, Marketing Director 1993–1996
Huber Ltd, Development Director 1989–1993

Key positions of trust
Orbion Consulting Ltd, Chairman of the Board since 2013
Service Sector Employers Palta, Board Member 2011–2013 and from 2015
Relacom Finland Ltd, Board Member since 2011
Ficom, Board Member since 2009

Consti Group Plc's shares 22,000 (31 December 2016)

Antti Korkeela
Board Member since 2012

Vocational Qualification in Business and Administration, born 1969
Finnish citizen
Independent of the company and significant shareholders

Key work experience
Consti Group Ltd, CEO 2009–2011
Jollaksen Rakennushuolto Ltd, CEO 1995–2009

Key positions of trust
CTK Tekniikka Ltd, Chairman of the Board since 2012
Atolli Ltd, Chairman of the Board since 2012
Random Development Ltd, Chairman of the Board since 2012
Fluorotech Ltd, Board Member since 2012
Teollisuus ja Kiinteistöt Sundberg Ltd, Board Member since 2011

Consti Group Plc's shares 289,842
(31 December 2016)

Petri Rignell
Board Member since 2008
Member of the Nomination and Compensation Committee

M.Sc. (Tech.), born 1962
Finnish citizen
Independent of the company and significant shareholders

Key work experience
Kreate Ltd, interim CEO since 2016
IVG Polar Ltd, CEO 2010–2013
CapMan Real Estate, Industrial Advisor 2007–2010
Projektikonsultit Ltd, CEO 1994–2007
Polar Yhtiöt, Foreman 1989–1994
Lemminkäinen Ltd, Project Engineer 1985–1989

Key positions of trust
Devecon Group Ltd, Chairman of the Board since 2010
ProRock Ltd, Chairman of the Board since 2007
Minerva Kehitys ja Palvelu Ltd, Board Member since 2012
Tilakarhut Ltd, Board Member since 2008

Consti Group Plc's shares through his holding company 25,100 (31 December 2016)

Niina Rajakoski
Board Member since 2015

M.Sc. (Tech.) Master builder, born 1970
Finnish citizen
Independent of the company and significant shareholders

Key work experience
Ilmarinen Mutual Pension Insurance Company, Board, Member since 2015
Property manager 1999–2010
YIT Service Ltd, Key Account Manager 1999
YIT Rakennus Ltd, Sales Manager 1998
Haka Ltd, Estimating Engineer 1993–1994

Key positions of trust
Central Chamber of Commerce's Goods Inspection Board, Member since 2015
The Finnish Association of Building Owners and Construction Clients RAKLI ry, Construction and Procurement Council Member since 2012
Real Estate Manager certification group (KJs, Kiinteistöjohdon sertifiointiryhmä) Chairman since 2012

Does not own Consti Group Plc shares
(31 December 2016)

Tapio Hakakari
Chairman since 2015
Member of the Nomination and Compensation Committee

Master of Laws, born 1953
Finnish citizen
Independent of the company and significant shareholders

Key work experience
Webstor Ltd, CEO
Cargotec PLC, interim President and CEO 2012–2013
Kone PLC, Director and Secretary to the Board 1998–2006
KCI Konecranes, 1994–1998
Kone PLC, 1983–1994

Key positions of trust
Rakennuttajatoimisto HTJ Ltd, Chairman of the Board since 2016
Svenska Handelsbanken AB (publ) Finland, Board Member since 2016
Opteam Yhtiöt Ltd, Chairman of the Board since 2013
Enfo Ltd, Chairman of the Board since 2007
Cargotec PLC, Board Member since 2005 and Deputy Chairman of the Board since 2009

Consti Group Plc's shares 55,400
(31 December 2016)

Erkki Norvio
Board Member since 2008
(Chairman of the Board from 2008 to 2011)

M.Sc. (Tech.), M.Sc. (Econ.), born 1945
Finnish citizen
Independent of the company, independent of significant shareholders as of 13 June 2016

Key work experience
Ramirent Ltd, Deputy CEO 1984–1985 and CEO 1986–2005
Partek Ltd, 1972–1984

Key positions of trust
Renta Group Ltd, Board Member since 2015
Normek Group Ltd, Board Member since 2006 (Chairman of the Board 2008–2016)
Norvier Ltd, Chairman of the Board since 2007
RGE Holding Ltd, Board Member since 2014
Intera Equity Partners Ltd, Board Member since 2007

Consti Group Plc's shares through his holding company 106,463 (31 December 2016)



Photo: Pasi Salminen

Management team members from left to right:
Juha Salminen
Marko Holopainen
Risto Kivi
Markku Kalevo
Esa Korkeela
Hannu Kimiläinen
Pekka Pöykkö
Jukka Mäkinen
Pirkka Lähteinen

Pirkka Lähteinen

Consti Korjausurakointi Ltd's Regional Director
B.Eng., born 1977

Key work experience
Consti Korjausurakointi Ltd, Regional Director since 2011
Jollaksen Rakennushuolto Ltd, CEO 2009–2011 and Project Manager 2000–2009

Key positions of trust
Kaskiniemen Sora Ltd, Board Member since 1992

Consti Group Plc's shares 16,750 (31 December 2016)

MANAGEMENT TEAM
31st December 2016

Juha Salminen

CDO
Ph.D. (Tech.), born 1963

Key work experience
Consti Group Ltd, CDO since 2012
NCC Rakennus Ltd, Development Director 1999–2012
Psyko Business Learning Consulting Ltd., Management Consultant 1998–2000
Helsinki University of Technology, Researcher and Project Manager 1996–2000
Salmicon Ltd., CEO 1990–2011
Polar-Rakennus Ltd., Foreman 1990–1991

Key positions of trust
Salmicon Ltd, Chairman of the Board since 2012

Consti Group Plc's shares 19,530 (31 December 2016)

Marko Holopainen

CEO
M.Sc. (Tech.), born 1967

Key work experience
Consti Talotekniikka Ltd, CEO 2009–31 January 2016
Koja Tekniikka Ltd, CEO 2004–2009 and Regional Director 2002–2004
ABB, 1989–2002

Key positions of trust
Chairman of the Board of Consti Group Plc's subsidiaries since 2014
The Finnish Association of Building Technology (Talotekniikkaliitto), Board Member since 2014

Consti Group Plc's shares 71,600 (31 December 2016)

Risto Kivi

Consti Julkisivut Ltd's CEO
Master Builder, born 1971

Key work experience
Consti Julkisivut Ltd, CEO since 2011
Raitayhtiöt Ltd, CEO 2009–2011
Raitamiespalvelu Ltd, CEO 2008–2009
Raitarakennus Ltd, CEO 2007–2009
Raitasaunmaus Ltd, CEO 1998–2007
Rkm Kivi ja Kalevo Ltd, Entrepreneur 1993–1998

Key positions of trust
Midpointed Ltd, Board Member since 2012

Consti Group Plc's shares 375,300 (31 December 2016)

Markku Kalevo

Consti Julkisivut Ltd
Bid and Sales Director
Construction technician, born 1971

Key work experience
Consti Julkisivut Ltd, Bid and Sales Director since 2011
Raitayhtiöt Ltd, Deputy CEO 2009–2010
Raitasaunmaus Ltd, CEO 1998–2009
Rkm Kivi ja Kalevo Ltd, Entrepreneur 1993–1998

Key positions of trust
L&K Pooki Ltd, Chairman of the Board since 2010

Consti Group Plc's shares 296,900 (31 December 2016)

Esa Korkeela

CFO
M.Sc. (Econ.), born 1972

Key work experience
Consti Group Plc, CFO since 2009
JRH Rakennushuolto, CFO 1995–2009

Consti Group Plc's shares 399,600 (31 December 2016)

Hannu Kimiläinen

Consti Service Business Director
B.Eng., born 1963

Key work experience
Consti Service, Business Director since 2014
Caverion Suomi Ltd, Business Unit Director 2010–2014
Meju Ltd, CEO since 1999
ISS Palvelut Ltd, 2006–2014
Palosammutinhuolto PSH Ltd, CEO 1989–2006

Key positions of trust
Kanta-Hämeen Sammutinhuolto Ltd, Chairman of the Board since 2011

Consti Group Plc's shares 1,000 (31 December 2016)

Pekka Pöykkö

Consti Talotekniikka Ltd CEO
B.Eng., born 1967

Key work experience
Saipu Ltd, CEO 2014–2015
Caverion Suomi Ltd, Business Unit Director 2010–2014
YIT Kiinteistötekniikka Ltd, Business Unit Director 2004–2010
YIT Rapido Kiinteistöpalvelut Ltd, CEO 1999–2004
YIT Service Ltd, Regional Manager 1994–1999
Norstep Ltd, Development Engineer 1993–1994

Key positions of trust
Finnish Association of HPAC Technical Contractors, Board Member and Member of the Executive board since 2014
Building technology association (Talotekniikkaliitto ry), Board Member since 2014

Consti Group Plc's shares 600 (31 December 2016)

Jukka Mäkinen

Consti Korjausurakointi Ltd's CEO
M.Sc. (Tech.), born 1960

Key work experience
Consti Korjausurakointi Ltd, CEO since 2013
Devecon Projektinjohtopalvelu Ltd, CEO 2013
Hartela Ltd, 2007–2013
ISS Proko Ltd, Regional Director 1999–2007
Projektikonsultit Ltd, Project Manager 1997–1999
YIT-Yhtymä Ltd, Director of the Technical Office 1995–1997 and Worksite Project Engineer 1989–1995
Helsinki University of Technology, Lecturer 1998–2014

Key positions of trust
Talonrakennusteollisuus Ry, Board Member since 2015
Talonrakennusteollisuus Uusimaa District Ry, Board Member since 2015

Consti Group Plc's shares 15,812 (31 December 2016)

CONSTI

FINANCIAL REVIEW

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BOARD OF DIRECTORS' REPORT

BOARD OF DIRECTORS' REPORT

Consti is one of Finland's leading companies focused on renovation and technical building services. Consti has a comprehensive service offering covering technical building services, residential pipeline renovation, renovation contracting, building facade repair and maintenance, and other renovation and technical services for demanding residential, commercial and public properties. Consti has focused its operations especially to the Greater Helsinki area and the Tampere region of Pirkanmaa. The company also has operations in Turku, Lahti, Oulu, and Hämeenlinna.

Consti has three business areas: Technical Building Services, Building Facades, and Renovation Contracting. All these also contain servicing and maintenance services (Service Business) which is monitored as its own entity. Consti's Service business includes service contracting as well as technical repair and maintenance services to contract customers.

The Group's parent company is Consti Group Plc. The business areas operate in three subsidiaries completely owned by the parent company: Consti Technical Building Services Oy (Technical Building Services), Consti Building Facades Oy (Building Facades) and Consti Renovation Contracting Oy (Renovation Contracting). Eleta Talotekniikka Oy was acquired in January 2016. The merger with Consti Technical Building Services was completed in the end of May 2016. Pirkanmaan JT-Palvelut Oy was acquired in November 2016. The aim is to finish its integration into Consti Business Facades during the first half of 2017.

Business areas are reported in one segment. In addition, Consti reports sales, order backlog and order intake for each business area.

Consti Group's net sales grew 2.1 percent in 2016 and was EUR 261.6 (256.2) million. Net sales grew in both Technical Building Service and Renovation Contracting, but decreased somewhat in Building Facades. Operating profit (EBIT) grew 30.5 percent and was EUR 11.0 (8.4) million. Operating profit from sales was 4.2 (3.3) percent.

Operating environment

The European construction business research group Euroconstruct estimates that housing construction in 2016 grew by approximately 8 percent compared to the previous year. Renovations grew an estimated 1.5 percent and new construction is

estimated to have grown as much as 15 percent from the previous year. Consti believes that the strong growth in new construction reduced the amount of large-scale renovations particularly in business premises during 2016.

Although renovation growth slowed down somewhat in 2016, the renovation needs of existing building stock is believed to sustain steady growth into the next decade. Euroconstruct's estimate sees Finland's renovation contracting growth in 2017-2019 at approximately two percent per year, while the corresponding time period's average growth estimate for new construction is approximately -1 percent a year. The general economic condition has a clearly smaller impact on renovations and technical building services than on new construction.

In Finland renovation spending has amounted to at least as much as the value of new construction since 2014. Euroconstruct estimates that the total value of Finland's renovation market in 2016 was EUR 12.4 billion, which is equivalent to approximately 50 percent of the entire building construction market. The ageing building stock increases the demand for technical building renovation, such as pipeline renovations and facade renovations. At the moment, mainly buildings from the 1960s and an increasing number of buildings from the 1970s are being renovated in Finland. Renovations will start next in the considerably larger building stock of the 1980s.

In addition to ageing, buildings require more renovation, technical building services and building technology maintenance services due to heightened energy efficiency requirements, urbanisation, modification of the use of buildings, the development of housing automation and the ageing populations' need for barrier-free buildings.

Renovation markets are concentrating increasingly clearly to growth centres. Renovations in areas where population is declining are not always economically viable. In renovation contracting the largest growth in the next 10 years is expected to come from renovation needs of apartment buildings owned by housing corporations in growth centres.

A significant share of the renovation market comes from building technology. The Finnish Association of HPAC Technical Contractors estimates that the Finnish building technology market amounted to a total of approximately EUR 5 billion in 2016. HPAC technology's share of the building

technology market is about two thirds. In new construction the share of building technology continues to grow and modern building technology is also being installed increasingly much into buildings being completely renovated. The significance of building technology and automation is continually emphasised as systems develop and the amount of technology increases in buildings. The building technology market is expected to grow faster than the entire renovation market.

The renovation and building technology market is very fragmented in Finland. Large construction companies focus mainly on new construction with larger projects than in renovation contracting. Renovation contracting and building technology markets consist of numerous small, local companies that usually focus on only one segment of renovation or building technology.

Long term goals

Consti's goal is to grow in the company's current market areas and to expand Consti's full service offering to Finland's growth centres. The company is seeking to accomplish both organic growth and growth through acquisitions. The company's long term financial goals are to achieve:

- Annual average net sales growth of at least 10 percent
- Adjusted EBIT margin of over 5 percent
- Cash conversion ratio of over 90 percent
- Net debt and adjusted EBITDA rate of under 2.5 whilst maintaining an efficient capital structure

Sales, result and order backlog

Consti Group's net sales for 2016 grew 2.1 percent and was EUR 261.6 (256.2) million. Organic growth was 0.9 percent. Technical Building Service net sales was EUR 103.9 (102.6) million, Renovation Contracting net sales was EUR 75.0 (68.7) and Building Facades net sales was EUR 88.6 (89.2) million. These figures include Service Business's net sales growth which was 25.7 percent amounting to EUR 40.4 (32.2) million.

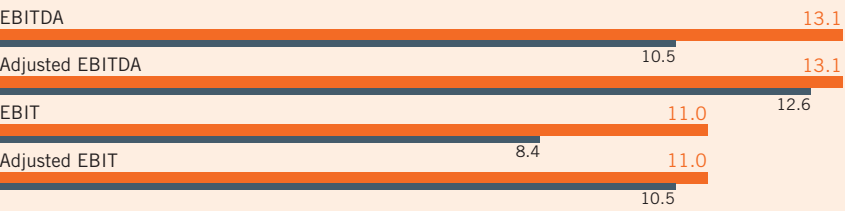
Net sales grew in both Technical Building Service and Renovation Contracting, but decreased somewhat in Building Facades. Technical Building Service net sales grew 1.3 percent. Technical Building Service's net sales growth was good in service operations. Renovation Contracting net sales grew 9.1 percent. Growth was strong in the Greater Helsinki area and in the Turku region. Building Facade's net sales decreased 0.7 percent. The decline in sales was due to a decrease in net sales in one of its areas, tenant housing, compared to the corresponding fiscal period last year.

Net sales € million
2016 2015



Operating profit (EBIT) for 2016 grew from the previous year and was EUR 11.0 (8.4) million. Operating profit from sales was 4.2 (3.3) percent. Costs affecting comparability during the reporting period totalled EUR 0.02 (2.1) million, relating to the IPO. The January-December adjusted EBIT before items affecting comparability was EUR 11.0 (10.5) million. The adjusted EBIT margin before items affecting comparability was 4.2 (4.1) percent.

EBITDA and EBIT € million
2016 2015



Consti's most notable individual customer contract was a deal signed with real estate development company Grand Residence Development Oy on 19th December 2016, regarding the complete renovation and use modification of a prime property located on Helsinki's Korkeavuorenkatu. The project is worth nearly EUR 20 million and will utilise Consti's expertise in facades, renovations and building technology. The building has been in office use for a long time and its over 5,000 square meter facilities will now be completely renovated for residential use. The project's duration is approximately two years.

In Technical Building Services, the most significant public contracts in 2016 were the building automation work in Helsinki City Theatre's complete renovation which was finished in January 2017, as well as Järvenpää's new Social and Health Centre carried out with the alliance model.

In Renovation Contracting, largest projects finished in 2016 were the Haliskylä residential complex of 14 buildings owned by the Student Village Foundation of Turku, the Lahti courthouse built at the premises of Lahti Askonalue's old industrial facility, and the renewal of the Kaivotalo Building's business facilities, owned by the Student Union of the University of Helsinki and located in Helsinki city centre. In Turku work started on the complete renovation

of the culturally and historically valuable Sappallinna swimming stadium, and the work is scheduled to be finished by summer 2017. In Helsinki the building of hotel George commenced.

In Facade renovations a large number of small and medium-large facade renovation and apartment renovation projects were finished during 2016. In August a particularly large, comprehensive facade renovation project commenced in an apartment complex of 250 apartments, housing corporation Meri-Kamppi in Helsinki, which was built in the 1980s. In Oulu city centre, Consti is completely renovating an old pharmacy building with cultural and historical value. This project also involves work from all Consti's business areas.

Service Business grew due to many small

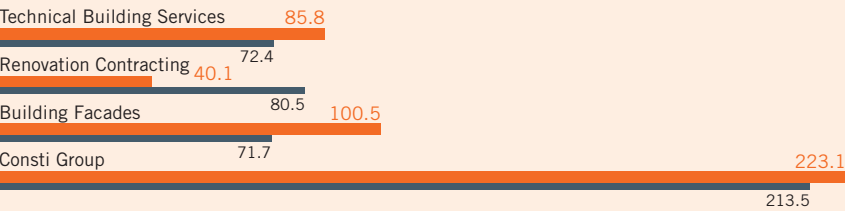
and medium-large projects. In the Greater Helsinki area, numerous business premises were modified and amenity renovations at Student Foundation Hoas' apartments in Helsinki continued. In facades Consti conducted grouting and maintenance painting for instance at eight sites for Espoo city. In building technology services long-term contracts were made for building technology maintenance for example with Hämeenlinna and Hyvinkää cities and with the Hospital District of Turku.

The order backlog at the end of the year grew 5.2 percent and was EUR 190.8 (181.3) million. Order backlog grew 2.2 percent in Technical Building Services and 39.3 percent in Building Facades, but decreased 23.8 percent in Renovation Contracting.

Order backlog € million
2016 2015



Order intake € million
2016 2015



New order intake during the year was 4.5 percent more than in the previous year, and was EUR 223.1 (213.5) million. Order increase in Technical Building Services was 18.6 percent and 40.1 percent in Building Facades but decreased 50.1 percent in Renovation Contracting. Demand for residential building pipeline renovations and facade renovations, as well as maintenance services and service contracting were highlighted in new orders during 2016. New deal value was increased also by the deal signed in December with real estate development company Grand Residence Development Oy regarding the complete renovation and use modification of a prime property located on Helsinki's Korkeavuorenkatu.

Investments

Investments into tangible and intangible assets in 2016 were EUR 1.9 (2.7) million, which is 0.7 (1.0) percent of the company's net sales. The largest investments were made into tangible items of property which primarily include machinery and equipment purchases.

Investments related to business acquisitions or asset deals during 2016 amounted to EUR 0.9 (0.0) million. Consti signed a deal on acquiring Eleta Talotekniikka in January 2016. Eleta is an Espoo-based company founded in 1987 specialised in building technology. In 2015 Eleta Talotekniikka's net sales were approximately EUR 2 million. All Eleta employees transferred to work for Consti. The deal further enhances Consti's strong expertise in technical building services in the Greater Helsinki area and supports the company's drive to increase its maintenance and energy competence. In November 2016 Consti signed deals to acquire the share base of Pirkanmaan JT-Palvelut Oy and the business of Cool Air Service Finland Ky. Pirkanmaan JT-Palvelut was founded in 1989. It is a second generation family business that had net sales in 2015 amounting to approximately EUR 1.3 million. With the acquisition, the entire JT-Palvelut staff become Consti employees. The deal strengthens Consti's Facade maintenance service offering in Tampere. CoolAir Service was

Free cash flow € million

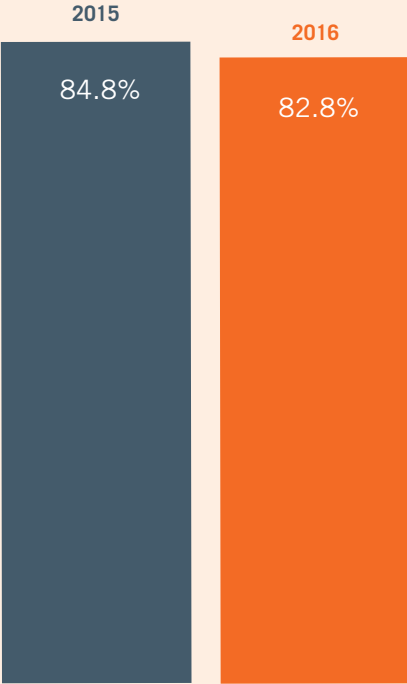


founded in 2012 and it specialises in cooling equipment instalments and maintenance. It operates in the Pirkanmaa region and strengthens Consti Technical Building Service's service business. The entire staff of the acquired company will move to work for Consti. Also all current customers will be transferred to Consti and existing partnership agreements will continue.

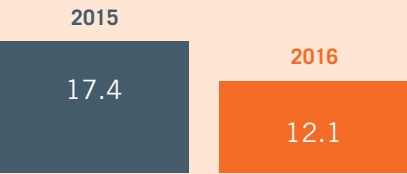
Cash flow and financial position

The operating cash flow before financing items and taxes in 2016 was EUR 12.8 (11.6) million. Free cash flow, i.e. operating cash flow before financing items and taxes less investments in intangible and tangible assets was EUR 10.9 (8.9) million. The cash flow ratio was 82.8 (84.8) percent. The cash flow was positively affected by the improvement of operating result. Released cash flow from working capital was smaller than in the comparison period.

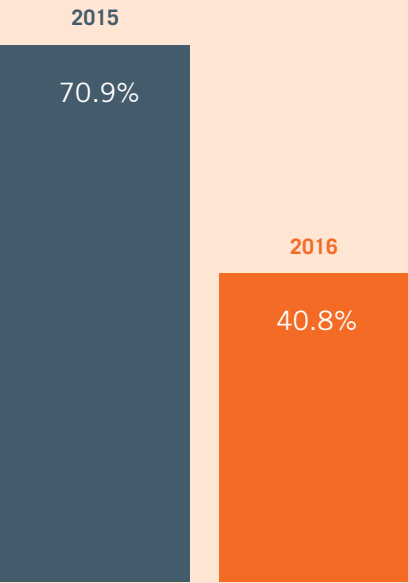
Cash conversion %



Net interest-bearing debt € million



Gearing %



Consti Group's cash and cash equivalents on 31st December 2016 were EUR 9.3 (4.1) million. In addition, the company has undrawn revolving credit facilities amounting to EUR 5.0 million. The Group's interest bearing debts were EUR 21.4 (21.5) million. External loans are subject to two financial covenants based on the ratio of the Group's net debt to adjusted EBITDA and gearing. On the balance sheet date, the interest bearing net debt was EUR 12.1 (17.4) million and the gearing ratio 40.8 (70.9) percent.

The balance sheet total on 31st December 2016 was EUR 98.1 (90.7) million. At the end of the reporting period tangible assets in the balance sheet were EUR 5.1 (5.4) million. Equity ratio was 34.5 (31.4) percent. Rental liabilities associated with off-balance sheet operational leasing agreements totalled EUR 4.4 (4.4) million on 31st December 2016.

In September 2015, the Company changed its capital structure and refinanced its indebtedness. The change in capital structure and refinancing of indebtedness decreased financing costs in 2015. The impact was seen especially in 2016.

Research and development work

Research and development work support Consti Group's strategy and chosen growth areas. Strategic development areas include strengthening customer relationships and investing in advanced projects, technological innovations and customer-oriented operating models.

Strong and close customer relationships support Consti in developing and using advanced project models. Models developed specially to accelerate project completion include full responsibility building, cooperation projects and the Plan and Complete model developed for smaller projects. All the models were in use in 2016.

Consti also has strong experience in introducing new renovation methods and innovations in building technology. For instance, in pipeline renovations Consti offers all the renovation methods that exist on the market for different kinds of renovation sites.

In 2016 training was arranged on for example customer work. Supervisor training encouraged renewing and developing established operational models across units.

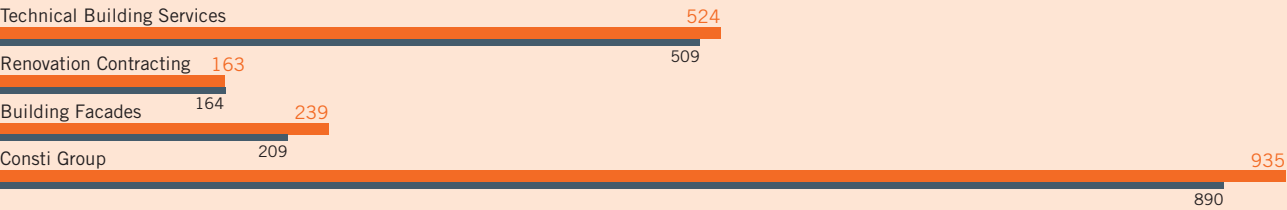
Consti seeks to continuously improve its operations and efficiency. In 2016 training was organised particularly to develop production planning and supervision. The foundation for the development work is streamlining production. This means more

specific and more accurately paced planning and supervision, which decreases the time-lag between work phases. The principle has been taken into use in several projects and methods relating to it are also being developed in joint projects with the entire building industry. Significant leaps in efficiency have been sought by adapting pre-manufactured fixing methods that have been developed together with a partner, and by developing and taking into use new supervision tools based on Lean-thinking.

Personnel

At the end of 2016 Consti employed a total of 935 (890) professionals. The average employee count during January-December was 933 (910). At the end of the year 524 (509) employees worked in Technical Building Services, 163 (164) in Renovation Contracting, and 239 (209) in Building Facades. The parent company employed 9 (8) people.

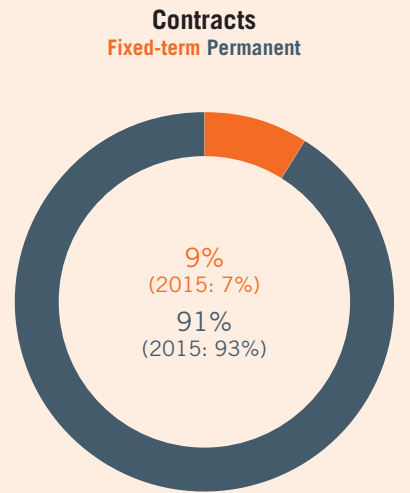
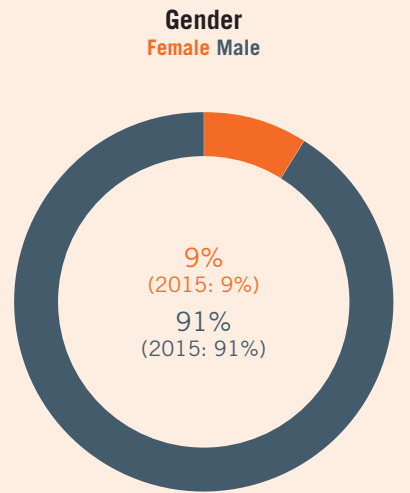
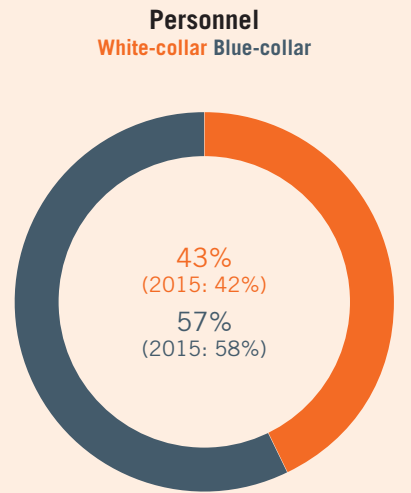
Number of personnel at period end
2016 2015



Of the personnel employed at the end of the year, 9.2 percent worked with fixed-term employment contracts. Nearly one quarter of them were interns. At the end of the year Consti employed 404 (373) white collar workers and 531 (517) workers.

At the end of the year 90.7 (90.6) percent of Consti employees were male. 9.3 (9.4) percent of the staff were female, which is slightly above the Finnish industry average.

In 2016 supervisor training in personnel development was increased and work continued in improving safety, project management skills, and customer relationship competence.



Management Team

Consti Group Plc's Management Team at the end of the reporting period consisted of CEO Marko Holopainen and the following persons: Esa Korkeela, CFO; Risto Kivi, Consti Julkisivut Oy's CEO; Jukka Mäkinen, Consti Korjausurakointi Oy's CEO; Pekka Pöykkö, Consti Talotekniikka Oy's CEO, Hannu Kimiläinen, Consti Service Business Director; Markku Kalevo, Consti Julkisivut Oy's Bid and Sales Director; Pirkka Lähteinen, Consti Korjausurakointi Oy's Regional Director and Juha Salminen, CDO.

On 1st February 2016 Pekka Pöykkö started work as Consti Talotekniikka Oy's CEO and Board Member. Up until that point Consti Group Plc's CEO Marko Holopainen had also been acting as Consti Talotekniikka Ltd's CEO.

The Annual General Meeting 2016 and Board authorisations

The Annual General Meeting of Shareholders of Consti Group Plc held on 6th April 2016 adopted the Financial Statements and discharged the Members of the Board of Directors and the CEO from liability for the financial year 1st January–31st December 2015. The Annual General Meeting resolved that dividend of EUR 0.39 per share for the financial year 2015 is paid.

The Annual General Meeting resolved that the Board of Directors consists of seven members. The current members of the Board of Directors, Tapio Hakakari, Antti Korkeela, Erkki Norvio, Janne Näränen, Niina Rajakoski, Petri Rignell and Pekka Salokangas were re-elected to the Board of Directors for the following term of office.

Authorised Public Accounting firm Ernst & Young Ltd was elected as the Auditor of the Company and Mikko Ryttilähti, Authorised Public Accountant, will act as the Principal Auditor.

It was resolved that the annual remuneration of the members of the Board of Directors is paid as follows: The Chairman of the Board of Directors is paid EUR 30,000 and members of the Board of Directors are each paid EUR 15,000. It was resolved that the travel expenses of the members of the Board of Directors arising from participation in the Board meetings are compensated according to invoice. It was resolved that the remuneration for the Auditor shall be paid according to the Auditor's reasonable invoice.

The Board of Directors was authorised to resolve on the repurchase of a maximum of 471,000 shares in the Company in one or several tranches by using funds in the unrestricted shareholders' equity. The shares may be repurchased for the price formed at the moment of purchase on public trading or for the price otherwise formed on the markets. The own shares may be purchased by deviating from the shareholders' pre-emptive rights (directed repurchase).

The shares may be repurchased in order to, for example, carry out the Company's share-based incentive plan. The Board of Directors is authorised to decide on how repurchase is carried out and on all other matters related to the repurchase of shares.

The authorisation shall replace previous unused authorisations of the Board of Directors to resolve on the repurchase of the Company's shares. The authorisation shall be valid until the closing of the next Annual General Meeting, however, no longer than until 30th June 2017.

The Board of Directors was authorised to resolve on the share issue and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Companies Act in one or several tranches, either against payment or without payment. The aggregate number of shares to be issued, including the shares to be received based on special rights, shall not exceed 780,000 shares. The Board of the Directors may resolve to issue either new shares or to transfer treasury shares potentially held by the Company.

The Board of Directors is authorised to decide on all other matters related to the issuance of shares and special rights, including on a deviation from the shareholders' pre-emptive rights. The authorisation is used, for example, to carry out the Company's share-based incentive plan or for other purposes resolved by the Board of Directors. The Board of Directors is authorised to decide on all other matters related to the issuance of shares and special rights entitling to shares.

The authorisation replaces previous authorisations of the Board of Directors to resolve on the issuance of shares and issuance of other special rights entitling to shares. The authorisation shall be valid until the closing of the next Annual General Meeting, however, no longer than until 30th June 2017.

Corporate Governance and Auditors

Consti Group Plc's Board of Directors on 31st December 2016 included Tapio Hakakari (Chairman), Antti Korkeela, Erkki Norvio, Janne Näränen, Niina Rajakoski, Petri Rignell and Pekka Salokangas. The Board of Directors elected by the Annual General Meeting of Shareholders of Consti Group Plc on 6th April 2016, held its organising meeting and elected Tapio Hakakari as the Chairman of the Board. The Board of Directors appointed Tapio Hakakari, Janne Näränen and Petri Rignell as members of the Nomination and Compensation Committee. The Board of Directors has not established other committees.

On 16th August 2016 Janne Näränen asked to be relieved of his duties on the Nomination and Compensation Committee. The Board Meeting on 16th August 2016 chose Pekka Salokangas to replace Janne Näränen on the Nomination and

Compensation Committee.

The Group's CEO is Marko Holopainen.

On 31st December 2016 the Board members and CEO owned personally or through a holding company a total of 570,405 Consti Group Plc's shares, which amounts to 7.26 percent of the Company's entire share base and votes.

Authorised Public Accounting firm Ernst & Young Ltd has acted as the Auditor of the Company with Mikko Ryttilähti, Authorised Public Accountant as the Principal Auditor.

Consti complies with regulations of The Finnish Corporate Governance Code. In insider issues Consti complies with EU Regulation on Market Abuse ((EU) 596/2014, "MAR") and 2- and 3-tier regulation supplementing it, the Finnish Securities Markets Act, the insider guidelines of Nasdaq Helsinki Ltd as well as guidance issued by authorities. Consti Group Plc's Board of Director's report on the Company's corporate governance from 2016 and the remuneration and incentives report from 2016 are on Consti Group Plc's website www.consti.fi > Investors > Corporate governance.

Shares and share capital

Consti Group Plc's share capital on 31st December 2016 was EUR 80,000 and the number of shares 7,858 267. Consti Group Plc held 237,336 of these shares. The Company has a single series of shares, and each share entitles its holder to one vote at the General Meeting of the company and to an equal dividend. The Company's shares have no par value. Consti Group Plc's shares are added into the Book-Entry Securities System.

During the financial period the Board announced on 25th November 2016 the transferring of a total of 6,164 of its own shares related to the purchase of the shares of Pirkanmaan JT-Palvelut Oy to cover part of the purchase price which was paid with Consti's own shares. The shares represented 0.08 percent of the Company's entire number of shares and votes. After the financial period on 31st January 2017 the amount of own shares the Company held decreased to 208,408 shares due to the transferring of a total of 28,928 of its own shares related to the purchase of the shares of Oulun Talosaneeraus Oy to cover part of the purchase price which was paid with Consti's own shares. The shares represented 0.37 percent of the Company's entire number of shares and votes.

Bonus plans

Consti Group Plc's Board decided on 10th November 2016 to supplement the Company's bonus plans with a long-term share-based incentive plan. The aim of the new plan is to merge the objectives of the shareholders and key people in order to increase the value of the Company in the long-term, to engage key people to the Company,

and to offer them a competitive reward plan based on earning of the Company's shares.

The plan offers the key people included in the plan the opportunity to earn Company shares as bonuses by altering half or all of their performance based bonuses for 2016 and 2017 into shares. The performance based bonuses altered into shares will be multiplied with a bonus factor determined by the Board before the bonuses are paid. The plan's possible bonus will be paid to participants after a two-year engagement period during years 2019 and 2020, in part as company shares and in part as cash.

The plan will include a maximum of approximately 70 key people including the Management Team. For the earning periods 2016 and 2017, the bonuses paid will amount to a maximum of approximately 289 200 Consti Group Plc shares at the share price level of the plan's ending time, including also the cash payment, providing that all of the key people included in the plan decide to participate in it and alter their performance based bonuses entirely into shares.

Trade at Nasdaq Helsinki

Consti Group Plc has been listed in the Helsinki Stock Exchange main list since 15th December 2015. The trade symbol is CONSTI. On the Nordic list Consti Group Plc is classified a small cap company within the Industrials sector. From 1st January to 31st December 2016 Consti Group Plc's lowest share price was 8.90 euro and the highest 17.48 euro. The share's trade volume weighted average price was EUR 11.90. At the close of the stock day on the last trading day of the reporting period 30th December 2016 was EUR 14.76 and the Company's market value was EUR 116.0 million.

Changes in holdings/flaggings

Consti Group Plc has received the following notice in accordance with Chapter 9, Section 5 of the Finnish Securities Market Act:

Intera Fund I Ky announced that the total number of Consti shares and votes owned by Intera decreased below 15 percent of the share capital of Consti on 8th January 2016. At the time Intera held 11.95 percent of the votes and owned 939,436 shares.

Danske Bank A/S announced that the total number of Consti shares and votes owned by Danske's funds and Pensionsforsikringsselskabet Danica A/S increased above 5 percent of the share capital of Consti on 9th March 2016. At the time

Danske held 5.31 percent of the votes and owned 417,019 shares.

Intera Fund I Ky announced that the total number of Consti shares and votes owned by Intera decreased below 10 per cent of the share capital of Consti on 13th June 2016. As a result of the arrangement, Intera does not own any Consti Plc shares.

Related-party transactions

There were no significant related-party transactions during the reporting period.

Near-term risks and uncertainties

Consti divides risks to the Company's business into strategic and operative risks, as well as financing risks and risks of injury or damage. Consti's businesses main uncertainties have to do with the Finnish economic situation, which has an impact for example on inhabitants' eagerness to invest and the availability of financing, as well as the success of the Company's growth strategy and related corporate acquisitions, personnel and recruitments. In addition, financing risks come from interest rate, credit and liquidity risks. The Company estimates that no relevant changes have occurred in the Company risks during the fiscal period.

Consti's Board of Directors duty is to confirm the Company's risk management principles and evaluate the adequacy and appropriateness of risk management.

Consti divides risks to the Company's business into: strategic and operative risks, as well as financing risks and risks of injury or damage.

Strategic risks

Consti's growth strategy is based on both organic growth and acquisitions. Risks related to acquisitions are managed with careful preparation of deals and the monitoring of integration.

Renovation building, which Consti is focused on is less vulnerable to economic changes than other areas of the construction industry. The aim is to control market risks by actively following the market and adjusting operations as need be.

Consti aims to ensure that its services are first rate in quality and that it fulfils all regulatory requirements set for the company and its business. Consti strives to ward off black market activity in all of its actions. Consti uses a great deal of its own employees in its operations, which makes it easier to ensure all laws and regulations are adhered to. The Act on Contractor's Obligations and Liability when Work is Contracted Out is followed to ensure the lawful actions of

all subcontractors. Consti's actions to decrease environmental risks and avert black market are explained in more detail in the Company's "Corporate Social Responsibility Report".

All Consti Group's business areas have the Construction Quality Association's (Rakentamisen Laatu ry) RALA Certificate of Competence. Consti Talotekniikka Oy also has a SFS-EN ISO 9001:2008 certification for quality control from DNV.

Operational risks

Consti's success depends to a large extent on how well it is able to acquire, motivate and retain professional personnel and uphold its employees' competence. The aim is to minimise personnel turnover risk with e.g. continuous training and by supporting voluntary training. To maintain working ability Consti offers its personnel a much broader health care scheme than what is required by law. The Group has a bonus scheme that includes all permanent white collar staff. Personnel risks also include possible human errors and misconducts. These risks are managed with careful recruiting, job initiation, work supervision and with ethical guidelines created for supervisors.

According to the Act on Contractor's Obligations and Liability, Consti ensures that subcontractors abide to their legal obligations.

Consti uses subcontractors especially for tasks requiring specific competence in demanding work stages and as project based workers to level out seasonal demand variation. Subcontractor risks are managed with carefully crafted contracts and long term partnerships. Supplier risks are managed with meticulously formulated contracts and regular assessments of the suppliers' financial position.

The Company has a wide customer base that consists of housing corporations, municipalities and other public-sector operators, real estate investors as well as corporations and industrial players. The broad customer base decreases risks related to individual projects and the market environment.

A substantial part of Consti's business comes from tendered projects and services. The Company and its business areas have procedures that determine which tenders the Company participates in and what the decision-making processes regarding these projects are. Consti has jointly agreed upon procedures for internal tender calculation, authorisation for decision making, and project management and monitoring.

Changes in construction, environmental protection, workforce and work safety

legislation as well as taxation and financial reporting all have an impact on Consti's operating possibilities. The Company follows and assesses changes in legislation and regulations set by authorities. Litigation risks are managed with careful contract formulation, project planning and monitoring, as well as with the highest possible work quality, and liability insurance.

Risks relating to injuries or damage

Work safety issues are a central part of Consti's job initiation policy. At worksites safety management starts with a site-specific risk analysis. Actions are depicted both in a separate safety plan and also as a part of the plans made for production and work phases. Separate plans are made for critical work phases as need be. A general safety overview is conducted each week at worksites in safety measurements, where any found deficiencies are immediately corrected.

The most substantial environmental risks come from the possibility of environmentally harmful substances which can be produced for example when processing deconstruction waste, or caused by neglects in end-storage, in addition to which operations can cause noise, construction dust and tremor to nearby surroundings. Consti formulates required environmental plans for worksites, which identify and attempt to control all environmental risks on-site or prepare for the prevention of harmful effects.

Consti abides by legislation, regulation, permit procedures and authority regulations regarding construction, the materials used in building, storage, recycling, waste disposal and other environmental issues. Waste disposal is documented by collecting all consignment notes and documents from the entire supply chain.

ICT risks are assessed and managed in cooperation between the Group's ICT function and business areas and together with partners. The Group has rules and procedures to decrease and manage risks related to ICT and information security.

Financial risks

Consti Group is exposed to interest rate, credit and liquidity risks in its operations. Risks related to market rate fluctuations are due largely to the Group's long-term variable interest rate loans. Consti monitors the sensitivity of its loans to changes in interest rates and the impact such changes would have on the Group's results.

Consti's credit risk is related to customers who have unpaid invoices or with whom

Consti has long-term contracts as well as counterparties to cash and cash equivalents and derivative agreements. Risks related to deposits are governed by the Group's financial administration department.

The Group strives to ensure the availability and flexibility of financing with sufficient credit limit reserves and suitably long loan periods. The Group's working capital management makes every effort to ensure that it abides to covenants included in interest bearing loans, which in turn determine the capital structure provisions.

There is a risk that revenue and results of operations from long-term contracts recognised using the percentage-of-completion method and presented by financial year do not necessarily correspond to an even distribution of the final overall result over the contract period. Calculating the total result of a contract involves estimates of the total cost of completing the contract and the progress of the work to be invoiced. If the estimates of the final result of the contract change, the effect of this is reported in the period when the change first became known and could be estimated.

Goodwill is based on management estimates. Goodwill is tested for impairment annually or if necessary more often by the Group.

Environment and corporate social responsibility

Consti publishes a corporate social responsibility report annually, which among other things aims at harmonising Consti's responsible operational models. Consti's corporate social responsibility themes are health and safety, occupational procedures, environment and corporate social responsibility. The corporate social responsibility report will be published in the 2nd quarter of 2017.

Dividend and dividend policy and the Board's suggestion for profit distribution

The Annual General Meeting of Shareholders held on 6th April 2016 resolved that dividend of EUR 0.39 per share for the financial year 2015 is paid. No dividend is paid on own shares held by the Company. The record date for dividend distribution was 8th April 2016, and the dividend was paid on 15th April 2016.

According to the Company dividend policy, its goal is to distribute a minimum of 50 percent of the fiscal year's profit as dividend, however taking into consideration the Company's financial position, cash flow and growth opportunities.

Consti Group Plc's distributable funds on 31st December 2016 were EUR 53,689,223, including undistributed profits of EUR 26,482,807. The Board suggests to the Annual General Meeting that for the financial period from 1st January to 31st December 2016 dividend be paid EUR 0.54 (0.39) per share. The Board of Directors will call the Annual General Meeting of shareholders to convene on Tuesday 4th April 2016.

Outlook for 2017

Renovation is expected to continue growing in 2017. Euroconstruct estimated in its December forecast that renovation in Finland will increase approximately two percent from the previous year. The general economic conditions have a considerably smaller impact on renovation and technical building services than on new construction.

Consti estimates that its total annual net sales for 2017 will grow compared to 2016.

Significant events after the reporting period

Consti Group Plc announced on 31st January 2017 the transferring of a total of 28,928 of its own shares related to the purchase of the shares of Oulun Talosaneeraus Oy to cover part of the purchase price which was paid with Consti's own shares. Oulun Talosaneeraus Oy operates in the Oulu area, where it has gained a strong foothold during its ten years in business. The company focuses on pipeline renovations and in 2016 its net sales were approximately EUR 8 million. The company employs nearly 30 professionals in its field. The entire staff of Oulun Talosaneeraus will move to work for Consti. Also all current customers will be transferred to Consti and existing partnership agreements will continue. The deal strengthens Consti's position as a noteworthy renovation contracting provider in the Oulu region.

In Helsinki, 15th February 2017

Consti Group Plc's Board of Directors

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Net sales	4	261,558	256,151
Other operating incomes	6	920	798
Materials and services	7	–179,558	–178,072
Employee benefit expenses	8	–53,081	–51,574
Depreciation and amortisation	10	–2,138	–2,093
Other operating expenses	9	–16,719	–16,796
Total expenses		–251,496	–248,535
Operating profit (EBIT)		10,982	8,414
Financial income	11	21	28
Financial expenses	11	–936	–4,388
Total financial income and expenses	11	–915	–4,360
Profit before taxes (EBT)		10,067	4,054
Total taxes	12	–2,089	–794
Profit for the period		7,978	3,260
Comprehensive income for the period*		7,978	3,260

*The group has no other comprehensive income items

CONSOLIDATED BALANCE SHEET

Assets EUR 1,000	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Non-current assets			
Property, plant and equipment	14	5,126	5,354
Goodwill	16	44,126	43,484
Other intangible assets	15	386	425
Available-for-sale financial assets	17	8	8
Deferred tax assets	12	77	430
		49,722	49,701
Current assets			
Inventories	19	500	507
Trade and other receivables	20	38,552	36,415
Cash and cash equivalents	21	9,304	4,070
		48,356	40,991
Total assets		98,078	90,692
Equity and liabilities EUR 1,000			
Equity			
Share capital	22	80	80
Reserve for invested non-restricted equity	22	27,405	27,318
Treasury shares	22	–446	–456
Retained earnings		–5,373	–5,664
Profit for the year		7,978	3,260
Total equity		29,643	24,538
Non-current liabilities			
Interest bearing liabilities	24	20,805	20,864
		20,805	20,864
Current liabilities			
Trade and other payables	25	45,890	43,389
Interest bearing liabilities	24	597	613
Provisions	23	1,144	1,288
		47,630	45,290
Total liabilities		68,435	66,154
Total equity and liabilities		98,078	90,692

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000

	Equity attributable to owners of the parent					
	Share capital	Reserve for invested non-restricted equity	Treasury shares	Retained earnings	Total	Total equity
Equity on 1 Jan 2016	80	27,318	–456	–2,404	24,458	24,538
Total comprehensive income				7,978	7,978	7,978
Transactions with shareholders						
Conveyance of own shares		87	10		97	97
Dividend distribution				–2,970	–2,970	–2,970
Transactions with shareholders, total		87	10	–2,970	–2,873	–2,873
Equity on 31 Dec 2016	80	27,405	–446	2,604	29,563	29,643

EUR 1,000

	Equity attributable to owners of the parent					
	Share capital	Reserve for invested non-restricted equity	Treasury shares	Retained earnings	Total	Total equity
Equity on 1 Jan 2015	3	6,431	–305	–5,664	462	465
Total comprehensive income				3,260	3,260	3,260
Transactions with shareholders						
Share issue	77	20,887			20,887	20,964
Purchase of own shares			–151		–151	–151
Transactions with shareholders, total	77	20,887	–151		20,736	20,813
Equity on 31 Dec 2015	80	27,318	–456	–2,404	24,458	24,538

CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities EUR 1,000	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Operating profit		10,982	8,414
Adjustments:			
Depreciation		2,138	2,093
Other adjustments		–161	–116
Change in working capital		–180	1,190
Operating cash flow before financial and tax items		12,778	11,581
Financial income		21	28
Financial expenses		–936	–1,790
Taxes paid		–1,208	–66
Net cash flow from operating activities (A)		10,656	9,753
Cash flow from investing activities			
Acquisition of subsidiaries and business operations, net of cash	3	–884	0
Investments in tangible and intangible assets		–1,913	–2,671
Proceeds from sale of property, plant and equipment		458	1,475
Proceeds from sale of available-for-sale financial assets		5	57
Net cash flow from investing activities (B)		–2,334	–1,139
Cash flow from financing activities			
Purchase of treasury shares		0	–151
Share issue		0	536
Other changes in equity		–2,969	392
Change in interest-bearing liabilities		–117	–15,645
Net cash flow from financing activities (C)		–3,087	–14,868
Change in cash and cash equivalents (A+B+C)		5,235	–6,254
Cash and cash equivalents at period start		4,070	10,324
Cash and cash equivalents at period end		9,304	4,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting principles

GENERAL INFORMATION ABOUT THE GROUP

The parent company of the Group, Consti Group Plc, is a limited liability company established under the laws of Finland. The parent company is domiciled in Helsinki, and its registered address is Hopeatie 2, 00440 Helsinki. The company's shares have been listed on Nasdaq Helsinki since 11th December 2015. Consti Group Plc and its subsidiaries constitute Consti Group ("Consti" or "Group").

Consti Group is a leading Finnish renovation and maintenance company. Its broad range of services covers technical building services, renovation contracting and building facade renovation, as well as construction and design services for other demanding building projects, for residential and non-residential properties.

The financial statements of Consti Group Plc for the financial year ending 31st December 2016 were approved for publication by its Board of Directors at its meeting on 15th February 2017. According to the Finnish Limited Liability Companies Act, shareholders have an opportunity to adopt or reject financial statements at an annual general meeting held after the publication of the financial statements. The annual general meeting is also entitled to decide on amendments to the financial statements. Copies of the consolidated financial statements are available from the headquarters of the company at Hopeatie 2, 00440 Helsinki.

ACCOUNTING PRINCIPLES

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the applicable IAS and IFRS standards and SIC and IFRIC interpretations that were valid on 31st December 2016. The International Financial Reporting Standards refer to standards and interpretations that have been adopted by the EU under the procedure provided in Regulation (EC) No 1606/2002 and are in accordance with the Finnish Accounting Act and regulations based on the Act. The notes to the consolidated financial statements are compliant with the regulations of the Finnish Accounting Act and Limited Liability Companies Act that complement the IFRS requirements.

The consolidated financial statements are presented in thousands of euros (EUR 1,000), unless otherwise stated, and individual figures and sums of individual figures are rounded. Consequently, there can be rounding differences. Financial statements information is based on historical cost basis, with the exception of derivative contracts, which are measured at fair value. The financial statements are presented by type of expense income statement and balance sheet format.

The Group reported in accordance with the IFRS reporting standards first in 2014. The transition to the IFRS standards was made in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards standards, with the date of transition being 1st January 2013.

ACCOUNTING PRINCIPLES CONCERNING CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

The consolidated financial statements include Consti Group Plc, which is the parent company, and its subsidiaries. Subsidiaries are companies in which the Group holds control. Control is achieved when the Group, through its participation in the company, is exposed or entitled to variable returns from the company and has the ability to affect these returns through its control over the company.

Intra-Group shareholdings is eliminated using the acquisition method. The considerations transferred and the identifiable assets of the acquired companies, as well as the liabilities assumed, are measured at fair value at the acquisition date. The costs related to the acquisitions, excluding the costs arising from the issuance of debt or equity securities, are recognised as expenses. The considerations transferred do not include transactions that are handled separately from the acquisition. Their effect is recognised through profit or loss in conjunction with the acquisition. Any potential additional purchase price is measured at fair value at the acquisition date and classified as a liability. A potential additional purchase price that is classified as a liability is measured at fair value at the end of each reporting period, and the related gain or loss is recognised through profit or loss.

Acquired subsidiaries are consolidated from the moment the Group acquires control, and divested subsidiaries are consolidated until the Group loses the control. All intra-Group transactions, receivables, liabilities and unrealised profit, as well as internal profit distribution, are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss is due to impairment.

Joint arrangements

A joint arrangement is an arrangement where two or more parties have joint control. Joint arrangements are classified as joint operations or joint ventures according to the investors' contractual rights and obligations. The Group's management has evaluated the nature of its joint arrangement and deemed it to be a joint operation. The Group recognises its share of the assets and liabilities of the joint operation using the proportionate consolidation method. Proportionate consolidation is a method where each joint operation party's share of each item related to the assets, liabilities, income and expenses of

the joint operation is consolidated, item by item, in similar items in the party's financial statements or presented as separate items in its financial statements.

TRANSLATION OF ITEMS DENOMINATED IN A FOREIGN CURRENCY

The figures concerning the performance and financial position of the Group entities are determined in the currency of each entity's primary economic operating environment ("functional currency"). The Group's consolidated financial statements are presented in euros. The euro is the functional and presentation currency of the parent company and its operating subsidiaries.

Transactions denominated in a foreign currency

Transactions denominated in a foreign currency are recognised in the functional currency at the exchange rate on the date of the transaction. For practical reasons, the exchange rate used is often such that approximates the actual rate on the date of the transaction. The balances in monetary items denominated in a foreign currency are translated into the functional currency at the rate on the closing date of the reporting period. The balances in non-monetary items denominated in a foreign currency are translated at the rate on the date of the transaction. Foreign exchange gains and losses arising from transactions denominated in a foreign currency and from translating monetary items are recognised through profit or loss. Foreign exchange gains and losses arising from business operations, as well as foreign exchange gains and losses arising from receivables and liabilities denominated in a foreign currency, are included in financial income and expenses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and possible impairments.

The acquisition cost consists of the following expenses relating directly to the acquisition:

- purchase price, including import duties and non-refundable purchase taxes, less any trade discounts and rebates; and
- any costs directly attributable to ensuring that the asset is in such location and condition that it is capable of operating as intended by the management.

Interest expenses relating to the acquisition of property, plant and equipment are recognised through profit or loss.

If an item of property, plant or equipment consists of several components with different useful lives, each part is treated as a separate asset. In such cases, the expenses related to replacing a component are capitalised, and any residual acquisitions cost is written off from the balance sheet

in conjunction with the replacement. In other cases, any expenses arising later are included in the value of an item of property, plant or equipment only if the Group is likely to profit from the future financial benefit related to the item and if the cost of the asset can be measured reliably. Other repair and maintenance expenses are recognised through profit or loss at the time they occur.

Assets are depreciated using the straight-line depreciation over their remaining useful lives. Land areas are not depreciated.

The estimated useful lives are as follows:

Buildings and constructions	20	years
Machinery and equipment	3–5	years
Vehicles	3–6	years
Other tangible assets	3–5	years

The residual value and useful life of an asset is reviewed at the end of each financial period, and if the expectations differ from previous estimates, the change is treated as a change in an accounting estimate.

The gain and loss arising from the disposal of items of property, plant or equipment is recognised through profit or loss and presented in other operating income and expenses. Proceeds from the sale are determined as the difference between the selling price and the residual acquisition cost.

GOVERNMENT GRANTS

Government grants are recognised as reductions from the carrying amount of property, plant and equipment when it is reasonably sure that the Group meets the requirements for the grant and is likely to be awarded the grant. Grants are recognised through lower depreciation during the useful life of an asset. Grants received as compensation for expenses incurred are recognised through profit or loss in the same period as the expenses are recognised as a cost and are presented in other operating income.

INTANGIBLE ASSETS

Goodwill

Goodwill arising from business combinations is recognised to the aggregate amount of the consideration transferred measured at fair value, any non-controlling interest in the object of acquisition and the amount of previous holding exceeding the fair value of the net of assets.

Goodwill is not depreciated. Instead, goodwill is tested annually for any impairment. For this reason, goodwill is allocated to cash-generating units. Goodwill is measured at original acquisition cost less impairments.

Research and development

Research and development costs are recognised as expenses at the time they occur. Development costs are capitalised on the balance sheet as intangible assets, provided that the product is technologically feasible, can be exploited commercially and is expected to bring future financial benefit. Development costs to be capitalised include the material, work and testing costs that

are directly attributable to creating, producing and preparing the asset for its intended purpose. Development costs that cannot be capitalised are recognised as expenses at the time they occur. Development costs previously recognised as an expense will not be capitalised later. The company had no capitalised development costs at the end of the 2016 financial period.

Other intangible assets

An intangible asset is recognised on the balance sheet at initial acquisition cost if the acquisition cost can be measured reliably and the Group is likely to profit from the future financial benefit related to the asset.

Intangible assets with a definite useful life are recognised as an expense according to a straight-line depreciation during their known or estimated useful lives. The Group does not have intangible assets with an indefinite useful life.

The amortisation periods for intangible assets are as follows:

Order backlogs	1–2	years
Patents	3–5	years
Software	3–6	years
Certificates	3–5	years

The useful life of an asset is reviewed at the end of each financial period, and if the expectations differ from previous estimates, the change is treated as a change in an accounting estimate.

The gain and loss arising from the disposal of intangible assets is recognised through profit or loss and presented in other operating income and expenses. Proceeds from the sale are determined as the difference between the selling price and the residual acquisition cost.

IMPAIRMENT TESTING

At the end of each reporting period, the Group assesses whether there are indications of impairment of assets on the balance sheet. If there are indications of impairment or if an annual impairment test is required on an asset, the Group will estimate the recoverable amount of the asset. Regular annual impairment tests are carried out on goodwill and incomplete intangible assets. The recoverable amount is the fair value of the asset or cash-generating unit (CGU), less the cost of divestment, or its value in use, depending on which is higher. The fair value is the price received for the sale of an asset or paid for the transfer of a liability in a customary business transaction between market participants. The value in use refers to the estimated future net cash flows, discounted to their present value, expected to be derived from an asset or a cash-generating unit. The discount rate is the interest rate determined before taxes that reflects the market's view of the time value of money and special risks related to the asset.

When an asset is tested for impairment, its recoverable amount is compared to the carrying amount of the asset. The asset is impaired if its carrying amount exceeds its recoverable amount. Impairment losses are immediately expensed. Impairment losses are first allocated to goodwill and then

the remaining loss to other assets that have been tested, in proportion to their carrying amounts.

When an impairment loss is recognised, the useful life of the asset subject to depreciation is reassessed. An impairment loss recognised in prior periods on an asset other than goodwill is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, an impairment loss is not reversed beyond what the carrying amount of the asset would have been if no impairment loss had been recognised. Impairment losses recognised on goodwill are not reversed under any circumstances.

Impairment testing is described in Note 16 (“Impairment testing on goodwill and assets with an indefinite useful life”).

INVENTORIES

The Group's inventories consist of materials and supplies. Inventories are measured at cost or net realisable value, depending on which is lower. The cost of inventories is determined using the FIFO (First-In, First-Out) method, which assumes that inventories that are purchased or manufactured first will be sold or used first. The net realisable value is the estimated amount that can be realised from the sale of the asset in the ordinary course of business, less the estimated cost of realisation of completion and the estimated direct costs necessary to make the sale.

LEASES

Group as the lessee

The Group classifies a lease as a finance lease if the risks and rewards incidental to ownership are substantially transferred to the Group. If the risks and rewards incidental to ownership are not substantially transferred to the Group, the lease will be classified as an operating lease.

An asset acquired through a finance lease is recognised as assets and liabilities at fair value on the balance sheet at the beginning of the lease period or at the present value of the minimum lease payments, depending on which is lower. Depreciation is recognised on an asset acquired through a finance lease during its useful life or its lease period, depending on which is shorter. The lease payments are allocated between financial expenses and liability reductions over the lease period so that the interest rate on the remaining liability is equal for each financial year. Lease payment obligations are included in financial liabilities.

Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease period, unless another systematic basis is more representative of the time pattern of the user's benefit.

Group as the lessor

The Group has no lease agreements where it is a lessor.

EMPLOYEE BENEFITS

Pension obligations

Pension obligations are classified as defined benefit and defined contribution plans. Pension schemes for the Group's employees are arranged as statutory pension insurance with an external pension insurance

company. The arrangement is classified as a defined contribution plan. In a defined contribution plan, the Group makes fixed payments to a separate entity, and the payments are recognised during the financial period they are contributed. The Group has no legal or constructive obligations to pay further contributions if the payee is unable to pay the pension benefits to the employees.

Share-based payments

In the financial period 1st January–31st December 2015, the Group has had convertible loans that are considered to fall within the scope of application of IFRS 2 Share-based Payment standard, as they include an obligation to render services. In accordance with IAS 32 Financial Instruments: Presentation, the convertible loans are allocated between the value of the liability component and the equity component. The liability component is initially measured at the convertible loan's discounted future cash flow using a market-based rate of interest for a similar loan that does not include an equity component. The carrying amount of the equity component is determined by deducting the fair value of the liability component from the fair value of the entire combined instrument. The value of any share-based payment is measured by calculating the fair value of the conversion right related to the convertible loan on the date of the grant in accordance with the Black-Scholes option pricing model and deducting the value of the equity component of the convertible loan from this amount. If the difference is positive, it will be treated as an equity-settled share-based payment transaction in accordance with IFRS 2 and will be recognised as an expense arising from employee benefits and included in equity over the vesting period. Otherwise, the convertible loan is not considered to qualify as a share-based payment. Instead, the amount allocated to the equity component will be equal to the fair value paid for the convertible loan on the date of issuance.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised on the balance sheet when the Group has a present legal or constructive obligation as a result of a previous event, when it is likely that a payment obligation must be fulfilled and when the amount of the obligation can be estimated reliably. The amount recognised as a provision corresponds to the best estimate of the expenses required to settle an existing obligation at the end of the reporting period. Changes in provisions are recognised under the same item in the income statement where the provision was initially recognised.

Provisions arise for repairing faults detected in products during their warranty periods and for onerous contracts, for example. The amount of a warranty reserve is based on proven knowledge of provision warranty expenses. Provisions are recognised for onerous contracts when the direct necessary expenses to fulfil the obligation exceed the benefits received from the contract. Provisions are not discounted, as the Group estimates that it will use them within the next two years and because discounting would not be of substantial importance.

A contingent liability is a possible

obligation arising from past events, the existence of which is confirmed only by the future occurrence or non-occurrence of one or more uncertain events that are not entirely within the Group's control, or from an existing payment obligation that is not likely to occur or the amount of which cannot be determined with sufficient reliability. Contingent liabilities are not recognised on the balance sheet. Instead, they are presented in the notes to the financial statements, unless the occurrence of a payment obligation is highly unlikely.

INCOME TAXES

The tax expense for the reporting period under review is the aggregate amount of the tax included in the profit or loss for the period in respect of the current tax and deferred taxes. Taxes are recognised in profit or loss for the period, with the exception of situations where they are related to items in the other comprehensive income or items directly recognised in equity, when the taxes are also recognised in the items in question.

Taxes based on taxable income for the period

The tax expense for the reporting period and deferred tax liabilities (or assets) based on prior periods' taxable income are recognised to the amount that is expected to be paid to the tax authority (or received as a refund from the tax authority), and they are determined using tax rates and tax laws that have been enacted or in practice enacted by the end of the reporting period.

Deferred taxes

Deferred taxes are calculated on the basis of temporary differences between the carrying amount and the tax based amounts. However, deferred tax liabilities or assets are not recognised if they arise from the initial booking of an asset or a liability when they are not related to a business combination or the transaction would not have an effect on the profit or on the taxable income during its realisation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses, unused tax credits or deductible temporary differences can be utilised. Deferred tax assets are assessed for realisability at the end of each reporting period.

Deferred taxes are determined using tax rates and tax laws that have been enacted or in practice enacted by the end of the reporting period.

With regard to the Group, the most significant temporary differences arise from depreciation of property, plant and equipment, the measurement of derivative contracts at fair value and adjustments based on fair value in conjunction with business combinations.

The Group offsets deferred tax assets and deferred tax liabilities only in the event that the Group has a legally enforceable right to set off current tax liabilities against current tax assets and the deferred tax assets and liabilities are related to income tax levied by the same tax authority, either from the same taxable entity or different taxable entities that intend to set off current tax assets against liabilities or realise the assets and settle the liabilities at the same time. This concerns any future period during which a

significant amount of deferred tax liabilities are expected to be settled or a significant amount of deferred tax assets are expected to be recovered.

REVENUE RECOGNITION

Income from the sale of products and services, measured at fair value and adjusted for indirect taxes and rebates, is presented as revenue.

Revenue from sale of goods and services

Revenue from the sale of goods is recognised when the significant risks, rewards and control of ownership of the goods have been transferred to the buyer. Revenue from temporary services is recognised once the services have been rendered.

Revenue from construction contracts

Revenue from construction contracts represents a significant part of the Group's revenue. Construction contracts are recognised as revenue according to their stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is determined by calculating each contract's aggregate amount of costs incurred in proportion of estimated total costs relating to contract in question. Revenue is recognised according to a corresponding amount.

The revenue from a construction contract includes revenue in accordance with the original agreement, as well as adjustments to the contract and claims and incentive payments. The costs of a contract include costs directly related to the contract, costs attributable to the contract and costs generally arising from contract activity, as well as other costs specifically chargeable to the customer under the contract.

When it is probable that the total costs of the contract will exceed the total revenue from the contract, the expected loss will immediately be recognised as an expense. Changes in estimates concerning the revenue from, cost of or the final result of a contract are treated as changes in accounting estimates.

If the costs arising from and profits recognised for a construction contract exceed the amount invoiced in advance, the difference will be presented in “Trade and other receivables” on the balance sheet. If the costs arising from and profits recognised for a construction contract are less than its advance invoicing, the difference is presented in “Trade and other payables”.

Interest and dividend income

Interest income is recognised using the effective interest method, and dividends are recognised once the right to the dividend has occurred.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

The Group's financial assets are divided into the following categories: financial assets recognised at fair value through profit or loss, loans and other receivables, and financial assets available for sale.

Financial assets are classified at their initial recognition, based on the purpose of their acquisition, and the Group recognises

financial assets on the balance sheet when it becomes party to the terms and conditions of an instrument. The Group's management determines the classification in conjunction with the initial recognition. All purchases and sales of financial assets are recognised on the settlement date. Financial assets are derecognised from the balance sheet when the contractual right to the cash flows generated by the financial assets expires or when the Group transfers the risks and rewards related to ownership of the financial asset outside the Group.

All financial assets are measured at fair value at the initial recognition. Transaction costs directly related to the acquisition of a financial asset are included in the initial carrying amount of a financial asset if the item is not measured at fair value through profit or loss. Transaction costs related to financial assets recognised at fair value are immediately expensed.

Financial assets recognised at fair value through profit or loss are financial assets or derivatives held for trading that do not meet the requirements for hedge accounting in accordance with IAS 39. With regard to the Group, this category includes interest rate swaps related to operations and financing that are not subject to hedge accounting in accordance with IAS 39. Derivatives are initially recognised at fair value when the Group becomes party to a contract and are later measured at fair value. Interest rate swaps are used to hedge against changes in market rates of interest, and changes in the fair value of interest rate swaps are recognised in financial income or expenses during the period they occur. Derivatives are non-current receivables ("Receivables") if their maturity is more than 12 months and current receivables ("Trade and other receivables") if their residual maturity is under 12 months. Derivatives can also be regarded as liabilities. Their accounting principles are explained below under "Financial liabilities".

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market or the Group does not hold those for trading or specifically classify those as available for trading at their initial recognition. With regard to the Group, this item includes trade receivables, which are measured at amortised cost. By their nature, they are included in current or non-current assets on the balance sheet; in non-current assets if they mature in more than 12 months.

Financial assets available for sale are non-derivative financial assets specifically classified as available for sale or not included in another category. They are included in non-current assets, unless they are intended to be held for a period shorter than 12 months after the end of the reporting period, in which case they are included in current assets. Financial assets available for sale may include listed and unlisted shares. Investments in unlisted shares whose fair value cannot be determined reliably are measured at cost. When their fair value can be determined reliably, changes in fair value are recognised in items of other comprehensive income and presented in the fair value reserve, taking account of the tax effect. Changes in fair value are transferred from the fair value reserve to financial income

and expenses when the Group divests an available-for-sale investment or when impairment must be recognised.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that the value of an item included in financial assets is impaired. The value of a financial asset is deemed to be impaired if its carrying amount exceeds its recoverable amount. If there is objective evidence that an item included in financial assets that is recognised at amortised cost may be impaired, the impairment loss is expensed. If the amount of the impairment loss decreases in a future financial period and the decrease can be considered to arise from an event that occurred after the impairment loss was recognised, the impairment recognised on the financial asset item is derecognised.

Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand, demand deposits and other liquid money market investments with an initial maturity of 3 months or less. They are presented on the balance sheet at cost and their revenue is presented under financial income. The account limits available for the Group are included on the balance sheet under current liabilities as a net amount, as the Group has a contractual right to settle the net amount.

Financial liabilities

The Group's financial liabilities are classified into two categories: financial liabilities at fair value recognised through profit and loss, and loans and other liabilities.

Financial liabilities are recognised in the balance sheet on the settlement date and derecognised once the contractual obligations related to them expire or are transferred outside the Group.

Financial liabilities measured at fair value through profit or loss include operating and financing interest rate swaps which do not fulfil the hedge accounting requirements under IAS 39. Derivatives are initially recognised at fair value when the Group enters into a contract and are later measured at fair value. Interest rate swaps are used for hedging against fluctuations in market rates, and any changes in their fair value are recognised under financial income or expenses during the period they occur. Derivatives are treated as non-current liabilities (Other liabilities) when their maturity is more than 12 months and as current liabilities (Trade and other payables) when their residual maturity is less than 12 months.

Loans and other liabilities are initially recognised at fair value. Any transaction costs relating to the subscription of the loans are included in the initial carrying amount. Financial liabilities may be current or non-current. Financial liabilities are later measured at amortised cost using the effective interest method.

Convertible loans are treated as combination instruments containing two components: a financial liability component and an equity component. The fair value of the financial liability at the time of issue is determined by discounting the convertible loan's future cash flows with the market rate on a similar loan that does not include a conversion right. The value of the equity

instrument is determined by subtracting the fair value of the financial liability from the consideration received by the entity. The equity instrument is an embedded option to convert the liability into equity of the issuer.

Derivative contracts and hedge accounting

Derivative contracts are treated in accordance with IAS 39 Financial Instruments: Recognition and Measurement standard. The Group has classified all of its derivatives as held-for-trading, as it does not apply hedge accounting in accordance with the IAS 39 standard. The derivatives held for trading are interest rate swaps that are measured at fair value. The fair value of the derivatives is recognised under other non-current or current assets and liabilities. Both unrealised and realised gains and losses resulting from changes in fair value are recognised under financial items in the income statement during the financial period in which they occur. Consti had no derivative contracts on 31st December 2016 (31st December 2015).

EQUITY

Share capital is presented as the nominal value of the ordinary shares. Costs relating to the issue or purchase of own equity instruments are deducted from equity.

The distribution of dividends proposed by the Board of Directors to the Annual General Meeting is recognised as a liability and deducted from the equity in the consolidated balance sheet for the period in which the Annual General Meeting approves the dividend.

KEY ACCOUNTING ESTIMATES AND DECISIONS BASED ON JUDGEMENT

In the course of preparing the financial statements, the Company's management makes estimates and assumptions about the future which involve an amount of uncertainty. Such estimates and assumptions may later prove inaccurate compared with actual outcomes. The estimates are based on the management's prior experience, the best information available at the end of each reporting period and reasonable assumptions. Additionally, it is necessary to exercise judgment in the application of the accounting principles, especially in cases where IFRS standards provide alternative ways of treating various items. The sections below present the key accounting estimates and assumptions included in the financial statements.

Impairment of goodwill

Goodwill is tested for impairment annually, or more frequently if necessary, in accordance with the principles presented in note 16. The impairment testing of goodwill requires determining amounts recoverable by the cash-generating units. The determining of amounts recoverable requires the management to make estimates and judgments on future cash flows and the rates used for discounting these cash flows. The management bases its estimates on the best information available on the future outlook at the end of the reporting period and on the current market conditions at the time.

Recognition of revenue from construction contracts

Revenue from construction contracts is recognised based on the stage of completion when the final outcome of the transaction can be estimated reliably. Revenue recognition based on stage of completion requires the management to make estimates of the costs accrued by the end of the reporting period in relation to the estimated overall costs of a contract. In addition, the management must make estimates of the costs needed to complete the contract and of any change in sales prices. If estimates of a contract's revenue, costs or outcome change, the new estimates are used to determine recognised income and expenses in the period in which the changes are made and in subsequent periods. Expected losses from construction contracts are immediately expensed.

The Group has recognised deferred tax assets on temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the tax-deductible temporary differences and unused tax credits and tax losses can be utilised. Estimating the amount of taxable profit available in the future requires the management to exercise judgment and is based on estimates made by the management at the end of the reporting period.

Trade receivables

At the end of each reporting period, the management estimates the amount of the credit risk and recognises a credit loss reserve for trade receivables that are unlikely to be paid in full. The estimates are based on systematic credit control, prior experience of realised credit losses and economic circumstances at the time of estimation.

EVALUATION OF FUTURE EFFECTS OF NEW STANDARDS AND INTERPRETATIONS

IASB has published three new standards which the Group has not yet applied: IFRS 15, Revenue from Contracts with Customers, IFRS 9, Financial Instruments and IFRS 16, Leases. IFRS 15 ja IFRS 9 standards are to be applied as of 1st January 2018 and IFRS 16 standard as of 1st January 2019. Early adoption of IFRS 16 is permitted but only in conjunction with IFRS 15. The European Union has endorsed the IFRS 15 and IFRS 9 standards but not yet IFRS 16.

IFRS 15 Revenue from Contracts with Customers

IASB released IFRS 15 Revenue from Contracts with Customers standard in May 2014. The standard will replace the current revenue related standards, which are IAS 18 Revenue and IAS 11 Construction contracts. IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The standard will apply to all contracts with customers that have a commercial value and create performance obligations for the parties involved. Revenue is recognised when a customer obtains control of goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services. The core principle of IFRS 15 is that an entity

will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, IFRS 15 requires quantitative and qualitative disclosures about the entity's contracts with customers, performance obligations in the contracts and significant judgements made. Consti plans to adopt the new standard on the required effective date using the full retrospective method.

"Consti has performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Further, Consti will monitor any further developments and is also considering the clarifications issued by the IASB in 2016. Based on the preliminary assessment the impact is limited to construction and service contracts of Consti's all business areas. In construction contracts, the revenue recognition is expected to occur over time measured based on percentage of completion method as the customer obtains the control of each asset i.e. separately identifiable performance obligation. In service business, the revenue recognition occurs as the customer obtains the control of promised performance obligation. In Consti's construction and service contracts a separate performance obligation is normally a total delivery which is a combination of services and materials. The percentage of completion of construction contracts will be defined as the proportion of individual performance obligation's cost incurred to date from the total estimated costs for that particular performance obligation. The percentage of completion method requires accurate estimates of future revenues and costs over the full term of the contracts. These significant estimates form the basis for the amount of revenue to be recognised and include the latest updated total revenue, cost and risks. These estimates may materially change due to the stage of completion of the contract, changes in the contract scope, costs estimates and customer's plans and other factors. Input-based revenue recognition is based on the amount that the company is entitled to invoice against the services it has rendered."

Application of new revenue recognition principles under IFRS15 will not have a material impact on Consti's consolidated financial statements. Changes in the timing of revenue recognition will be minor because the percentage of completion method is utilised in construction contracts, and depending on the contract type and project size, percentage of completion method or input-based revenue recognition based on the rendered services are utilised in service contracts.

"From balance sheet perspective, the application of new principles will not significantly impact receivables from construction contracts or advances received because revenue recognition according to percentage of completion method is already in use. At this stage, Consti is not able to reliably estimate the quantitative impacts of the new principles on its consolidated financial statements but Consti will make more detailed assessments of the impact over the next twelve months."

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments standard will replace the current IAS 39 Financial Instruments: recognition and Measurement standard. The new standard includes requirements for classification and measurement of financial assets and liabilities. IFRS 9 retains but simplifies the different measurement principles and establishes three measurement categories for financial assets: fair value through other comprehensive income, fair value through profit or loss, and at amortised cost. The classification depends on the entity's business model and the contractual cash flow characteristics. The loss allowance model in IAS 39 is replaced with a new expected credit loss model. As to the classification and measurement of financial liabilities, the only revision introduced is the recognition of changes of own credit risk to other comprehensive income when the liabilities are measured at fair value.

The new guidance for hedge accounting brings hedge accounting and risk management closer together. Additionally, the requirements for hedge effectiveness testing have been eased. IFRS 9 requires that there is an economic relationship between the hedged item and the hedging instrument and that the hedge ratio is the same as that actually used by the management in risk management. Documentation is still required, but it differs from the documentation under IAS 39.

The company will apply the standard as of the financial period commencing on 1st January 2018. Consti is currently evaluating the impact of this standard to its financial statements. During the financial period 2016, Consti has conducted a preliminary assessment of the impacts of applying IFRS 9 standard. The preliminary assessment has been based on information available and it might change as a result of a more detailed analysis or the disclosure of new applicable guidance. The company does not expect the application of IFRS 9 to have a material impact on the financial performance or financial position of the company.

IFRS 16 Leases

In January 2016, IASB released the full version of IFRS 16 Leases standard. According to IFRS 16, the lessee is required to recognise assets and liabilities for nearly all leases. There are optional exemptions for short-term leases and leases of low-value items. Consti has started a preliminary assessment of the impacts on its consolidated financial statements. The most significant impact identified is that Consti will recognise new assets and liabilities, mainly for its operating leases of facilities and vehicles. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities reported under financing expenses. Consti has not yet quantified the impacts of the adoption of IFRS 16 on its consolidated financial statements. More detailed assessments of the impacts will be done over the next twelve months. The transition approach has not yet been finalised.

2. Operating segments

Segment information

The Consti Group's parent company is Consti Group Plc. During the financial year, the Consti Group was composed of three complementary operating segments based in Finland: Technical Building Services, Renovation Contracting and Building Facades. Due to the Consti Group's management structure, the nature of its operations and the similarity of the operating segments, the operating segments are combined into a single reporting segment that also includes group services and other items, for the purpose of segment reporting in accordance with IFRS 8.

The highest operational decision-making body is Consti Group's Board of Directors, for which the Chairman of the Board and the Managing Director prepare and present decisions.

The Board of Directors assesses the Group's financial position as a whole, rather than examining it on the basis of the operating segments' results. Reporting on separate operating segments is deemed to be of limited value to external readers because the segments' financial characteristics and long-term financial profitability are similar.

In addition to their financial characteristics, the business areas are similar in the following respects: The Group offers renovation services in all of its business areas. The Group's production process consists of repairs, modification work or servicing and maintenance tasks performed in the customers' premises. The customers are similar in all the business areas, and services are sold across business areas by combining their services in a single package. Moreover, the methods used in providing services are divided according to the nature of each service process.

EUR 1,000	2016	2015
Net sales		
Technical Building Services	103,892	102,578
Renovation Contracting	74,966	68,697
Building Facades	88,615	89,221
Parent company and eliminations	-5,915	-4,345
Total	261,558	256,151
Order backlog		
Technical Building Services	70,700	69,200
Renovation Contracting	43,515	57,100
Building Facades	76,591	55,001
Total	190,806	181,301
Order intake		
Technical Building Services	85,834	72,363
Renovation Contracting	40,122	80,482
Building Facades	100,517	71,744
Parent company and eliminations	-3,418	-11,085
Total	223,055	213,504

Information on key customers

In the 1 January–31 December 2016 and 1 January–31 December 2015 financial years, the Consti Group had a large number of customers, with no individual customer accounting for a significant proportion of the Consti Group's net sales.

3. Business combinations

Business combinations in 2016

ACQUIRED BUSINESS	Country	Type	Month of acquisition	Acquired share	No. of employees	Estimated annual net sales (€m)
Building automation, Helsinki	Finland	Share deal	January	100%	18	2.0
Building facades service, Tampere	Finland	Share deal	November	100%	10	1.3
Service and maintenance of cooling equipment, Tampere	Finland	Asset deal	November	100%	2	0.2

The acquisitions complement the Company's service offering. The goodwill recognised on the acquisition is attributable to the special expertise transferred with the company.

Business combinations in 2015

The Company did not acquire any businesses in 2015.

Acquired assets and liabilities

Fair values of the identified assets and liabilities of the businesses acquired in 2016, after their combination:

EUR 1,000	Fair value
Assets	
Property, plant and equipment	105
Intangible assets	149
Cash and cash equivalents	222
Inventories	67
Trade and other receivables	429
Available-for-sale financial assets	5
Total assets	977
Liabilities	
Trade and other payables	347
Interest-bearing liabilities	42
Deferred tax liabilities	28
Total liabilities	417
Fair value of identified net assets, total	561
Goodwill arising from acquisitions	641
Amount of consideration transferred	1,202

A total of 6,164 own shares were transferred related to the purchase of the shares of Pirkanmaan JT-Palvelut Oy to cover part of the purchase price.

The value of the transferred shares was approximately EUR 97,000 in total, calculated based on the weighted average share price of the Company in the period of 25th August–24th November 2016 in accordance with the terms of the share purchase agreement.

The transaction costs arising from the acquisition, totalling EUR 108,000 have been recognised as expenses and are included under administrative expenses.

4. Net sales EUR 1,000	2016	2015
Income from construction contracts	233,891	235,476
Income from services	27,667	20,675
Total	261,558	256,151

Other information concerning construction contracts is presented in note 5. Construction contracts.

5. Construction contracts EUR 1,000		
Income from construction contracts recognised as income for the financial year	233,891	235,476
Accrued realised expenses and recognised gains less recognised losses from contracts in progress	320,105	232,698
Receivables from construction contracts	13,281	9,036
Advances received from construction contracts	12,267	12,491

The accrued expenses and recognised gains from construction contracts, which are higher than the amount invoiced for the contracts, are presented under the item Accounts receivable and other receivables.

The prepayments received for uninitiated work or the portion invoiced in construction contracts exceeding accrued expenses and recognised gains are presented under the balance sheet item Accounts payable and other payables.

6. Other operating income EUR 1,000		
Capital gains from the sale of property, plant and equipment	174	122
Government grants	1	49
Insurance indemnities and damages received	252	430
Other income items	494	197
Total	920	798

7. Materials and services EUR 1,000		
Purchases of materials, supplies and goods	47,542	50,658
Increase (-) or decrease (+) in inventories	74	85
External services	131,942	127,330
Total	179,558	178,072

8. Employee benefit expenses EUR 1,000		
Salaries	42,476	41,126
Pension expenses	7,895	7,731
Other social security expenses	2,710	2,717
Total	53,081	51,574

Average number of personnel during the financial year, itemised by group:

Clerical employees	404	369
Other employees	531	541
Total	935	910

Information on the management's employee benefits and loans is presented in note 27. Related party transactions.

9. Other operating expenses EUR 1,000	2016	2015
Capital losses on and scrapping of property, plant and equipment	5	0
Production operating and maintenance expenses	4,573	4,047
Costs of facilities	1,583	1,581
Voluntary social security expenses	1,782	1,679
Travel expenses	2,737	2,589
Vehicle costs	1,251	1,000
Other fixed expenses	4,788	5,901
Total	16,719	16,796

Auditor's fees		
Audit	153	167
Other assignments and statements of the auditor	5	399
Total	158	566

10. Depreciation and amortisation EUR 1,000		
Depreciation by asset type		
Intangible assets		
Allocation of acquisitions	95	124
Other intangible assets	155	181
Property, plant and equipment		
Buildings and structures	563	254
Machinery and equipment	1,260	1,258
Machinery and equipment, finance leasing	66	276
Total depreciation and amortisation	2,138	2,093

11. Financial income and expenses EUR 1,000		
Financial income		
Interest income and other financial income	21	28
Total financial income	21	28

Financial expenses		
Interest expenses on loans recognised at amortised cost	394	802
Interest expenses on convertible loans, shareholder loans and capital loans	0	2,691
Changes in value of financial instruments recognised at fair value through profit or loss ¹⁾	0	-40
Interest expenses on finance lease agreements	13	58
Other financial expenses	528	876
Total financial expenses	936	4,388
Net financial expenses	915	4,360

¹⁾ Changes in value of financial instruments recognised at fair value through profit or loss are related to derivative contracts that are not classified as hedging instruments. The Group did not apply hedge accounting in the 2015 and 2016 financial years. Information concerning derivative agreements is presented in note 17. Financial assets and liabilities.

12. Income taxes EUR 1,000

2016 2015

The key components of income taxes in the financial periods ending on 31st December 2016 and 31st December 2015 are as follows:

Consolidated statement of comprehensive income		
Current income taxes	1,745	903
Taxes for the previous financial periods	20	66
Deferred taxes		
Origination and reversal of temporary differences	324	-175
Total	2,089	794

Taxes recognised directly under equity

Convertible loan	0	2
Total	0	2

Reconciliation of tax expenses and taxes calculated on the basis of the Finnish tax rate of 20%:

Earnings before taxes	10,067	4,054
Taxes calculated on the basis of the Finnish tax rate of 20%	2,013	811
Income not subject to tax	0	-6
Non-deductible expenses	56	29
Taxes for prior financial periods	20	-40
Income taxes in the income statement	2,089	794

Deferred taxes

Deferred taxes in the financial period consisted of the following components:

Reconciliation of deferred tax assets	Consolidated balance sheet		Consolidated income statement	
	2016	2015	2016	2015
Depreciation not deducted in taxation	71	75	-4	1
Deductible goodwill depreciation	-68	-58	-10	-10
Capitalisation of tangible and intangible assets	-59	-67	37	35
Losses confirmed in taxation	0	0	0	-358
Provisions	23	20	3	-1
Other items ¹	110	460	-350	508
Deferred tax expenses (/income)			-324	175

¹⁾ As at 31st December 2016, the Group has deductible intra-Group interests of EUR 521,000 (EUR 2,228,000 in 2015).

	Consolidated balance sheet		
	2016	2015	
Deferred tax assets (/liabilities), net	77	430	The net of deferred tax assets and liabilities is presented only if they can be offset under a legally enforceable right and concern income taxes collected by the same tax recipient.
The balance sheet includes the following items:			
Deferred tax assets	213	555	
Deferred tax liabilities	-136	-125	
Deferred tax assets/(liabilities), net	77	430	The Group has no losses confirmed in taxation (EUR 0 thousand in 2015).
Reconciliation of deferred (net) tax asset			
Deferred tax assets at the beginning of the period			
Deferred tax income/(expenses) in the consolidated statement of comprehensive income			
Deferred taxes transferred in the combination of business operations	-29		
Deferred tax assets at the end of the period	77	430	

13. Earnings per share

The undiluted earnings per share are calculated by dividing the profit for the period attributable to the shareholders of the parent by the weighted average share-issue-adjusted number of shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. Additionally, the profit for the period attributable to the shareholders of the parent is adjusted with interest recognised in the period related to dilutive potential ordinary shares, taking into account any tax effects.

Earnings per share	2016	2015
Profit for the period attributable to the shareholders of the parent (EUR 1,000)	7,978	3,260
Weighted average number of shares during the period	7,615,373	5,329,936
Earnings per share, undiluted (€)	1.05	0.61
Earnings per share, diluted	2016	2015
Profit for the period attributable to the shareholders of the parent (EUR 1,000)	7,978	3,260
Interest related to the convertible component of the convertible loan, adjusted for tax effects (EUR 1,000)	0	32
Diluted profit for the period (EUR 1,000)	7,978	3,292
Weighted average number of shares during the period	7,615,373	5,330
Weighted average number of potential ordinary shares during the period	0	264
Weighted average number of diluted shares during the period	7,615,373	5,594
Earnings per share, diluted (€)	1.05	0.61

*Earnings per share, diluted (EUR) equals undiluted EPS since there are no special rights left.

14. Property, plant and equipment EUR 1,000

	Land areas	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Total
Acquisition cost					
1 Jan 2015	655	1,297	10,107	6	12,065
Additions	0	711	1,866	6	2,583
Disposals	0	-1	-2,149	0	-2,150
31 Dec 2015	655	2,006	9,824	12	12,497
Additions	0	86	1,766	0	1,852
Business combinations	0	0	105	0	105
Disposals	0	0	-656	-8	-664
31 Dec 2016	655	2,092	11,039	4	13,790
Depreciation and impairment					
1 Jan 2015	0	342	5,804	0	6,147
Depreciation for the period	0	254	1,534	0	1,788
Disposals	0	0	-792	0	-792
31 Dec 2015	0	597	6,546	0	7,143
Depreciation for the period	0	563	1,326	0	1,888
Disposals	0	0	-368	0	-368
31 Dec 2016	0	1,159	7,505	0	8,664
Carrying amount					
31 Dec 2016	655	933	3,534	4	5,126
31 Dec 2015	655	1,410	3,278	12	5,354

Finance lease agreements

Property, plant and equipment includes the following assets procured under finance lease agreements:

EUR 1,000	Machinery and equipment
31 Dec 2016	
Acquisition cost	311
Accumulated depreciation	135
Carrying amount	175
31 Dec 2015	
Acquisition cost	255
Accumulated depreciation	69
Carrying amount	186
31 Dec 2014	
Acquisition cost	2,070
Accumulated depreciation	585
Carrying amount	1,485

Additions to the acquisition costs of property, plant and equipment include assets leased under finance lease agreements totalling EUR 55,000 in 2016 (2015: EUR 136,000).

Impairment

No impairment losses were recognised on the Group's production machinery in 2016.

Grants

The Group did not receive any grants for the acquisition of property, plant or equipment in 2016.

15. Intangible assets EUR 1,000

	Goodwill	Other intangible assets	Total
Acquisition cost			
1 Jan 2015	43,484	4,825	48,309
Additions		88	88
31 Dec 2015	43,484	4,913	48,397
Additions		61	61
Business combinations	642	149	791
31 Dec 2016	44,126	5,124	49,250
Amortisation and impairment			
1 Jan 2015	0	4,184	4,184
Amortisation for the period		305	305
31 Dec 2015	0	4,488	4,488
Amortisation for the period		250	250
31 Dec 2016	0	4,738	4,738
Carrying amount			
31 Dec 2016	44,126	386	44,512
31 Dec 2015	43,484	425	43,909

Other intangible assets include patents, licences, software, and customer agreements and related customer relationships acquired in business combinations.

16. Impairment testing on goodwill and assets with an indefinite useful life EUR 1,000**Carrying amount of goodwill allocated to cash-generating units**

	2016	2015
Technical Building Services	18,926	18,649
Building Facades	14,301	13,937
Renovation Contracting	10,898	10,898
TOTAL	44,126	43,484

The Group tests goodwill for impairment annually or more frequently if circumstances indicate that impairment may have occurred. In such an event, the carrying amount of the cash-generating unit is compared with the recoverable amount, which is determined on the basis of value-in-use calculations. When calculating cash flows for value-in-use calculations, the forecast is based on the budget confirmed for the following year and the management's best estimate of the development of the Group's business over the two years beyond that. Cash flows after the forecast period approved by management have been extrapolated using a steady 1% growth factor.

The outcome of goodwill testing is estimated by comparing the recoverable amount (EV) with the carrying amount of the cash-generating unit (CA).

Ratio				Estimate
EV		<	CA	Write-down
EV	0–20%	>	CA	Exceeds slightly
EV	20–50%	>	CA	Exceeds clearly
EV	50%–	>	CA	Exceeds significantly

The Group conducted a goodwill impairment test on 31st December 2016, the result of which was that the recoverable amount significantly exceeds the carrying amount for all cash-generating units. The range of variation of the discount rate used in the forecast calculation for the various cash-generating units has been between 10.44% and 10.49% (10.36–10.38% in 2015) before taxes. In the management's best estimate, no possible change in any key variable used in the calculation would lead to the need to recognise impairment.

Key variables in the value-in-use calculations

The following key variables were used to determine value in use:

- EBITDA margin
- discount rate
- growth rate
- terminal growth rate

EBITDA margin

The EBITDA margin is based on the latest statistical information and estimates of market trends, material costs, direct and indirect employment costs and the estimated trend in general costs.

Discount rate

The discount rate reflects the current market evaluation of the risks of cash-generating units, taking into consideration the time value of money and the specified risks associated with assets that are not included in cash-flow forecasts. The discount rate calculation is based on the circumstances of the Group and its operating units and it is determined on the basis of the weighted

average cost of capital (WACC) for the Group. WACC takes into consideration both debt and equity. The capital structure used in the WACC calculation is based on the median capital structure of selected listed Nordic companies that are comparable. The cost of equity derives from the expected return to Group investors, which takes into consideration the risk-free market rate and the share risk on the Finnish share market and the risk premium associated with size of the company. The sector-specific risk is based on the median beta of selected listed Nordic companies that are comparable. The cost of debt is based on the costs of interest-bearing debt which the Group is liable to pay. The discount rate is determined before taxes.

Growth rate

Growth rate in the forecast period corresponds to the materialised average long-term growth of the sector.

Terminal growth rate

The terminal growth rate is used to extrapolate cash flows beyond the forecast period. Assumed growth does not exceed the average long-term growth of the sector.

Impairment testing sensitivity analysis

The sensitivity analysis is based on an assumption of weakening growth in cash flow during the forecast period and beyond. The rise of interest rates in general and the decline in profitability have also been taken into account. Even a significant change in these factors would not lead to recognition of an impairment for any of the cash-generating units.

17. Financial assets and liabilities
 EUR 1,000

	2016	2015		
	Carrying amount and fair value	Carrying amount and fair value	Fair value hierarchy	Note
Financial assets				
Available-for-sale financial assets at fair value				
Current financial assets				
Available-for-sale financial assets	8	8		
Total available-for-sale financial assets at fair value	8	8		
Loans and other receivables at amortised cost				
Current financial assets				
Trade receivables	22,758	25,231		20
Total loans and other receivables at amortised cost	22,758	25,231		
Cash and cash equivalents	9,304	4,070		21
Total current financial assets	32,070	29,309		
Total financial assets	32,070	29,309		

EUR 1,000	2016	2015		
	Carrying amount and fair value	Carrying amount and fair value	Fair value hierarchy	Note
Financial liabilities				
Financial liabilities at amortised cost				
Non-current financial liabilities				
Loans from financial institutions	20,000	20,000		24
Non-current hire purchase debt	711	767		24
Finance leasing liabilities	94	97		24
Current financial liabilities				
Loans from financial institutions	517	525		24
Finance leasing liabilities	79	88		24
Trade payables	16,417	13,041		25
Total financial liabilities at amortised cost	37,819	34,518		
Held for trading at fair value				
Current financial liabilities				
Derivatives (not under hedge accounting)	0	0		2
Total held for trading at fair value	0	0		
Total non-current financial liabilities	20,805	20,864		
Total current financial liabilities	17,014	13,654		
Total financial liabilities	37,819	34,518		

Notes on measuring at fair value

Investments available for sale are unlisted share investments. They have been measured at cost since there are no active markets available to them and their fair value cannot be reliably determined.

In the view of the management, the carrying amount of accounts receivable, accounts payable, short-term credit and other short-term debt is reasonably close to their fair value due to the short maturity of these items.

The fair values of capital loans are based on discounted cash flows. The fair values correspond essentially to the carrying amount of the loans, taking their order of precedence into account, and that there has been no material change in the Group risk premium.

The fair values of loans from financial institutions are based on discounted cash flows. There is no material difference between fair values and carrying amount as the loans are variable rate loans and there has been no material change in the Group risk premium.

The fair values of finance lease debt are based on discounted cash flows. There is no material difference between fair values and carrying amount since the company would not be able to make new lease agreements with a materially different interest rate.

Derivative contracts (interest rate swap) are measured at fair value and recognised through profit or loss. The basis of the fair value of derivative contracts is the price quoted by the counterparty on the balance sheet date. The fair values of derivative contracts have been classified at the fair value hierarchy level 2.

Fair value hierarchy for financial assets and liabilities repeatedly measured at fair value

All assets and liabilities that are measured at fair value or the fair value of which is presented in the notes to the financial statements are classified as described below at fair value hierarchy levels based on the lowest level input that is significant to the item measured at fair value:

Level 1	Fair values are based on the listed (unadjusted) prices of identical assets or liabilities on active markets.
Level 2	Fair values are based to a material degree on inputs other than listed prices included in level 1 but nevertheless on information that is directly or indirectly observable for the asset or liability in question.
Level 3	Fair values are based on inputs concerning assets or liabilities that are not based on observable market information but to a material degree on management estimates and their application in commonly accepted measurement models.

18. Financial risk management

The aims of financial risk management

The aim of the Group's risk management is to minimise the adverse effects of financial market fluctuations on the Group's result. In its business operations, the Group is exposed to interest rate, credit and liquidity risks. The general principles of the Group's risk management are approved by the Board of Directors, and their practical implementation is the responsibility of the financial department of the Group's parent company together with the business areas. In the business areas, financial matters are the responsibility of financial administration staff and the operational management. The business areas are responsible for delivering accurate and up-to-date information on their financial position and cash flow to the Group's financial administration department so as to ensure efficient management of cash reserves, financing, liquidity and risks.

The Group's financial administration department identifies and assesses risks and acquires the necessary instruments for liquidity, credit and interest rate risks. In addition, it defines the main principles for financial risk management, cash management and special areas related to financing, such as commercial guarantees, relations with finance providers and customer financing.

The Group utilises derivative contracts in its risk management. The Group's risk management principles preclude speculative trading in derivatives.

Consti's cash balance / cash funds include interest-bearing receivables, but apart from these its earnings and operating cash flows are mostly independent of changes in market interest rates. The Group's main financial liabilities, excluding derivative instruments, consist of interest bearing loans and borrowings and trade and other payables. The main purpose of financial liabilities is to finance and support the Group's operating activities.

The Group does not apply hedge accounting.

Interest rate risk

The interest rate risk describes the risk of fluctuations in the fair value of future cash flows as a result of fluctuations in market interest rates. The Group's exposure to fluctuations in market interest rates largely stems from its long-term variable-rate loan liabilities.

The Group manages the interest rate risk by having a suitable allocation of fixed-rate and variable-rate loans in its loan portfolio. The Group manages this allocation through interest rate swaps, with which it agrees the difference between a fixed rate and a variable rate on an agreed nominal principal amount over a certain period of time.

At the end of the reporting period, the Group had no valid interest rate swaps.

Consti monitors the sensitivity of its interest bearing loans and borrowings to changes in interest rates and the effect of such changes on the Group's result before taxes. As other variables are kept stable, the effect of increase in one procent unit in interest rate would have been EUR 200,000 (2015: EUR 94,000) in the result before taxes.

The availability of the short-term financing has been presented below:

EUR 1,000	31 Dec 2016	31 Dec 2015
Undrawn loans	5,000	5,000
Cash and cash equivalents	9,304	4,070
Total	14,304	9,070

Credit risk

The credit risk describes the risk of a counterparty failing to fulfil its obligations based on a financial instrument or customer contract, leading to a credit loss. Consti's credit risk is related to customers with whom there are outstanding receivables or with whom construction contracts have been made, as well as to counterparties of financial assets and derivative contracts. The Group's financial administration department is responsible for managing the counterparty risk related to cash assets and derivative contracts. The credit risk relating to operating items, such as trade receivables, is the responsibility of the business areas.

The credit risk related to cash deposits made with banks and other financial institutions is managed by the Group's financial administration department in accordance with the Group's risk management principles, and the selection of financial instrument counterparties is based on the management's assessment of their creditworthiness. The Company's Board of Directors has approved the main bank used by the Company and the counterparty and the limits of the derivative instruments. The Company's management does not expect any credit losses to arise from the counterparties to the financial assets and derivatives presented on the balance sheet.

The tools used for managing operational credit risks include accepting advance payments, front-loading payment schedules for contracts and performing background checks on customers. The majority of the Company's business operations are based on reliable and established customer relationships and on contract terms and conditions generally observed in the sector. The Company does not have significant credit risk concentrations in its receivables because it has a highly diversified clientele. On the reporting date, the maximum exposure to credit risks was the carrying amount of each financial asset class. The Group does not have in its possession any security for its receivables.

Outstanding trade receivables are tested for impairment on each reporting date. During the financial year, the amount of impairment losses recognised through profit or loss were EUR 71,000 (2015: EUR 0 thousand).

The age breakdown of the trade receivables has been presented in note 20. Trade and other receivables.

Liquidity risk

The Group assesses and monitors the adequacy of its liquidity. The Group strives to ensure the availability and flexibility of financing with sufficient credit limit reserves and sufficiently long loan periods. The assessment of financing needs is based on a budget prepared annually, a financing forecast updated on a monthly basis and up-to-date short-term cash planning. The Group's financial administration department is responsible for ensuring adequate financing.

At the date of the financial statements on 31st December 2016, 3 % of the Group's interest bearing debts are due within the following year (31st December 2015: 3 %), based on the book value presented in the financial statements.

The key loan covenants are reported to lenders at three-month intervals. If the Group breaches any of the loan covenants, lenders may accelerate their loans. The Group has been able to meet the covenants included in its loans during the financial year. The financial covenants included in the loans are based on the Group's gearing and the ratio of net debt to adjusted EBITDA.

The Group's management has not identified any significant liquidity concentrations in its financial assets or financing sources.

The table below presents the maturity profile for financing liabilities of the group based on contractual non-discounted cash flows including both interest payments and repayments of the principal. The forthcoming interest flows of variable rate loans are based on rate which was valid on 31st December 2016 (31st December 2015).

EUR 1,000

31 Dec 2016	2017	2018	2019	2020	2021	2022–	Total
Bank loans	240	240	240	20,180	0	0	20,900
Finance leasing liabilities	87	51	48	0	0	0	186
Other interest bearing liabilities	554	414	261	63	0	0	1,291
Trade payables	16,417	0	0	0	0	0	16,417
	17,297	705	549	20,243	0	0	38,794
31 Dec 2015	2016	2017	2018	2019	2020	2021–	Total
Bank loans	400	400	400	400	20,300	0	21,900
Finance leasing liabilities	95	52	50	0	0	0	198
Other interest bearing liabilities	562	407	255	75	0	0	1,299
Trade payables	13,041	0	0	0	0	0	13,041
	14,098	859	705	475	20,300	0	36,438

Equity assessment

The aim of the group's equity assessment is to ascertain the normal operating requirements for the business operations. The equity assessment is mainly influenced by controlling investments and the amount of working capital which is bound to the business.

In order to reaching the goals, the equity assessment of the group aims, inter alia, at ascertaining that it meets the covenants

relating to the interest bearing debts that define requirements for the equity structure. The most significant ratios concerning the equity assessment are interest bearing net debt / EBITDA and gearing, which are also loan covenants. Breaching of covenants would entitle the bank to require immediate repayment of the loans. The covenants of the interest bearing loans have not been breached during the financial year.

19. Inventories EUR 1,000

	2016	2015
Materials and supplies (measured at acquisition cost)	500	507
Total	500	507

No write-downs of inventories were made in the financial years 2016 or 2015.

20. Trade and other receivables EUR 1,000

	2016	2015
Trade receivables	22,758	25,231
Receivables from construction contracts	13,281	9,036
Accrued income	2,459	2,105
Other receivables	54	42
Total	38,552	36,415

Trade receivables are non-interest bearing and their term of payment is in most cases 14 to 31 days. In the financial year the Group recognised EUR 71,000 (2015: EUR 0 thousand) in impairment losses on accounts receivable. Acquiring guarantees on accounts receivable and other receivables is not a Group policy.

The age structure of trade receivables is as follows:

	2016	2015
Undue	18,819	20,513
Fallen due		
< 30 days	2,599	2,068
30–60 days	243	705
61–90 days	269	118
> 90 days	829	1,827
Total	22,758	25,231

Note 18. Financial risk management includes a description of how the Group manages and assesses the quality of credit with regard to accounts receivable that have not yet fallen due and the value of which is not impaired.

21. Cash and cash equivalents EUR 1,000

Cash in hand and at banks	9,304	4,070
Total	9,304	4,070

Banks pay a variable interest on cash in deposit accounts according to daily deposit interest rates.
The Group's unused account limits on 31st December 2016 were EUR 5,000,000 (2015: EUR 5,000,000).

Cash and cash equivalents according to the cash flow statement are formed as follows:

Cash in hand and at banks	9,304	4,070
Cash and cash equivalents	9,304	4,070

22. Equity EUR 1,000**Share distribution and share capital**

	Number of outstanding shares	Share capital	No. of treasury shares	No. of total shares
1 Jan 2015	4,025,000	3	167,200	4,192,200
Increase from non-restricted equity		78		
Purchase of treasury shares	-76,300		76,300	
Share issues	3,666,067			
31 Dec 2015	7,614,767	80	243,500	7,858,267
1 Jan 2016	7,614,767	80	243,500	7,858,267
Increase from non-restricted equity				
Conveyance of treasury shares	6,164		-6,164	
Share issues				
31 Dec 2016	7,620,931	80	237,336	7,858,267

The number of Consti Group Plc shares is 7,858,267 in total and the share capital is EUR 80,000.
The company has one series of shares. The share has no nominal value. All issued shares have been paid for in full.

Changes in the number of shares and corresponding changes to equity

	Number of outstanding shares	Share capital	Reserve for invested non-restricted equity	Treasury shares	Total
1 Jan 2015	4,025,000	3	6,431	-305	6,129
Share issue	3,666,067	78	20,887		20,965
Purchase of treasury shares	-76,300			-151	-151
31 Dec 2015	7,614,767	80	27,318	-456	26,942
1 Jan 2016	7,614,767	80	27,318	-456	26,942
Conveyance of treasury shares	6,164		87	10	97
31 Dec 2016	7,620,931	80	27,405	-446	27,039

Share capital

The share subscription price received from share issues is recognised under share capital to the extent that a decision has not been made in the share issue resolution to recognise the subscription price under the reserve for invested non-restricted equity.

Dividend

After the balance sheet date, the Board of Directors has proposed a dividend of EUR 0.54 per share.

23. Provisions EUR 1,000

	Warranty provisions	Onerous contracts	Litigation provisions	Total
31 Dec 2015	1,172	100	15	1,288
Arising during the year	422	132	0	554
Utilised provision	-501	-69	-15	-585
Unused amounts reversed	-113	0	0	-113
31 Dec 2016	981	163	0	1,144
Current provisions	981	163	0	1,144
Total	981	163	0	1,144
31 Dec 2014	837	104	0	941
Arising during the year	878	100	15	993
Utilised provision	-539	-104	0	-643
Unused amounts reversed	-4	0	0	-4
31 Dec 2015	1,172	100	15	1,288
Current provisions	1,172	100	15	1,288
Total	1,172	100	15	1,288

Warranty provisions

Warranty provisions for contracts are determined with information based on experience of the materialisation of liability.
At the end of 2016 warranty provision were EUR 981,000 (2015: EUR 1,172,000).
Most of the warranty provisions are expected to be used during the following year.

Onerous contracts

The expected loss in excess of sales gains from onerous construction contracts has been recognised in full.

24. Financial liabilities EUR 1,000	2016	2015
Non-current financial liabilities		
Loans from financial institutions	20,000	20,000
Non-current hire purchase debt	711	767
Finance leasing liabilities	94	97
Total non-current financial liabilities	20,805	20,864
Current financial liabilities		
Hire purchase debts	517	525
Finance leasing liabilities	79	88
Total current financial liabilities	597	613

The table includes all except trade and other payables according to note 25.

Finance leasing liabilities

Finance leasing liabilities will mature as follows:

Minimum leases		
In less than a year	90	113
In 1 to 5 years	70	100
Minimum leases, total	160	213

Finance leasing liabilities will mature as follows:

Present value of minimum leases		
In less than a year	79	88
In 1 to 5 years	94	97
Minimum leases, total	173	185

Unaccrued financial expenses	-14	28
Amount recognised as financial expense in the financial year	13	58

Finance leasing liabilities are attributable to the lease agreements of vans, tools and office equipment.

25. Trade and other payables EUR 1,000	2016	2015
Trade payable	16,417	13,041
Advances received from customers on construction contracts	12,267	12,491
Other payables	8,186	9,456
Accrued expenses	9,019	8,401
Total	45,890	43,389

Trade payables are non-interest bearing and mostly paid within 14 to 31 days. Their carrying amount corresponds to their fair value because discounting has no material effect taking the maturity of the liabilities into consideration. The Group's credit risk management process has been described in note 18. Financial risk management.

26. Commitments and contingent liabilities EUR 1,000

Other lease agreements – Group as lessee

Minimum lease payment under non-cancellable other leases:

	2016	2015
Within 1 year	1,231	1,542
In 1 to 5 years	3,066	2,838
In more than 5 years	122	0
Total	4,419	4,380

The income statement includes EUR 1,182,000 (2015: EUR 964,000) in leases paid in the 2016 financial year under non-cancellable other leases. The Group has leased most of the business premises it uses. The premises' lease agreements have a maximum term of 6 years. In most cases the agreements include the option to extend the lease after the original expiry date. The business premise agreements have varying index, renovation and other terms.

Litigations and legal proceedings

Group Companies have pending court cases that are associated with normal business operations. The outcome of these court cases is difficult to forecast but where deemed necessary, a provision has been recognised on the best available assessment of the outcome. In the opinion of management, the court cases are not expected to have material influence on the financial position of the Group.

Other liabilities

Carrying amount of pledged shares	70,711	69,455
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Guarantees

In the course of its business operations, the Group has provided bank guarantees, guarantee insurance commitments and rental deposits for the duration of work and warranty periods.

Bank guarantees and guarantee insurance commitments for the duration of work and warranty periods	35,083	36,272
Rental deposits	314	286
Total	35,397	36,558

27. Related party transactions

Information about subsidiaries

The following subsidiaries have been consolidated into the consolidated financial statements:

Company name	Primary business	Country	Holding %	
			2016	2015
Consti Talotekniikka Ltd	Technical building services	Finland	100%	100%
Consti Korjausurakointi Ltd	Construction	Finland	100%	100%
Consti Julkisivut Ltd	Construction	Finland	100%	100%
Pirkanmaan JT-Palvelut Ltd ¹⁾	Construction	Finland	100%	0%

¹⁾ Pirkanmaan JT Palvelut Ltd has been acquired through a share deal on 25th November 2016.

Entities holding significant control in the Group

On 31st December 2016 and 31st December 2015, there were no entities holding significant control in the Group.

Related party transactions

The Group's related parties also include the key management personnel, as well as non-Group companies in whose operations persons belonging to Consti Group's management can be assumed to exert an influence. Key management personnel include members of the Board of Directors and of the Management Team. Business transactions concluded with related parties are presented in the table below.

EUR 1,000		Sales	Purchases	Receivables	Payables
Members of Group management	2016	2	0	0	0
	2015	28	18	0	0

Terms associated with related party transactions

No guarantees or commitments have been provided on behalf of related parties.

Loans to related parties

There are no loans to related parties.

EUR 1,000	2016	2015
Employee benefits of management members		
Salaries and other short-term employee benefits	1,794	1,461
Total	1,794	1,461

The events related to employment-benefits of management members presented in the table have been recognised as costs during the financial year.

Salaries and remunerations paid to the members of the Board and the CEO

Marko Holopainen, CEO	334	354
Total	334	354

Board members and deputy members		
Tapio Hakakari, Chairman as of 18 th June 2015	30	12
Antti Korkeela	15	10
Erkki Norvio	15	10
Janne Näränen	16	0
Petri Rignell	15	10
Pekka Salokangas	15	10
Niina Rajakoski, member as of 30 th September 2015	15	4
Jyrki Jalli, member until 2 nd April 2015	0	2
Total	121	55

Pension and retirement age

The CEO is entitled to statutory pension and his retirement age is determined in accordance with the statutory employment pension system. The statutory cost of the CEO's pension was EUR 63,000 in 2016 (2015: EUR 66,000). No pension insurance under the Employees' Pensions Act (TyEL) has been taken out for members of the Board on their attendance fees.

28. Share-based payments

Consti Group Plc's Board decided on 10th November 2016 to establish a new, share-based incentive plan for the Group's key people. The aim of the new plan is to merge the objectives of the shareholders and key people in order to increase the value of the Company in the long-term, to engage key people to the Company, and to offer them a competitive reward plan based on earning of the Company's shares.

The share-based incentive plan is considered to be classified under IFRS 2 Share-based payments standard's scope. The plan's enrolment period for the key people ended on 5th January 2017. Establishing of the incentive plan has no impact on the financial period 1st January–31st December 2016.

The plan offers the key people included in the plan the opportunity to earn Company shares as bonuses by altering half or all of their performance based bonuses for 2016 and 2017 into shares. The performance based bonuses altered into shares will be multiplied with a bonus factor determined by the Board before the bonuses are paid. The plan's possible bonus will be paid to

participants after a two-year engagement period during years 2019 and 2020, in part as company shares and in part as cash.

The plan will include a maximum of approximately 70 key people including the Management Team. For the earning periods 2016 and 2017, the bonuses paid will amount to a maximum of approximately 289,200 Consti Group Plc shares at the share price level of the plan's decision time, including also the cash payment, providing that all of the key people included in the plan decide to participate in it and alter their performance based bonuses entirely into shares.

In the previous financial years, the Group has had convertible loans that are considered to be classified under IFRS 2 Share-based payments standard's scope, since there is a related obligation to render services. Based on the obligation, a member of the company's personnel or board who has subscribed a convertible loan must be employed by the company for a certain period of time or he has to transfer the special rights without consideration back to the company.

Consti has exercised total of five convertible loan arrangements, to which it has applied IFRS 2 standard. The table below presents those arrangements and special rights granted to which the obligation to render services is attached:

Transaction exercise date	No. of special rights granted	No. of shares subscribed	Subscription price, EUR
1 June 2012*	1,050	1,050	100
7 December 2012*	66	66	100
14 December 2012	1,996	1,996	100
16 December 2013	423	423	180
31 October 2014	81	81	220
Total	3,616	3,616	

*In conjunction with convertible loans issued on 1st June 2012 and 7th December 2012, a total of 222 new special rights were issued on 28th April 2015, which were used to subscribe a total of 222 new shares.

Special rights give the right to the convertible loan holder to subscribe shares of the company at predetermined price. The subscription of the shares subject to the special rights begins when the rights are registered to the trade register and continues for each special right holder until the company has paid the capital receivable related to the special rights to those special right holders in full. The special right holder is entitled to use the capital receivable relating to the convertible loan agreement to set off the subscription price of the share in accordance with the terms of convertible loan agreement.

For 1st June 2012 and 7th December 2012 exercised convertible loan arrangements the company does not qualify any employee benefit to originate an expense to be recognised according to IFRS 2. This is based on the fact that the majority owner of the company subscribed to the convertible loan with same terms as the personnel or persons comparable, when the transaction is regarded to be carried out on market terms. These convertible loans are recognised entirely according to IAS 32 standard.

On 14th December 2012, 16th December 2013 and 31st October 2014 issued convertible loans were issued to the key personnel in incentive purposes. The value of the share-based payment benefit relating to these transactions is determined computing the fair value of the special rights of the convertible loans at the grant date using Black-Scholes option pricing model less the value of the equity component of the convertible loan according to IAS 32 standard. If the difference is positive, it is handled as IFRS 2 equity-settled share-based payment transaction and is recognised as an employee benefit expenses and equity during the vesting period. In other case, convertible loan is not considered to qualify as a share-based payment, thus the allocated equity component value is equivalent to the fair value paid of the convertible loan at the issue date.

The following table presents the information used determining the fair value of the special rights at grant date:

EUR 1,000	31 Dec 2014	16 Dec 2013	14 Dec 2012
Weighted fair value at the grant date (€)	0.78	0.00	0.00
Dividend yield (%)	0.0%	0.0%	0.0%
Expected volatility (%) ⁽¹⁾	25.8%	29.1%	34.9%
Risk-free interest rate (%)	0.14%	0.83%	0.38%
Expected life of share options (years)	5	5	5
Share price	73.20	⁽²⁾	⁽²⁾
Model used	Black-Scholes	Black-Scholes	Black-Scholes

⁽¹⁾ The expected volatility is determined based on the historical volatility of Dow Jones EURO STOXX Construction & Materials Total Return (EUR) index.

⁽²⁾ Resulting from company's negative equity and high level of debt during 2012 and 2013 company's share price was estimated to be close to zero.

The fair value for the special rights at the grant date determined using the Black-Scholes option pricing model was below the value of the equity component determined in accordance with IAS 32 standard considering all above presented convertible loan agreements. Due to that, convertible loans are not considered to qualify for share-based payment and therefore no expense according to IFRS 2 is recognised.

The following table presents the changes in the number of special rights and weighted average prices:

Changes during the financial period	2016	2016	2015	2015
	Number	Price, EUR	Number	Price, EUR
Special rights 1 Jan	0	0	2,982	114
Granted			222	100
Forfeited			–344	105
Exercised			–2,860	114
Expired	–	–	–	–
Special rights 31 Dec	0	0	0	0
Exercisable 31 Dec	0	0	0	0

29. Events after the reporting period

Consti Group Plc announced on January 31st 2017 the transferring of a total of 28,928 of its own shares related to the purchase of the shares of Oulun Talosaneeraus Oy to cover part of the purchase price which was paid with Consti's own shares. Oulun Talosaneeraus Oy operates in the Oulu area, where it has gained a strong foothold during its ten years in business. The company focuses on pipeline renovations and in 2016 its net sales were approximately EUR 8 million. The company employs nearly 30 professionals in its field. The entire staff of Oulun Talosaneeraus will move to work for Consti. Also all current customers will be transferred to Consti and existing partnership agreements will continue. The deal strengthens Consti's position as a noteworthy renovation provider in the Oulu region.

INCOME STATEMENT OF THE PARENT COMPANY (FAS)

EUR 1,000	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Net sales	1	1,652	1,628
Other operating income	2	656	587
Employee benefit expenses	3	–1,575	–1,009
Depreciation and amortisation	5	–182	–158
Other operating expenses	4	–1,692	–3,405
		–3,449	–4,572
Operating profit/loss		–1,141	–2,357
Financial income and expenses	6	–472	–3,579
Profit (loss) before extraordinary items		–1,613	–5,936
Appropriations	7	10,500	9,800
Profit (loss) before taxes		8,887	3,864
Total taxes	8	–1,414	–841
Profit (loss) for the period		7,473	3,023

PARENT COMPANY

BALANCE SHEET OF THE PARENT COMPANY (FAS)

Assets EUR 1,000	Note	31 Dec 2016	31 Dec 2015
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		72	88
Other long-term expenditure		118	91
		191	179
Tangible assets	9		
Buildings and structures		34	42
Machinery and equipment		244	157
		278	199
Investments	11		
Shares in Group companies		82,611	81,355
Other shares		254	254
		82,865	81,609
Total non-current assets		83,334	81,987
CURRENT ASSETS			
Short-term receivables	11		
Trade receivables		9	1
Intra-group receivables		3,962	1,543
Prepaid expenses and accrued income		69	33
		4,040	1,577
Cash and cash equivalents		671	166
Total current assets		4,711	1,743
ASSETS		88,045	83,730

Equity and liabilities EUR 1,000	Note	31 Dec 2016	31 Dec 2015
EQUITY			
	12		
Share capital		80	80
Reserve for invested non-restricted equity		27,206	27,119
Treasury shares		–446	–456
Retained earnings		19,456	19,403
Profit (loss) for the period		7,473	3,023
Total equity		53,769	49,169
LIABILITIES			
Non-current liabilities			
	13		
Loans from financial institutions		20,000	20,000
Non-current hire purchase debts		28	23
		20,028	20,023
Current liabilities			
	14		
Trade payables		181	636
Current hire purchase debts		18	8
Intra-group liabilities		13,016	12,437
Other current liabilities		274	129
Accrued expenses		760	1,328
		14,248	14,538
Total liabilities		34,275	34,561
EQUITY AND LIABILITIES		88,045	83,730

CASH FLOW STATEMENT OF THE PARENT COMPANY (FAS)

Cash flow from operating activities EUR 1,000	2016	2015
Operating profit	-1,141	-2,357
Adjustments:		
Depreciation	182	158
Change in working capital	-521	8,074
Operating cash flow before financial and tax items	-1,480	5,875
Financial income and expenses (+/-)	-472	-981
Taxes paid	-1,156	-64
Net cash flow from operating activities (A)	-3,109	4,830
Cash flow from investing activities		
Investments in other shares	-1,159	0
Investments in tangible and intangible assets	-273	-226
Proceeds from sale of property, plant and equipment	0	7
Dividends received	0	0
Net cash flow from investing activities (B)	-1,432	-219
Cash flow from financing activities		
Purchase of treasury shares	0	-151
Share issue	0	536
Other changes in equity	0	393
Change in interest-bearing liabilities	15	-15,107
Group contribution received	8,000	9,800
Dividend distribution	-2,970	
Net cash flow from financing activities (C)	5,045	-4,529
Change in cash and cash equivalents (A+B+C)	505	81
Cash and cash equivalents at period start	166	85
Cash and cash equivalents at period end	671	166

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

Accounting principles

The financial statements of Consti Group Plc have been prepared in accordance with the Finnish Accounting Standards (FAS). The financial statements have been prepared for 12 months from 1st January to 31st December 2016.

Translation of items denominated in a foreign currency
Transactions denominated in a foreign currency are recognised in the functional currency at the exchange rate on the date of the transaction. The balances in monetary items denominated in a foreign currency are translated into the functional currency at the rate on the closing date of the reporting period.

Revenue recognition
Revenue of parent company consist of services provided to subsidiaries. Revenue is recognised once the services have been rendered.

Measurement of non-current assets
Non-current assets are measured in the balance sheet at cost less accumulated depreciation. Tangible assets are measured at cost less accumulated depreciation. Investments have been measured at cost.

The depreciation periods for the assets groups are as follows:

Buildings and structures	20 years
Machinery and equipment	3–5 years
Vehicles	3–5 years
Other tangible assets	3–5 years

Pension insurance
Pension schemes for the personnel are arranged as statutory pension insurance with an external pension insurance company. Pension expenses have been recognised in the income statement.

Research and development expenses
Research and development expenses have booked in the income statement during the period in which they occur.

Measurement of receivables and liabilities
Trade, loan and other receivables presented in receivables have been measured at lower of nominal value and probable value. Liabilities have been measured at higher of nominal value and comparison-based value.

Extraordinary income and expenses
Extraordinary income and expenses encompass received and paid group contributions.

Taxes
Taxes from earlier financial periods are included in the taxes presented in the income statement for the financial period. No deferred taxes have been recognised.

1. Net sales EUR 1,000	2016	2015
Income from services	1,652	1,628
Total	1,652	1,628

2. Other operating income EUR 1,000		
Gain on sale of tangible and intangible assets	0	9
Government grants	0	49
Other income	656	530
Total	656	587

3. Information on personnel and members of Plc organs EUR 1,000		
Salaries	1,293	836
Pension expenses	234	165
Other social security expenses	48	8
Total	1,575	1,009

Average number of employees during the financial year:	9	8
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Management remuneration		
CEO	334	173
Members of Board of Directors	121	55
Total	455	228

4. Other operating expenses EUR 1,000		
Auditor fees		
Ernst & Young Ltd		
Audit fees	90	133
Other services	5	399
Total	95	532

5. Depreciation, amortisation and impairment EUR 1,000	2016	2015
Depreciation and amortisation by asset type		
Intangible rights	29	79
Other long-term expenses	52	0
Buildings and structures	8	0
Machinery and equipment	93	80
	182	158

6. Financial income and expenses EUR 1,000		
Dividends		
From group companies	160	0
Other interest and financial income		
From group companies	167	61
Total	167	61

Interest and other financial expenses		
To group companies	397	215
Interest expenses to others	403	3,426
Total	799	3,641

Total financial income and expenses	-472	-3,579
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7. Appropriations EUR 1,000		
Group contributions received	10,500	9,800

8. Taxes EUR 1,000		
Taxes from ordinary business	-1,414	-841

9. Changes in non-current assets EUR 1,000	2016	2015
TANGIBLE AND INTANGIBLE ASSETS		
Intangible rights		
Carrying amount at period start	88	109
Additions	13	6
Amortisation	29	27
Carrying amount at period end	72	88
Other long-term expenses		
Carrying amount at period start	91	83
Additions	79	60
Amortisation	52	52
Carrying amount at period end	118	91
Buildings and structures		
Carrying amount at period start	42	0
Additions	0	42
Depreciation	8	0
Carrying amount at period end	34	42
Machinery and equipment		
Carrying amount at period start	157	125
Additions	180	117
Disposals	0	7
Depreciation	93	80
Carrying amount at period end	244	157
10. Investments EUR 1,000	2016	2015
Shares in Group companies		
Acquisition cost 1 Jan	81,355	81,355
Additions	1,256	0
Acquisition cost 31 Dec	82,611	81,355
Other shares		
Acquisition cost 1 Jan	254	254
Acquisition cost 31 Dec	254	254
Total investments	82,865	81,609
11. Receivables EUR 1,000	2016	2015
Current receivables		
Intra-group receivables		
Trade receivables	1,462	1,543
Group contribution receivables	2,500	0
Total	3,962	1,543
Material external items in accrued income and prepaid expenses		
Other items	69	33
Total	69	33

12. Equity EUR 1,000	2016	2015
Share capital 1 Jan	80	3
Additions	0	78
Share capital 31 Dec	80	80
Reserve for invested non-restricted equity, 1st Jan.	27,119	6,232
Additions	87	20,887
Reserve for invested non-restricted equity, 31st Dec.	27,206	27,119
Retained earnings 1 Jan	21,970	19,098
Purchase/conveyance of treasury shares	10	-151
Dividend distribution	-2,970	
Retained earnings 31 Dec	19,010	18,947
Profit for the period	7,473	3,023
Total	26,483	21,970
Equity	53,769	49,169
Distributable funds 31 Dec		
Reserve for invested non-restricted equity	27,206	27,119
Retained earnings	19,010	18,947
Profit for the period	7,473	3,023
Total distributable funds	53,689	49,089

Consti Group Plc's treasury shares

The parent company owns treasury shares as follows:

Number of shares	Share of share capital	Share of voting rights
237,336	3,0%	3,0%

13. Non-current and current liabilities	EUR 1,000	2016	2015
Non-current liabilities			
Liabilities to others			
Loans from financial institutions		20,028	20,023
Loans from owners			
Total non-current liabilities		20,028	20,023
Current liabilities			
Intra-group liabilities			
Trade payables		13	17
Other liabilities		13,003	12,421
Liabilities to others			
Trade payables		181	636
Loans from financial institutions		18	8
Accrued expenses		760	1,328
Other liabilities		274	129
Total current liabilities		14,248	14,538
Material items included in accrued expenses			
External			
Accruals related to employee benefit expenses		40	158
Tax accruals		257	777
Other accruals		264	393
		561	1,328
14. Commitments	EUR 1,000	2016	2015
Carrying amount of pledged shares		70,711	69,455
Rental liabilities			
To be paid during the on-going financial year		146	141
To be paid in later years		279	410
Total		425	551
Other liabilities			
Account limit, amount in use		0	0
Account limit, unused amount		5,000	5,000
Total		5,000	5,000
Guarantees			
Rental deposits		45	45
On behalf of intra-group companies		35,351	36,513

15. Remuneration of the management

Remuneration principles

Consti's compensation principles aim at rewarding good performance, increasing personnel motivation and committing management and staff to the company's goals. The CEO and other managers are compensated with a fixed monthly salary, in addition

to which they belong to a performance based incentive plan together with other permanently employed white-collar workers. In addition, Consti Group Plc's Board decided during the financial year 2016 on establishing a new, share-based incentive plan for the Group's key people. The aim of the new plan is to merge the

objectives of the shareholders and key people in order to increase the value of the Company in the long-term, to engage key people to the Company, and to offer them a competitive reward plan based on earning of the Company's shares.

The Board of Directors

Consti Group Plc's Annual General Meeting (AGM) decides the Board's rewards and expense compensations annually. The Nomination and Compensation Committee prepares a suggestion to the AGM of the Board's composition and compensations. The Committee prepares the Group's remuneration principles and short and long-term incentive programmes and monitors their execution and efficiency.

On April 6th 2016 the AGM decided that the annual remuneration of the members of the Board of Directors is paid as follows: The Chairman of the Board of Directors is paid EUR 30,000 and members of the Board of Directors are each paid EUR 15,000. It was resolved that the travel expenses of the members of the Board of Directors arising from participation in the Board meetings are compensated according to invoice. Committee work is not separately compensated.

Remuneration proposal for 2017

The Board of Directors proposes, upon the proposal by the Nomination Committee, that the annual remuneration of the Board Members elected for the term of office lasting until the Annual General Meeting of 2018 is paid as follows:

Chairman of the Board	EUR 3,000/month (EUR 36,000/year)
Member of the Board	EUR 2,000/month (EUR 24,000/year)

Board of Directors remuneration in 2016

EUR	Compensation 2016	Compensation 2015
Tapio Hakakari ¹⁾ *	30,000	11,500
Jyrki Jalli ²⁾	0	2,250
Antti Korkeela	15,000	9,500
Erkki Norvio	15,000	9 500
Niina Rajakoski ³⁾	15,000	3,500
Petri Rignell*	15,000	9,500
Pekka Salokangas*	15,000	9,500
Janne Näränen*	16,250	0

1) Tapio Hakakari has been a member of the Board of Directors as of 18th June 2015
2) Jyrki Jalli has been a member of the Board of Directors until 2nd April 2015
3) Niina Rajakoski has been a member of the Board of Directors as of 30th September 2015

* Member of the Nomination and Compensation Committee, according to the decision made by the AGM, committee work is not separately compensated. Janne Näränen was a Member of the Nomination and Compensation Committee until 16th August 2016. Pekka Salokangas has been a Member of the Nomination and Compensation Committee since 16th August 2016.

Short-term rewards – bonus scheme

The basis of compensation in Consti Group is a fixed monthly salary, in addition to which Group management belongs to a performance based incentive plan together with majority of other permanently employed white-collar workers.The Group has a bonus scheme defined by the Board of Directors which aims at supporting the company's strategy and reward for its realisation and simultaneously provides the personnel with a competitive remuneration system. The bonus scheme's principles, terms, earning criteria, upper and lower limits of the result targets, as well as individuals belonging to the bonus scheme are determined annually by the Board of Directors.

Long-term rewards

Consti Group Plc's Board decided on 10th November 2016 to establish a new, share-based incentive plan for the Group's key

people. The aim of the new plan is to merge the objectives of the shareholders and key people in order to increase the value of the Company in the long-term, to engage key people to the Company, and to offer them a competitive reward plan based on earning of the Company's shares.

The plan offers the key people included in the plan the opportunity to earn Company shares as bonuses by altering half or all of their performance based bonuses for 2016 and 2017 into shares. The performance based bonuses altered into shares will be multiplied with a bonus factor determined by the Board before the bonuses are paid. The plan's possible bonus will be paid to participants after a two-year engagement period during years 2019 and 2020, in part as company shares and in part as cash.

The plan will include a maximum of approximately 70 key people including the Management Team. For the earning periods 2016 and 2017, the bonuses paid will amount to a maximum of approximately 289,200 Consti Group Plc shares at the share price level of the plan's decision time, including also the cash payment, providing that all of the key people included in the plan decide to participate in it and alter their performance based bonuses entirely into shares.

CEO remuneration

The company's Board of Directors annually decide the CEO's rewards and compensations. The Nomination and Compensation Committee prepares a suggestion to the Board regarding the CEO and the terms of his/her employment.

The CEO receives a fixed monthly salary and an annual bonus that is tied to the result and the CEO's personal performance according to the scorecard defined by the company. The annual bonus can be no more than 60 percent of the CEO's annual fixed salary income. The CEO's remuneration can be reassessed annually. In 2016 the CEO was paid a salary, as well as bonuses earned in 2015, amounting to a total of EUR 333,786.

In addition, the CEO is entitled to a supplementary pension insurance paid by the company.

The CEO's notice period is six months. The severance pay is fixed to equal six month's gross wages prior to the termination of the employment. Additionally, when the company or the CEO terminates the employment, the CEO is entitled to compensation for the time period during which a non-compete obligation is ongoing. This compensation amounts to a maximum of six months' gross wages, with altering salary, provisions and bonuses not considered as part of the wages. Should the CEO's employment end with a termination of the CEO's contract due to a material breach of contract on the company's part, the CEO is entitled to the result-based-bonus of the ongoing fiscal year adjusted to the time period that the CEO was employed by the company that fiscal year.

Supplementary pension scheme for the CEO and Management Team

The CEO and part of the Management Team belong to the supplementary pension scheme for upper management. The supplementary pension is contribution-based, so the company is not liable for additional payments after the paid pension fee. Should the employment of an individual in the supplementary pension scheme end before the contractual retirement age; the individual is entitled to security that amounts to the pension savings accumulated thus far.

Management team

The Board of Directors decide on the compensation of the Management Team. The Management Team Members receive a monthly fixed salary and a variable annual result-based-bonus according to the corporate incentive scheme and each member's personal scorecard. The terms of remuneration of the Management Team can be adjusted annually. When necessary, the Committee shall prepare proposals regarding the appointment and compensation of other executives prior to Board meetings.

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

Distributable funds of the parent company Consti Group Plc on 31 st December 2016 are (EUR):	
Retained earnings	19,009,755,61
Profit for the period	7,473,051,18
Total retained earnings	26,482,806,79
Reserve for invested non-restricted equity	27,206,416,57
Total distributable funds	53,689,223,36

The Board of Directors proposes to the Annual General Meeting that the distributable funds shall be used as follows:	
EUR 0.54 per share shall be paid as dividend to the shareholders of the company using retained earnings, i.e.*	4,115,302,74
To be left in distributable funds	49,573,920,62
The proposed dividend represents 52% of the Group's profit for the year.	

* Total distributable dividend has been calculated based on 31st December 2016 status, the amount of own shares has been described in Note 12. Equity.

After the balance sheet date, there have not been any material changes in the financial position of the company. Company's liquidity is on good level and according to the Board of Directors the proposed dividend payment does not jeopardise the liquidity of the company.

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki, 15th February 2017

Hakakari Tapio Chairman of the Board of Directors	Norvio Erkki Member of the Board of Directors
Rignell Petri Member of the Board of Directors	Näränen Janne Member of the Board of Directors
Salokangas Pekka Member of the Board of Directors	Korkeela Antti Member of the Board of Directors
Rajakoski Niina Member of the Board of Directors	Holopainen Marko CEO

Auditor's note

An auditor's report has been issued today.

Helsinki, 15th February 2017

Ernst & Young Oy
Authorised Public Accountants

Rytilahti Mikko
APA

AUDITOR'S REPORT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Consti GROUP PLC ("the Group"), which comprise the consolidated statement of financial position as at 31st December 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

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

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Finland, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit

included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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.

1) Revenue recognition of long-term contracts

Refer to Note 1. Accounting principles and Note 5. Construction contracts.

The Group delivers renovation and construction projects ("projects") to its customers. Such contracts are recognised as revenue according to their stage of completion as described in the financial statements accounting principles.

The recognition of revenue and the estimation of the outcome of fixed price projects require significant management's judgment regarding estimates of the costs accrued by the end of the reporting period in relation to the estimated overall costs of a contract. In addition, the management must make estimates of the costs needed to complete the contract and of any change in sales prices. In year 2016, approximately 90 percent of the net sales of EUR 262 million were recognized under the stage of completion method. We identified revenue from fixed price projects as a significant risk, requiring special audit consideration.

Our audit procedures to address the risk of material misstatement in respect of the long-term fixed price contracts included:

- Assessing of the Group's accounting policies over revenue recognition of long-term fixed price contracts.
- Examination of the project documentation such as contracts, legal opinions and other written communication.
- Quarterly analytical procedures throughout the audit period.
- Review of performance, development and current status of projects through
 - comparing the contract to our prior experience with similar projects,
 - detailed reviews of changes in estimated revenues, costs and reserves, and
 - discussions with the different levels

of organization including project responsible, business unit and business management as well as group management.

- Evaluating key elements in management's estimates such as the future costs to complete.
- Considering the appropriateness of the Group's disclosures in respect of revenue recognition.

2) Valuation of goodwill

Refer to Note 1. Accounting principles and Note 16. Impairment testing on goodwill and assets with an indefinite useful life.

The annual impairment test was significant to our audit because the assessment process is complex and judgmental, it is based on assumptions relating to market or economic conditions, and because of the significance of the goodwill to the financial statements. As of balance sheet date 31st December 2016, the value of goodwill amounted to EUR 44 million representing 45 percent of the total assets and 149 percent of the total equity. The recoverable amount of a cash generating unit is based on value-in-use calculations, the outcome of which could vary significantly if different assumptions were applied. There are a number of assumptions used to determine the value in use, including the revenue growth, the operating margin and the discount rate applied. Changes in the above-mentioned assumptions may result in an impairment of goodwill.

Our audit procedures included involving valuation specialists to assist us in evaluating the assumptions and methodologies by comparing the management's assumptions to externally derived data and to our independently calculated industry averages. In particular those relating to

- the forecasted revenue growth,
- the operating margin and
- the weighted average cost of capital used to discount the cash-flows.

We have tested the impairment calculations prepared by the management and compared the sum of discounted cash flows to Consti's market capitalisation to assess whether the projected cash flows appear reasonable. In addition, we have assessed the sufficiency of the disclosures as well as whether the disclosures about the sensitivity of the impairment assessment are appropriate.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has 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 ISAs 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 these financial statements.

As part of an audit in accordance with ISAs, 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 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 management'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 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 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 in a manner that achieves fair presentation.
- 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 to 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.

Helsinki, 15th February 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Ryttilähti
Authorised Public Accountant

KEY FIGURES AND INFORMATION FOR SHAREHOLDERS

KEY FIGURES

Income statement 1 Jan to 31 Dec EUR 1,000	2016 IFRS	2015 IFRS	2014 IFRS
Net sales	261,558	256,151	215,933
Adjusted EBITDA	13,142	12,613	9,830
Adjusted EBITDA margin, %	5.0%	4.9%	4.6%
EBITDA	13,120	10,507	9,798
EBITDA margin, %	5.0%	4.1%	4.5%
Adjusted operating profit (EBIT)	11,004	10,520	7,871
Adjusted operating profit (EBIT) margin, %	4.2%	4.1%	3.6%
Operating profit	10,982	8,414	7,839
Operating profit margin, %	4.2%	3.3%	3.6%
Profit before taxes (EBT)	10,067	4,054	2,626
as % of net sales	3.8%	1.6%	1.2%
Profit for the year	7,978	3,260	1,980
as % of net sales	3.1%	1.3%	0.9%

Balance sheet EUR 1,000			
Balance sheet total	98,078	90,692	95,861
Net interest bearing debt	12,097	17,407	44,236
Equity ratio, %	34.5%	31.4%	0.6%
Gearing, %	40.8%	70.9%	9,513.1%

Other key figures			
Free cash flow	10,865	8,910	15,710
Cash conversion, %	82.8%	84.8%	160.3%
Order backlog	190,806	181,301	163,447
Order intake	223,055	213,504	227,288
Average number of personnel	933	910	797
Number of personnel at period end	935	890	853
Earnings per share, undiluted (EUR)	1,0476	0,61	0,48
Earnings per share, diluted (EUR)	1,05	0,61	0,42
Shareholders' equity per share (EUR)	3,89	3,22	0,12
Number of shares, end of period	7,858,267	7,858,267	4,192,200
Number of outstanding shares, end of period	7,620,931	7,614,767	4,025,000
Average number of shares	7,615,373	5,329,936	4,123,441

CALCULATION OF KEY FIGURES

EBITDA	=	Operating profit (EBIT) + depreciation, amortisation and impairment	
Net interest-bearing debt	=	Interest-bearing liabilities – cash and cash equivalents	
Equity ratio (%)	=	$\frac{\text{Equity}}{\text{Total assets - advances received}} \times 100$	
Gearing (%)	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity}} \times 100$	
Average number of personnel	=	The average number of personnel at the end of each calendar month during the period	
Free cash flow	=	Net cash flow from operating activities before financial and tax items less investments in intangible and tangible assets	
Cash conversion (%)	=	$\frac{\text{Free cash flow}}{\text{EBITDA}} \times 100$	
Earnings per share	=	$\frac{\text{Profit attributable to equity holders of the parent company}}{\text{Weighted average number of shares outstanding during the period}}$	
Adjusted EBITDA	=	EBITDA before items affecting comparability	
Adjusted operating profit (EBIT)	=	Operating profit (EBIT) before items affecting comparability	
Order backlog	=	At the end of the period the unrecognised amount of construction contracts recognised in accordance with the percentage of completion method, including not started ordered construction contracts, long-term service agreements and the part which has not been invoiced in ordered invoice based projects	
Order intake	=	Orders of construction contracts, long-term service agreements and invoice based projects during the period	

ITEMS AFFECTING COMPARABILITY

Reconciliation between operating profit (EBIT) reported in accordance to IFRS and EBIT before items affecting comparability (adjusted EBIT) commented in this financial review

The Company's management treats extraordinary transactions that are outside the ordinary course of business, such as extensive restructuring, preparations for restructuring and Group refinancing, as items affecting comparability (IAC). In the financial periods 2015 and 2016, also costs related to preparation and execution of Initial Public Offering as well as IFRS conversion costs have been treated as items affecting comparability.
In the annual report, both adjusted EBITDA and adjusted EBIT before items affecting comparability have been reported. The income statement under IFRS has been by the following items affecting comparability:

EUR 1,000			
1 Jan–31 Dec 2016	IFRS	IAC	Income statement before IAC
Net sales	261,558		261,558
Other operating income	920		920
Change in inventories of finished goods and work in progress	0		0
Materials and services	–179,558		–179,558
Employee benefit expenses	–53,081		–53,081
Other operating expenses	–16,719	–23	–16,697
EBITDA	13,120	–23	13,142
Depreciation	–2,138		–2,138
Operating profit (EBIT)	10,982	–23	11,004

1 Jan–31 Dec. 2015	IFRS	IAC	Income statement before IAC
Net sales	256,151		256,151
Other operating income	798		798
Change in inventories of finished goods and work in progress	0		0
Materials and services	–178,072		–178,072
Employee benefit expenses	–51,574	–103	–51,471
Other operating expenses	–16,796	–2,002	–14,794
EBITDA	10,507	–2,106	12,613
Depreciation	–2,093		–2,093
Operating profit (EBIT)	8,414	–2,106	10,520

INFORMATION FOR INVESTORS AND SHAREHOLDERS

Share

Consti Group Plc's shares are listed on Nasdaq Helsinki. The shares are included in the book-entry securities system maintained by Euroclear Ltd. The company has a single series of shares, and each share entitles its holder to one vote at the Annual General Meeting. The company's shares have no nominal value. As at 31st December 2016, the total number of shares totalled 7,858,267 and the share capital amounted to EUR 80,000.

Share information

- Listed on Nasdaq OMX Helsinki Ltd
- List: Nordic Small Cap
- Trading code: CONSTI
- ISIN code: FI4000178256
- Sector: Industrials
- Industry: Industrial Goods & Services
- Number of shares 31st Dec 2016: 7,858,267
- Listing date: 11th December 2015

Shareholders

At the end of December 2016, Consti Group Plc had 1,788 shareholders in the share register. Distribution of shareholders is shown in the table and graphs presented on page 107. At the end of December 2016, non-Finnish shareholders held approximately 18.1 percent of Consti Group Plc's shares. All of the shares held by non-Finnish shareholders were nominee-registered. Only shares registered in the shareholders' own name entitle their holders to vote at Shareholders' Meetings.

Shareholders

Consti Group Plc's Annual General Meeting (AGM) will be held on Tuesday 4th April 2017 at 1.00 p.m. at conference room Fennia II of Marina Congress Center, address Katajanokanlaituri 6, Helsinki, Finland.

Shareholders who wish to attend the AGM must be registered on 23rd March 2017 in the company's shareholders' register held by Euroclear Finland Ltd. Shareholders must also give prior notice of their attendance to the company by

27th March 2017 at 4.00 p.m. Such notice can be given:

- a) on Consti Group Plc's website: www.consti.fi
- b) by telephone on +358 20 770 690 during office hours from Monday to Friday between 9.00 a.m. and 4.00 p.m.; or
- c) by regular mail to Consti Group Plc, "Annual General Meeting", Hopeatie 2, FI-00440 Helsinki, Finland.

Dividend payment

The Board proposed to the Annual General Meeting that a dividend of EUR 0.54 be paid for the financial year 2016, representing 51.5 percent of reported earnings per share.

Financial calendar in 2017

Consti shall publish three interim reports during 2017:

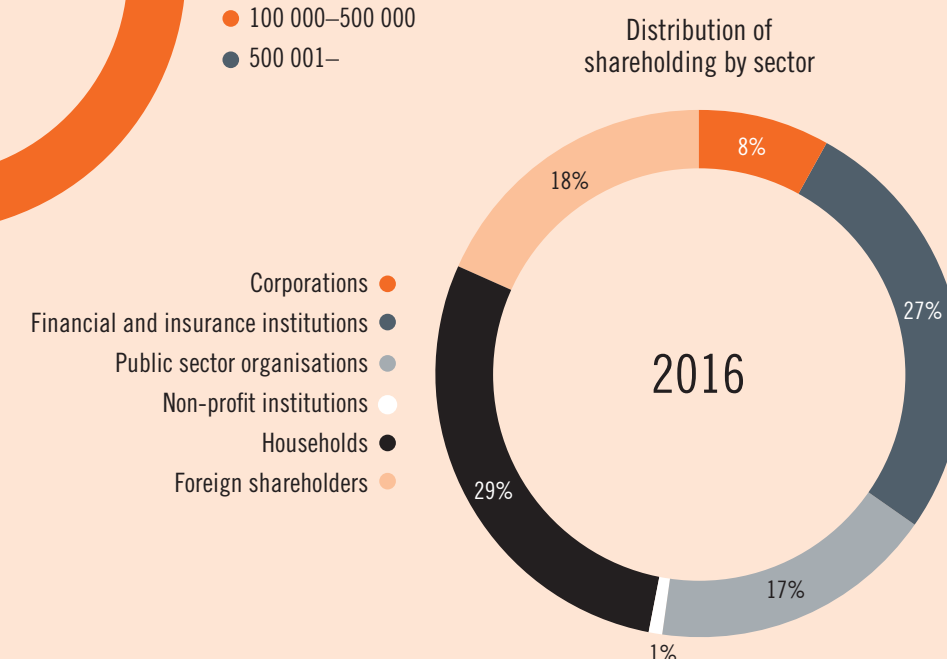
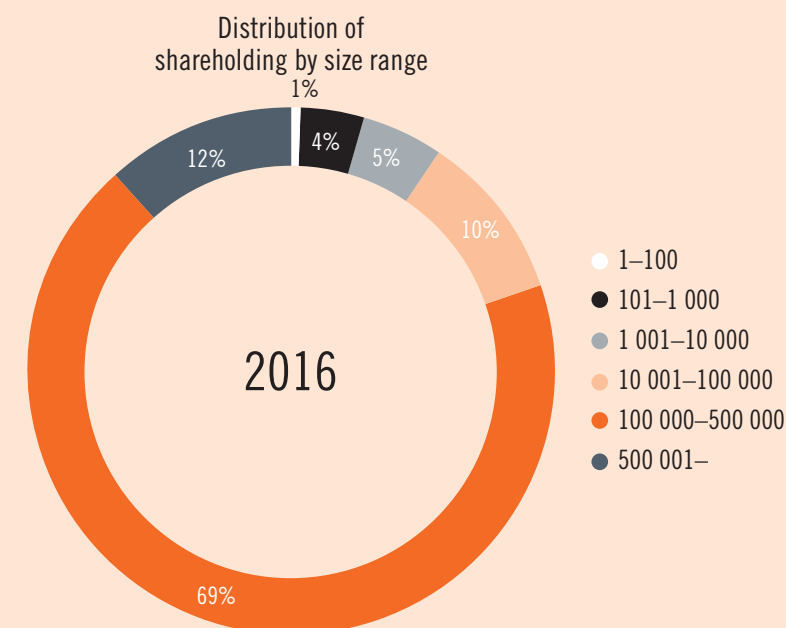
- Interim report 1–3/2017 will be published on 4th May 2017
- Half-year financial report 1–6/2017 will be published on 10th August 2017
- Interim report 1–9/2017 will be published on 9th November 2017

Interim reports are published at approximately 8.30 a.m. Finnish time. A press conference for analysts, portfolio managers and media will be arranged in connection with the publication of financial reports.

Investor relations

The aim of Consti's investor relations activity is to support the appropriate valuation of the Consti share by providing capital markets with all essential up-to-date information about the company's business, strategy and financial position. In addition, Consti aims to increase interest in the company among equity investors and analysts, improve the loyalty of current shareholders and reach new investors and analysts interested in the company.

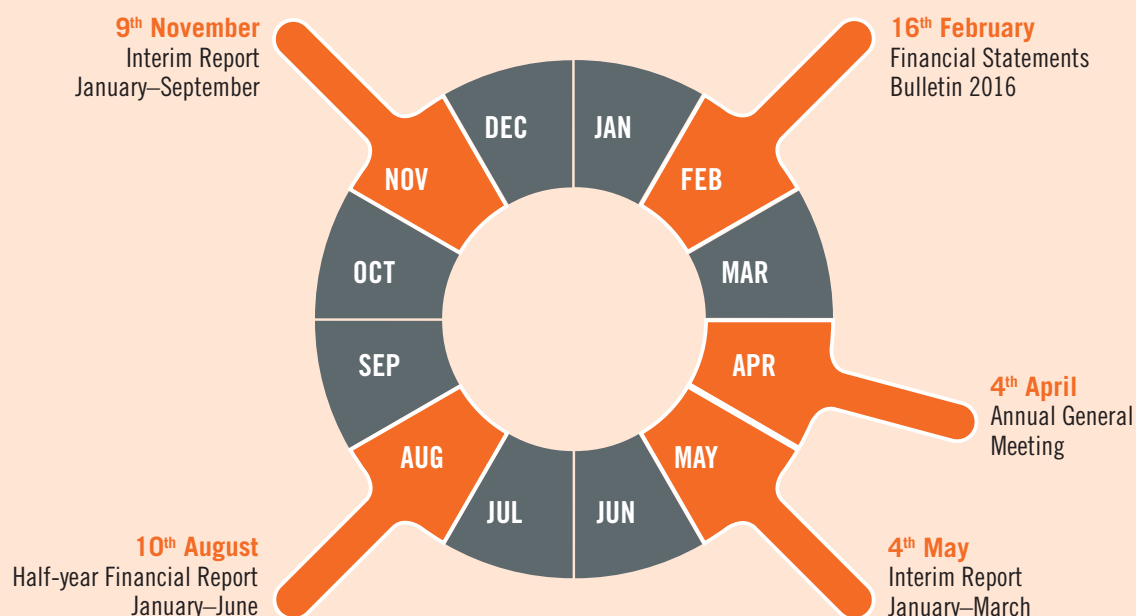
Consti observes a 30 days closed period preceding the publication of its results. During this time the company's representatives do not meet with investors or analysts, or comment on the company's financial position. At other times, we are happy to answer the enquiries of analysts and investors by phone or email, or at the investor meetings arranged.



Major shareholders 31 December 2016

	Number of shares	%
Etera Mutual Pension Insurance Company	474,066	6.03
Esa Sakari Korkeela	399,600	5.09
Keva	388,000	4.94
Risto Juhani Kivi	375,300	4.78
Ilmarinen Mutual Pension Insurance Company	311,000	3.96
Markku Kalevo	296,900	3.78
Antti Petteri Korkeela	289,842	3.69
Fondita Nordic Micro Cap	260,000	3.31
Consti GROUP PLC	237,336	3.02
Danske Invest Finnish Institutional Equity Fund	234,246	2.98
SEB Finlandia Investment Fund	202,000	2.57
Nordea Fennia Fund	197,551	2.51
Varma Mutual Pension Insurance Company	187,000	2.38
Sijoitusrahasto Aktia Capital	185,850	2.37
Danske Invest Finnish Small Cap Fund	150,000	1.91
Säästöpankki Pienyhtiöt	133,459	1.70
Danske Invest Finnish Equity Fund	128,379	1.63
Fondita Equity Spice Investment Fund	116,458	1.48
OP-Delta Fund	115,482	1.47
Norvier Oy	106,463	1.35
20 largest owners, total	4,788,932	60.94
Nominee registered	1,419,035	18.06
Others	1,650,300	21.00
Total	7,858,267	100.00

Financial calendar 2017



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Hopeatie 2, FI-00440 Helsinki, Finland
Tel: +358 10 288 6000
IR(at)consti.fi

Further investor information can be found at
www.consti.fi → [Investors](#)

CONSTI



Consti Group Plc was awarded the Key Flag Symbol in recognition of Finnish work in 2016. The right to use the symbol is granted by the Association for Finnish Work, and its primary award criterion is that the product or service in question must be manufactured and produced in Finland. Consti was awarded the right to use the Key Flag Symbol for its renovation and technical building services.

www.consti.fi