CONSTI GROUP PLC ANNUAL REPORT

2017

BUILDING THE NEXT 100 YEARS

CONSTI GROUP PLC \ ANNUAL REPORT 2017

Contents

Cover photo: Pasi Salminen

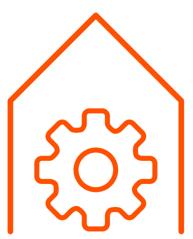
CONSTI IN BRIEF

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

Consti has a comprehensive service offering in building technology, pipeline renovations, renovation contracting, facade renovations, and other demanding renovations for residential and various kinds of commercial buildings. In addition, its offering consists of service contracting, maintenance and upkeep services. The company's business is strongly concentrated in Finland's growth centres.

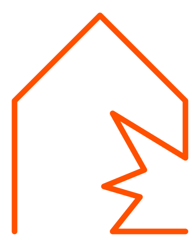
Net sales EUR 300.2 million

Average number of employees 1,088

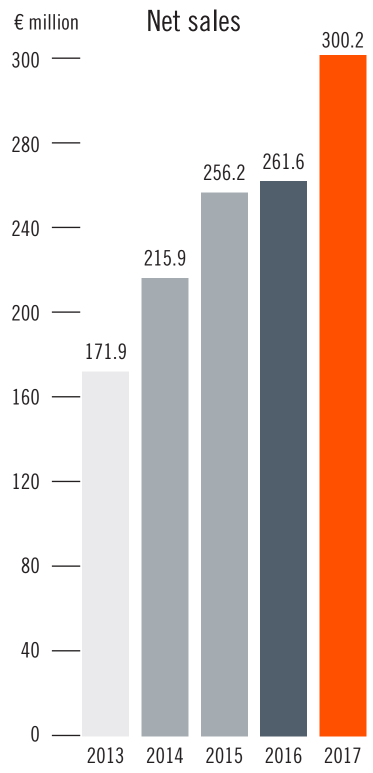


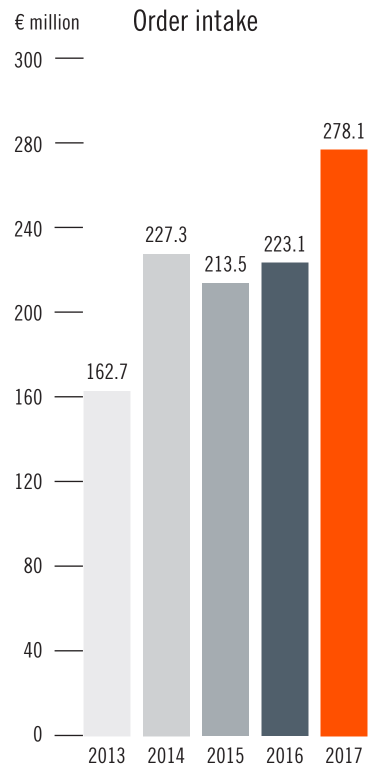
Technical Building Services
We provide installation and repair as well as maintenance and upkeep services related to technological building systems such as heating, plumbing, electric, ventilation, fire safety and automation systems.

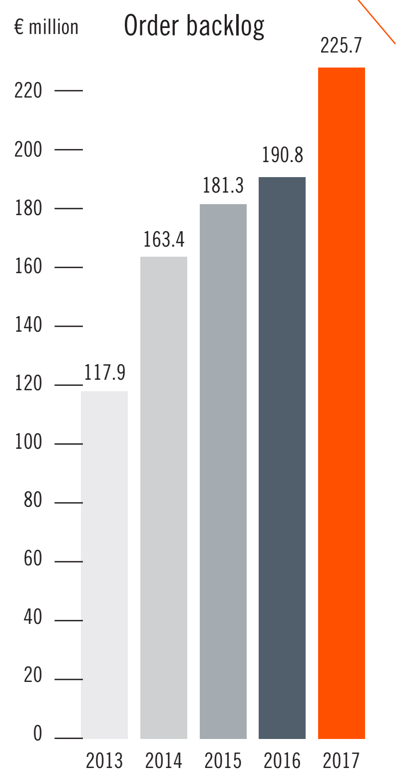
Building Facades
We provide repair and maintenance services related to building exteriors, such as facades, roofs, windows, balconies and yards, along with the renovation of rental apartment buildings and the construction of extra storeys for residential buildings.

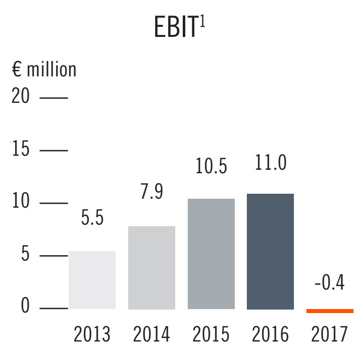


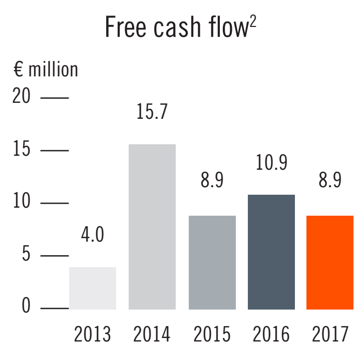
Renovation Contracting
We provide comprehensive renovation and modifications of the use of buildings in non-residential buildings as well as service contracting and repair and maintenance services related to same.

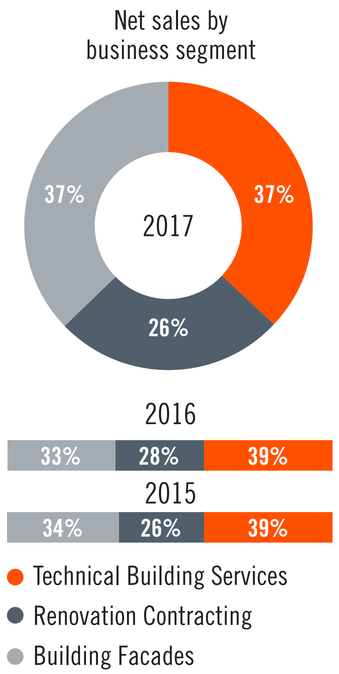


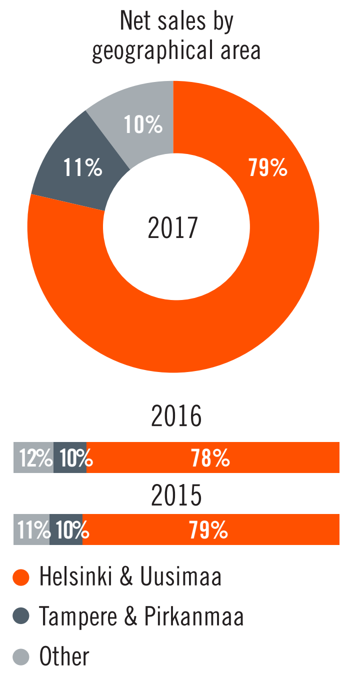


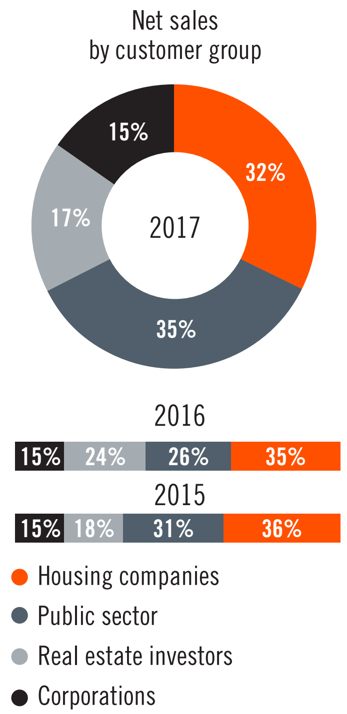












1) Adjusted EBIT before items affecting comparability
2) Net cash flow from operating activities before financial and tax items less investments in intangible and tangible assets

CONSTI GROUP PLC \ CEO's REVIEW

OUR NET SALES GREW BUT OUR RESULT WAS A DISAPPOINTMENT


Photo: Pasi Salminen

In 2017 our net sales grew nearly 15 percent from the previous year and amounted to over 300 million euro. Our net sales grew in all business areas and were particularly strong in Building Facades.

Our net sales grew both organically and through acquisitions. We expanded our offering and strengthened our market share with acquisitions in Oulu, Pirkanmaa and the Greater Helsinki Area.

During the year we carried out several renovations of valuable culturohistorical properties including Oulu liiketalo, Samppalinna outdoor swimming stadium and Espoonlahti church. We also enhanced living comfort in many housing companies with facade and pipeline renovations, renewed numerous office buildings and malls, and renovated health centres, hospitals and schools.

Despite the growth of our net sales, 2017 did not match our expectations and our result was negative. We had to admit that our performance in project deliveries was weaker than estimated. Clear problems relating to project execution and project management were found especially in Technical Building Services. Our profitability was also weakened by project personnel turnover and strong price competition. Towards the end of the year we went through all our ongoing and finished projects and adjusted cost and profitability estimates for our project base. We started reorganising our Technical Building Services business area in order to improve its profit responsibility and project management, and clarify its service offering. We have also adjusted the selection criteria for new worksites. Furthermore, we have started several actions to improve project steering and monitoring. New operation models will be taken into use during the first quarter of 2018. We have also clarified financial reporting responsibilities for projects in the entire Group.

The amount of new orders received in 2017 grew nearly a quarter from the previous year. The value of new orders increased especially due to our deal to renovate Hotel Scandic Marski in Helsinki and two premises in Vallila Helsinki: Ässäkeskus and KOy Vallila. Our December order backlog was also clearly larger than in the comparison period. I believe that our strong order backlog and our actions to improve productivity and profitability will help us return to the path of profitable growth.

We improve the value of the building stock and the value of life

Our mission is to improve the value of the building stock and the value of life. Based on our mission we also updated our strategy during spring 2017. Our goal is to be the number one renovator in Finland by the end of our strategy period in 2021. The keys to our success are profitable and competitive operations, the best professionals, excellent services and solutions, the best customer experience, and renewal and growth.

In carrying out our strategy we have emphasised actions that improve profitability. At the same time, we have developed novel solutions for e.g. renovating facades and student apartments.

Excellent results in our 2017 personnel survey brought Consti recognition as one of Finland's most inspiring workplaces and create a good foundation for the workplace of the best professionals in the business.

Demand for renovations remains high, mainly due to the age of our building stock and changing requirements for the built environment. Our skills are in demand.

Thank you for the past year to all our clients, our partners, our owners and especially our personnel.

Esa Korkeela

Our goal is to be the number one renovator in Finland in 2021.

Photo: Matti Rajala

OUR GOAL IS TO BE NO. 1 IN OUR BUSINESS

"Consti professionals are passionate about renovating and developing the built environment in a sustainable and sensible manner. This is why we are number one in renovation construction." (Vision 2021)

Consti has rapidly become one of Finland's leading companies focusing on renovations and building technology. Consti's goal is to grow in its current market areas: The Greater Helsinki area, Pirkanmaa, Turku and Oulu; and expand its service offering to Finland's other growth centres. Growth is sought both organically and through acquisitions.

Consti wants to be Finland's number one company in the renovation and complementary construction of housing companies, commercial premises and public facilities. Wide-ranging competence in renovations and professional employees who enjoy their work are both key prerequisites to achieving this goal.

A central part of our growth strategy is strengthening our service offering and customer relationships, as well as investing into progressive project forms, technological innovations and customer focused operational models. Improving operations and efficiency is also an important step in achieving long-term growth targets.

In 2017 Consti strengthened its market position with acquisitions in Oulu, Pirkanmaa and the Greater Helsinki area. Oulun Talosaneeraus Oy, which was acquired in January 2017, is specialised in pipeline renovations and in 2016 the company had net sales amounting to about eight million euro. Pisara-Steel Oy was acquired in March. It specialises in roof renovations and in 2016 its net sales were approximately 2.4 million euro. In July Consti acquired KP Kuoppamäki Oy, which operates in Pirkanmaa and primarily specialises in renovations and modifications of the use of office premises. In 2016 the company's net sales were about six million euro. As a result of the acquisition, Consti's service offering now covers all renovation and maintenance services also in Pirkanmaa.

In October Consti acquired Lumicon Oy, which operates in Helsinki-Vantaa airport. The acquisition strengthens Consti's Service offering. Lumicon Oy's net sales in 2016 were about two million euro.

The acquisitions brought almost 70 new renovation and building technology professionals to Consti. All the acquired companies are merged into Consti's business areas.

Our updated strategy is based on our strong vision

Consti updated its strategy for 2017–2021 during the first half of 2017. Our strategy is based on our strong vision and core competencies in our focus groups. Our mission is to improve the value of the building stock, and the value of life.

Our strategic goals are to reach 10 percent growth in our current businesses, improve our relative profitability, and achieve growth in new business areas. Our long-term financial targets remained unchanged.

The strategic development projects that we set to achieve our goals remain based on a broad offering and efficient operations.

Profitable and competitive operations:

Profitable and competitive operations in projects and services are achieved for example by implementing Lean principles, especially to shorten lead times. Developing contracting processes, project management, and procurement processes are also central areas of focus, as is systematically monitoring and developing business profitability. We started developing our contracts and project management by clarifying responsibilities and processes.

The best professionals:

The key to growth is a competent and motivated staff whose operational preconditions and wellbeing are taken care of. According to a personnel survey conducted in 2017, Consti employees are more engaged and committed to their jobs than workers on average. As a result of the survey, we have invested into strengthening communication skills and arranged coaching to support communication between our subsidiaries.

In personnel development we also continued supervisor training and training in project management, as well as work planning and scheduling. Quality training started at the end of 2017 will continue in 2018 as well.

Photo: J-P Paajanen

Consti is renovating the Foundation for Student Housing in the Helsinki region Hoas' tenant buildings at Linnoituksentie 10 in Kivikko Helsinki as a turn-key construction project. Consti Renovation Contracting, Consti Building Facades and Consti Technical Building Service are all participating in the project. The worksite includes five residential buildings, 184 apartments and 10 000 square feet of apartment space.

Excellent services and solutions:

We want to productise Consti's broad offering into even clearer and more customer focused service concepts. Amenity renovations that we started in student housing buildings have already proven to be a popular concept. In 2017 we started productising balcony renovations in order to shorten the duration of balcony renovations and improve efficiency.

The best customer experience:

Consti has exceptionally broad and versatile renovating competence and our business areas collaborate in several large joint ventures. For example, at the Hoas worksite located at Linnoituksentie 10 in Helsinki, Consti Building Facades, Consti Technical Building Services and Consti Renovation Contracting are all working together.

Our customers have, however, requested that we make purchasing services from our different business areas smoother. In 2017 we developed our sales operations to ensure that customers can more easily obtain any service Consti offers. In addition to developing our sales personnel's knowledgeability of our different business areas, we also developed the related bonus system.

Renewal and growth:

We wish to expand our services in the renovation value chain to cover even more ground, all the way from the planning phase to services and maintenance during use. This goal is strongly linked to operating in the forefront of developing new completion methods and technologies.

During the year we developed for example our competence relating to alliance models and our Service operations. The alliance model was used e.g. at the large-scale renovation sites at housing company Jyrkkälä and Espoonlahti church.

We seek growth in our strategic growth areas: Service, various endeavours based on broader collaboration, geographic growth in Finland's growth centres, and pipeline renovations, as well as promising specialty renovation markets such as balcony, concrete and glass structures.

Additionally, we also want new growth in areas we have not previously operated in, or in which we have not had a strong enough foothold. These areas are for example indoor ventilation and energy solutions, as well as solutions for row houses and small apartment buildings that are approaching renovation age.

STRATEGY

Long term strategic goals

Growth: Average annual growth in revenue at least

10%

Profitability: adjusted EBIT-margin exceeding

5%

Cash flow: Cash conversation ratio exceeding*

90%

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

2,5 x

while maintaining an efficient capital structure

MISSION

Our mission is to improve the value of the building stock, and the value of life. The satisfaction of our customers and partners, as well as the well being of our personnel are the prerequisites to all our operations.

CUSTOMER PROMISES

Fast and reliable – and ready in one go

Consti – the human factor

We listen, understand and offer a solution

We do what we promise

VISION

"Consti professionals are passionate about renovating and developing the built environment in a sustainable and sensible manner. This is why we are number one in renovation construction."

STRATEGIC INITIATIVES

1. Profitable and competitive operations
2. The best customer experience
3. Excellent services and solutions
4. The best professionals
5. Renewal and growth

VALUES

Profitable growth

Professional skill and experience

Customer orientation

Enthusiasm

Reliability and honesty

* The cash conversion is the amount of free cash flow divided by EBITDA. Free cash flow means net cash flow from operating activities before financial expenses and taxes, less capital used for purchase of intangible assets and property, plant and equipment

RENOVATION NEEDS ARE STEADILY INCREASING

In 2017, the value of new constructions exceeded the value of renovations, but residential apartment building renovations are still the largest area of construction.

In Finland, nearly six percent of the GDP is spent on renovations, which is significantly more than the European average.

An estimated 12.8 billion euro was spent on renovations in Finland during 2017, of which 7.8 billion was used on renovations of residential buildings. Residential building renovations are the largest area of construction in Finland.

Renovations have increased their share of the total construction market steadily. Due to our building stock's age, growth has been rapid compared to the rest of Europe.

New construction has picked up pace and thus in 2017 renovations only amounted to somewhat less than half of all construction, whereas renovations amounted to over half of the total construction in Finland during 2013–2015. In 2017, new construction reached peak levels last seen in the 1970s. Renovation growth was also subdued by the shortage of skilled personnel caused by the fast-paced new construction of residential buildings.

The general economic situation typically has a significant impact on new construction, but a much lesser effect on renovations. In its October review of the business environment, the Confederation of Finnish Construction Industries RT estimated that construction grew 4.4 percent in 2017. Euroconstruct projected 4.8 percent growth. RT approximated that renovations had grown 1.5 percent and new construction about seven percent. New construction was especially driven by new residential building projects, which RT estimated to have grown by nine percent. In cubic meters, however, construction levels remain under average, as the average size of apartments has decreased. The construction of new office buildings grew by circa nine percent. The growth is mostly coming from the Greater Helsinki area and school and hospital projects.

Euroconstruct estimates that Finland's renovation markets grew 1.8 percent in 2017. Residential building renovation grew by an estimated two percent and office premise renovation by 1.5 percent.

In the near future, operational programs to improve public service facility health should bring new orders to public facility renovations. According to the Built Environment ROTI-report from 2017, one in five public buildings is damaged. Also, the Ministry of the Environment estimates that 600 000–800 000 Finns are exposed to poor indoor air daily.

RT predicts that the market for new construction will grow 2.3 percent in 2018 and renovations will grow 1.5 percent. The corresponding estimates from Euroconstruct are 1.8 and 1.5 percent.

Building technology's share will grow

When renovations are divided into building technology, facades and interior renovations, the largest share in euro comes from building technology. Approximately two-thirds of building technology is HVAC technology, of which more than half is technology relating to water, one fifth is heating technology and one fifth ventilation technology.

Nearly half of the net sales of companies operating in HVAC instalment and contracting comes from renovations. New construction's share is about 30 percent and maintenance amounts to approximately 20 percent.

The market for building technology is expected to grow faster than other construction, because the amount of building technology is growing in both new construction and renovations. The Finnish Association of HPAC Technical Contractors conducted a survey in autumn 2017, which revealed that nearly 80 percent of the contractors felt the market conditions were at least satisfactory in new construction and 90 percent found the conditions satisfactory in renovations and maintenance.

In building technology, Consti operates both in the new construction and renovation markets and offers a wide range of services for the entire life cycle of buildings.

Renovations are concentrated in growth centres

Just as in new construction, also renovations are expected to concentrate more and more into growth centres. The largest growth in the next ten years is expected from renovations of housing company owned residential buildings. The Confederation of Finnish Construction Industries RT estimates that during 2016–2025 approximately 68 percent of all apartment building renovations will be in the Helsinki, Tampere, Turku, Oulu and Lahti areas.

Currently most renovation in Finland are being conducted on buildings from the 1960s and 1970s. Next in line will be buildings from the 1980s, which alongside the 1970s was a peak time for building residential properties. Renovation needs are increasing not only due to the aging building stock, but also because of heightened energy efficiency requirements, urbanisation, and increased need for accessible buildings due to the aging population, as well as modification needs for various kinds of office premises. In addition, standards for living comfort and indoor air quality have escalated.

Growth drivers

Aging building stock

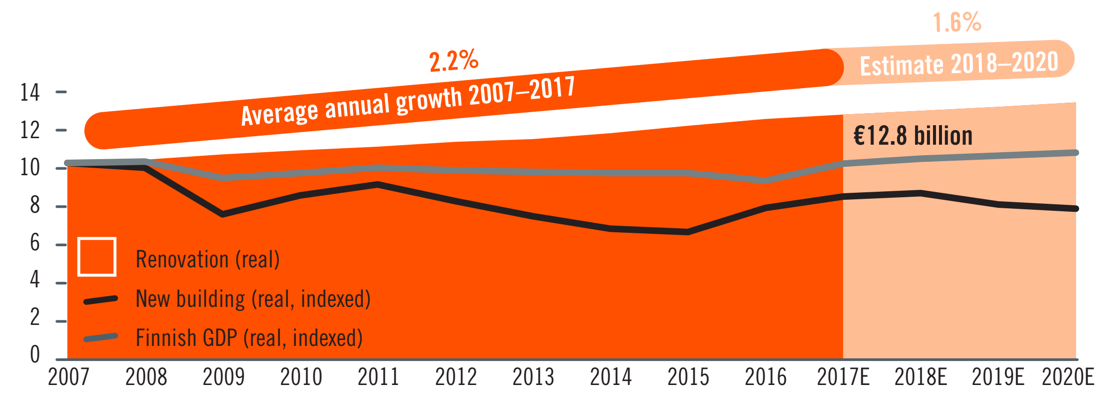
Energy efficiency

Urbanisation

Modifications of the use of buildings

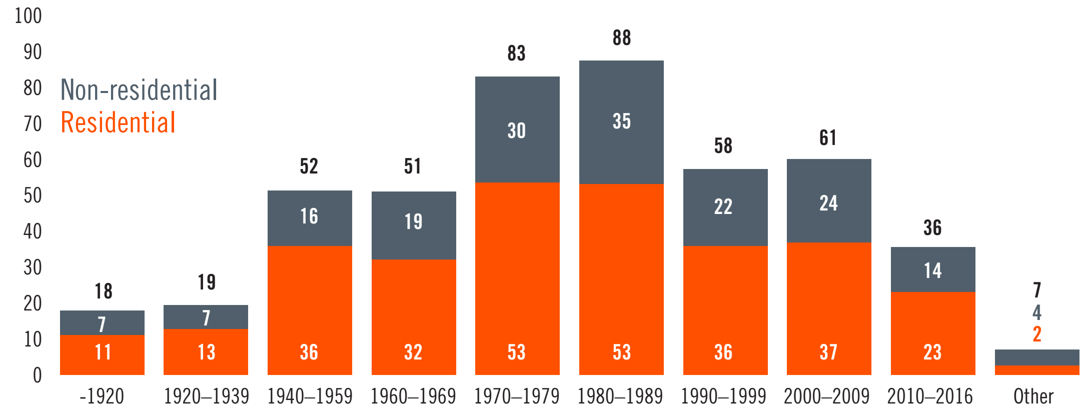
Increased need for building technology and automation

Finnish renovation market (€ billion)



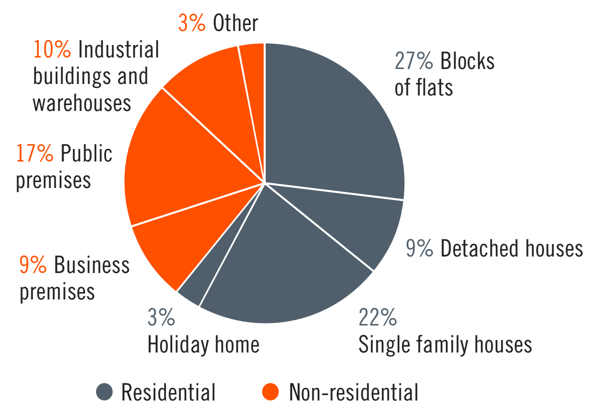
Source: Euroconstruct, November 2017 and Statistics Finland, December 2017

Finnish building stock by construction year (million m²)



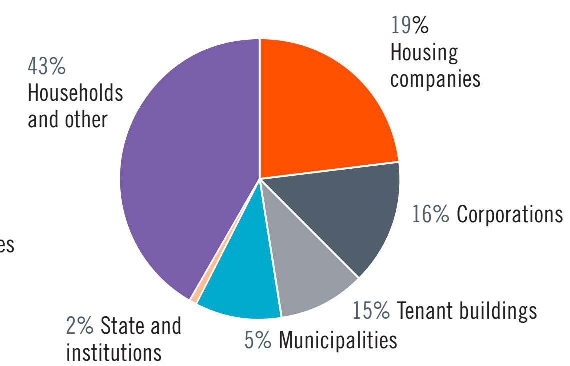
Source: Statistics Finland, May 2017

Renovation market in Finland



Source: Euroconstruct, 2017

Renovation by customer group



Source: VTT, February 2017

The significance of living comfort is showcased for example by the increase of yard renovations conducted alongside complete renovations.

Old buildings are valued

Renovating an old building adds to its life cycle and value.

Renovations also maintain architectural heritage and history. Special skills are required to restore unique decorations in prime properties, or modernise a theatre building from the 1960s. A good indication of the appreciation of renovations is the Finlandia award in architecture, in which all the finalists were renovation sites.

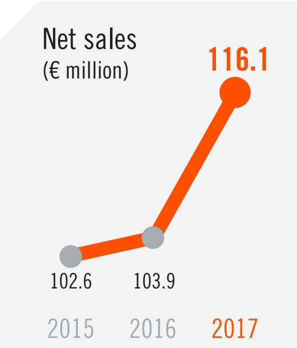
The renovation and building technology market is very fragmented in Finland. Large construction companies focus on new construction, which tends to have larger projects than renovation contracting. Renovation contracting and building technology markets consist of numerous small, local companies that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

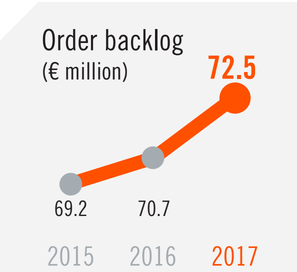
Measured in net sales, Consti is the leading company focused on renovation in Finland. It is set apart from competition by its comprehensive service offering, which ranges from maintenance and small contracts to multi-million-euro contracts lasting several years.

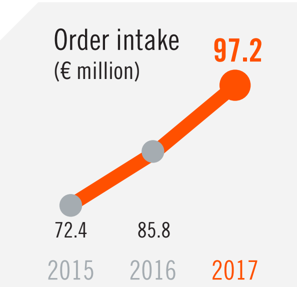
Sources: the Confederation of Finnish Construction Industries RT's October 2017 review of the business environment, and Euroconstruct/Forecon November 2017.

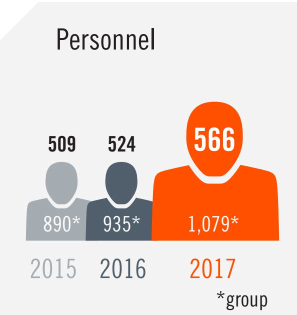
ENERGY EFFICIENCY AND HEALTHIER INDOOR SPACES

Technical Building Services improve a building's value and the comfort of living it offers, while simultaneously extending its life-cycle.









The energy efficiency of the existing building stock is a crucially important prerequisite to decreasing energy consumption, because new construction increases Finland's building stock by only 1–2 percent annually. Energy efficiency can be improved for example by renewing ventilation and heating systems, automation and appropriate maintenance. For instance, at Helsingin Yhteislyseo school, the energy costs are expected to decrease by an estimated 70 percent thanks to Consti's HVAC-renovation. When properly installed, operated and maintained, a ventilation system also means cleaner indoor air.

Building technology and its various sensors are also increasingly behind living comfort and a pleasant working environment. Consti's automation unit builds automation systems to both new construction sites and renovation sites. Last year Consti finished building for example a large-scale automation system at the completely renovated Helsinki City Theatre and also started building automation maintenance services.

In the beginning of 2017, Consti expanded operations in Oulu through the acquisition of Oulun Talosaneeraus Oy, which has operated in the region for ten years. The deal brought nearly 30 new pipeline renovation professionals to our staff and considerably strengthened Consti's market position in the Oulu region.

Demand for Technical Building Services stayed good all year long and good growth is continuing especially in building technology solutions for office premises. Price competition, however, remains harsh.

Technical Building Services' net sales grew by 12 percent and amounted to 116.1 (103.9) million euro.

Improvements to process efficiency supported by the new organisation

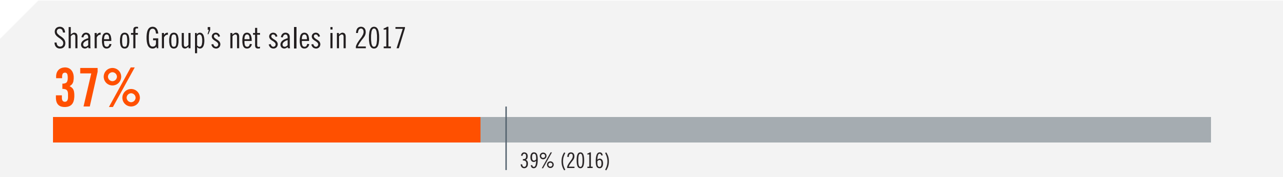
The organisation and operational procedures were both renewed to improve profitability. From the beginning of 2018, Consti Technical Building Services has been divided into three business areas: building technology contracting, housing corporation pipeline renovations, and service. The new organisation and operational procedures clarify areas of responsibility, and improve profitability and business predictability. The goal is to also improve customer experience.

Personnel training also focused on factors improving profitability, such as project management and reporting. In bidding processes, we are now further emphasising the project's suitability for Consti and the availability of the right kind of professionals. Risk management is improved by decreasing the average project size. In 2017 the ISO 9001:2015 quality standard was also updated.

The largest new sites included the building technology and wet space renovations of two housing companies in Laajasalo, Helsinki, including a total of 168 apartments, and modifying the old headquarters of Kesko – a property owned by Varma – into residential use. The renovations of Kesko's old headquarters and the historically valuable building at Korkeavuorenkatu 21 Helsinki are joint projects together with Consti Building Facades.

At the end of 2017 Technical Building Services employed 566 professionals, 42 more than the year before. The order backlog remained approximately at the previous year's level and was 72.5 million euro.

In 2018 Technical Building Services will continue to develop processes to achieve faster lead times, improved financial results and ensure more satisfied customers, as well as personnel who enjoy their work.



At Järvenpää's new JUST, social and healthcare services are combined with modern technology and energy efficiency, accessibility, and flexible building services.

Consti was the contractor for the building's entire building technology. A goal price contract was used as the contract model.

© 2017, Kuvatoimisto Kuvio Oy

Puistotie 42 in Kulosaari is a housing company with one apartment building and one row house. In its building technology renovation, the wet spaces were renovated and the water and power distribution systems were renewed.

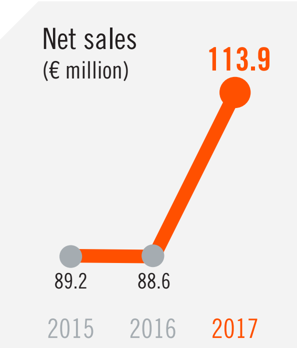
In addition, Consti took care of bathroom renovation work in some of the apartments.

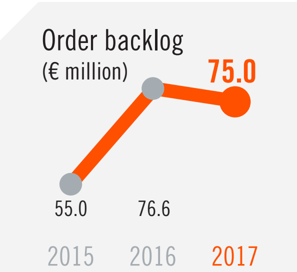
Photo: Pasi Salminen

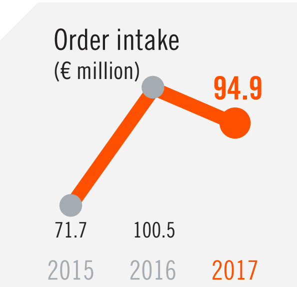
Photo: Matti Rajala

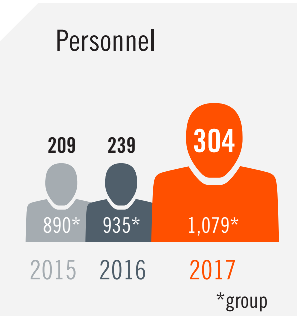
FACADES FOR THE NEXT CENTURY

A well-maintained facade showcases the building's value and appreciation.









A building's facade is its business card, and it has a significant impact on the value of both the building and the area. In addition to creating a beautiful and durable exterior, facade renovations also improve energy efficiency and the comfort of living, and extend the building's life cycle. Consti's facade renovations often include the instalments of additional insulation, window, roof and balcony renovations, and even yard renovations.

In 2017, Consti's Building Facades grew more than one quarter from the previous year. Consti strengthened its market position as a facade renovator especially in the Greater Helsinki area. The business also developed favourably in Oulu.

Consti Building Facades' net sales amounted to 113.9 million euro. Net sales grew in part due to the November 2016 acquisition of JT-Palvelut Oy, which focuses on facade maintenance in Pirkanmaa, and the 2017 acquisition of Pisara Steel Oy, which has strengthened Consti's competence particularly as a renovator of fences and durable sheet metal roofs.

It pays off to renovate

Old prime properties are often well-maintained. In recent years, property owners have also started to gain a wider understanding of how important it is to maintain and renovate more common buildings. Renovating an existing building is almost always cheaper and better for the environment than new construction. Appropriate maintenance naturally adds to a building's life cycle.

In 2017, Consti participated in renovating several prime properties. In December we finished the renovation of Oulu liiketalo, with its unique hand-crafted facade decorations. Numerous sculptures, plaster repairs and magnificent decorative paintings were also part of the renovation conducted at Korkeavuorenkatu 21 Helsinki, which in addition to a challenging facade renovation also includes 60 new apartments, attic construction and new balconies.

Specialist skills in roof renovations were needed especially for the copper roofs at Espoonlahti church and Eira's mestaritalo, which were both finished in 2017. A copper roof stands the test of time for a good century.

At housing company Kiertotähdentie 4 in Helsinki, the facade renovation includes thin insulation plastering, the renovation of windows, roofs, and the glass and steel structures of the entrances, as well as demolishing old balconies and building new ones. The project will continue in 2018 with yard renovations.

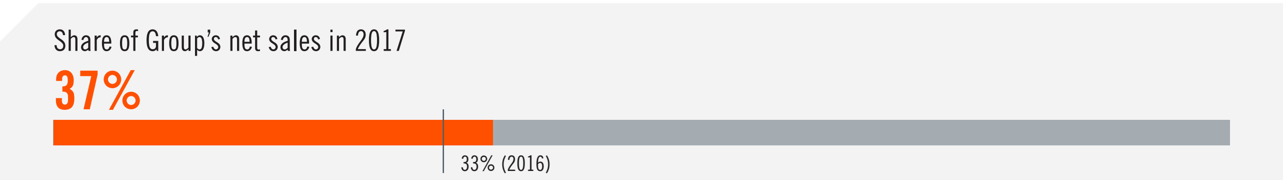
Balcony renovations became a new product

During the past year, Consti Building Facades focused particularly on developing schedule maintenance, such as timing different work phases, and productising services. We were especially successful with timetables at Helsingin Yhteislyseo school, which we finished renovating approximately six months ahead of schedule. A new method was developed for renewing balconies, which enables us to finish a project in half the time it previously took.

New significant work sites include the old Kesko headquarters, which is owned by Varma. The building will be modified to hold 120 apartments. Consti Technical Building Services is collaborating with Consti Building Facades at the old Kesko headquarters located in Katajanokka, Helsinki, and also in the modifications of the historically valuable building located at Korkeavuorenkatu 21, Helsinki.

At the end of 2017 Consti Building Facades employed 304 people, which is 65 more than in 2016.

Building Facades' order backlog remained approximately at the previous year's level and was 75.0 million euro at the end of 2017. The order backlog strengthened particularly in renovating residential buildings.



Oulu's historically significant Pallas block includes the oldest building of housing company **Oulu's Liiketalo**, the so-called Old Pharmacy from 1928. A commercial and a residential building were constructed adjacent to the Old Pharmacy in 1953 and 1962. The prime property's exteriors and interiors were renewed in 2017. The facade renovation also included renovations of the roof and yard, as well as internal HVAC renovations and new stairwells. The listed building's renovation work commenced with archaeological excavations on the premises.

The facades of **Kiertotähdentie 4** in Suutarila Helsinki had come to the end of their life cycle. Built in 1974, the property includes nine two-story apartment buildings. During the extensive facade renovation, for instance completely new balconies were built to replace the old ones. The residents were very pleased because the renovation was finished ahead of time.

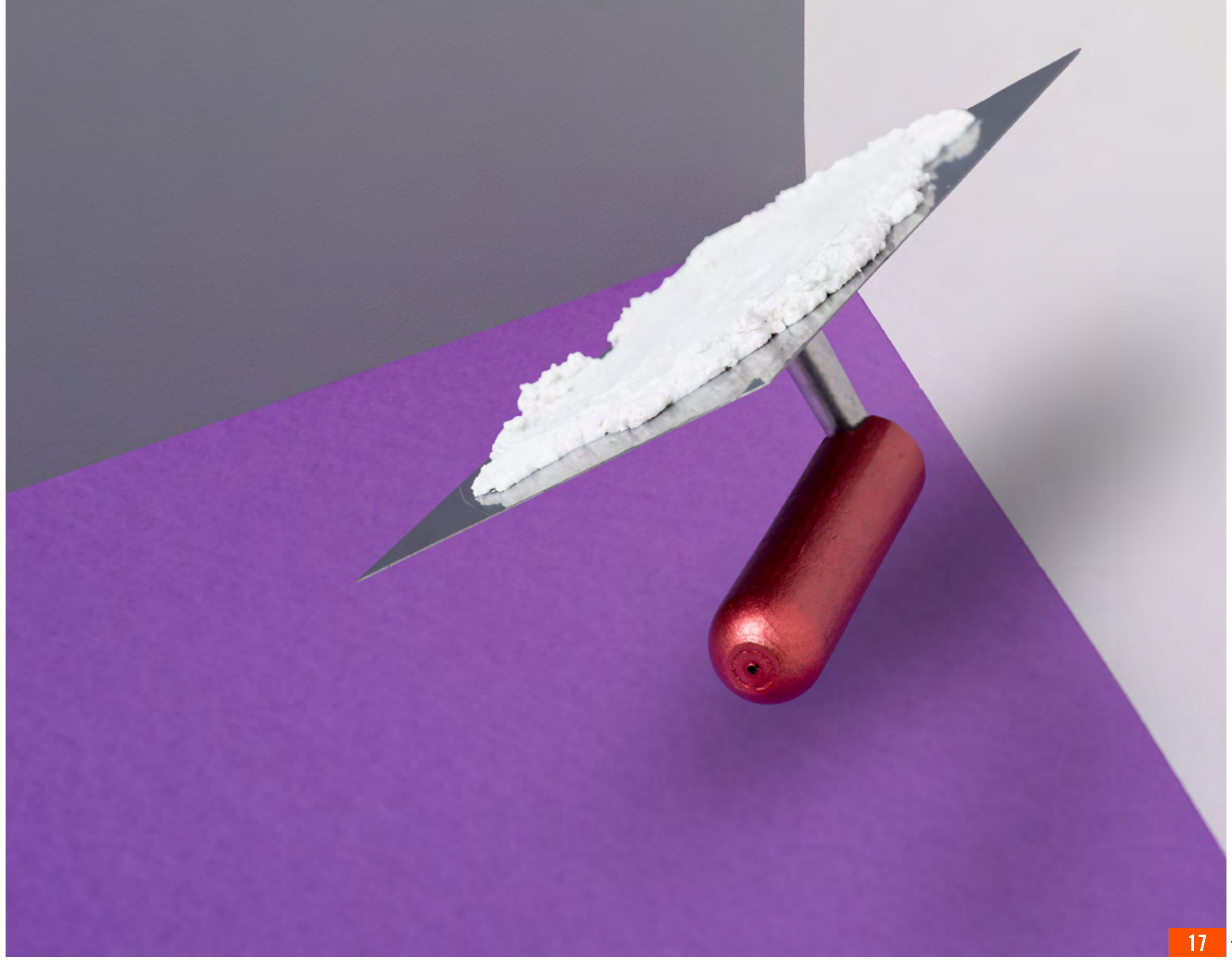
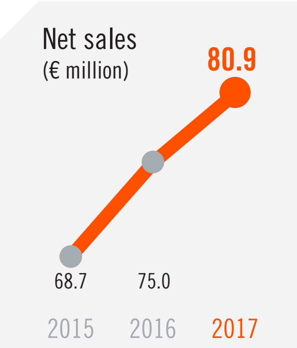
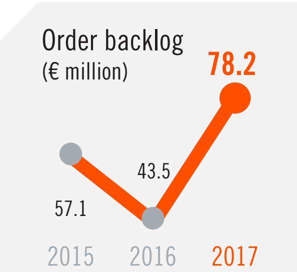


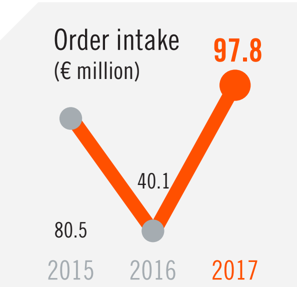
Photo: Matti Rajala

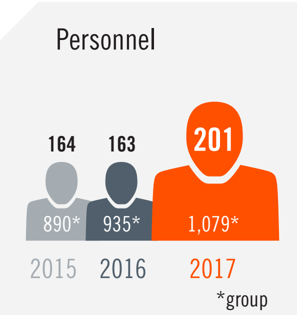
FUNCTIONAL AND SAFE SPACES

Functionality, indoor air quality and accessibility are increasingly highlighted in renovation contracting.









Consti Renovation Contracting finished several prominent projects in 2017. The complete renovation of the historically significant Samppalinna outdoor swimming stadium in Turku was completed in time for the summer season. In Helsinki the functionality of shopping mall Kaari was improved and in Vantaa Renovation Contracting conducted modernisation work in shopping mall Jumbo.

In the complete renovation of Espoonlahti church, improvements were made to the building's structure, indoor air quality, energy efficiency and safety. The premises and indoor air quality were also improved in Jorvi hospital and Kivipuisto multi-service centre in Järvenpää. The latter two were handed over to the clients as so-called zero-fault projects, which is always a source of joy and pride in our industry.

In Turku, the alliance model renovation of housing company Jyrkkälänpolku was nearly finished, with everything else completed apart from the final planting work in the yard, which will be finalised during spring 2018.

Alongside improvements to building structures and functionality, also energy efficiency, indoor air quality and accessibility are becoming increasingly important in renovation work. In addition, maintaining or even refurbishing the original look and architecture of buildings is part of progressively more renovation projects.

Positive sales development

Demand in renovation contracting has grown steadily during recent years and significant changes did not occur on the markets during 2017. In the first half of the year demand was concentrated on small and medium-sized sites, while the markets for larger renovations picked up at the end of the year.

Consti Renovation Contracting's net sales developed positively and amounted to 80.9 million euro, a 7.8 percent increase from the previous year. The growth came from the Greater Helsinki area, as well as from work brought by the acquisition of KP Kuoppamäki: service contracting in Pirkanmaa – a region where Consti Renovation Contracting has not previously had operations in. In the Greater Helsinki area, the acquisition of Lumicon Oy expanded the service offering.

New significant contracts for 2018 include the complete renovation of Ässäkeskus, which is owned by Varma and located in Vallila, Helsinki; and the complete renovation of hotel Marski, which is owned by Valio's pension fund and located in the centre of Helsinki.

Amenity renovations became a popular product

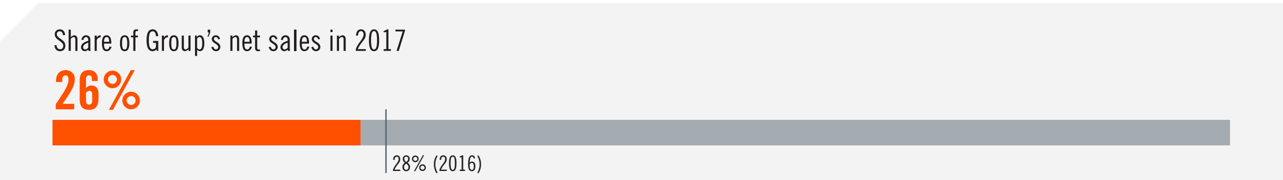
In large-scale renovation projects, the collaboration between the developer, planner, contractor and end-user is highlighted. Consti has actively participated in developing and utilising new collaboration models and contracts that particularly aim at improving information flow and decreasing risks. Alliance model projects have included for instance the renovation of Espoonlahti church and housing company Jyrkkälänpolku.

A good example of service productization are the amenity renovations that were piloted already in 2016 at Hoas Foundation for Student Housing in the Helsinki region, and which received praise from the developer and residents alike. The well-working concept has subsequently been expanded to other sites including several residential buildings. In amenity renovations, the apartment's general look is altered in just a few days. Efficient work flow ensures that residents can live in their apartments for the full duration of the renovation. Amenity renovations will continue in Hoas houses also in 2018.

Renovation Contracting had 201 employees at the end of 2017. The staff count grew with 38 people from the previous year.

At the end of 2017 the order backlog was 78.2 million euro, which is 80 percent more than the previous year.

In 2018 the goal is to grow profitably by strengthening the current service offering in Uusimaa, Finland Proper, Päijänne-Tavastia and Pirkanmaa.



In Turku, the **Samppalinna outdoor swimming stadium** was returned to its original look from the 1950s. In this nationally unique and particularly demanding project, close to a thousand cubic meters of concrete was casted. The sides of the pools were casted with so-called mosaic concrete. The building's accessibility was also improved in the renovation.

Samppalinna outdoor swimming stadium is classified as a culturohistorically and architecturally valuable building.

Espoonlahti church was completely renovated in a one-year project. In addition to the signature roof of the church hall, the windows and entire building technology was renewed. The building, which was originally constructed in 1980, was modernised to meet modern standards for assembly and work facilities. The most challenging part of the work was renovating the multi-faceted, architecturally rare roof structure of the church hall.

Co-operative project management was used at the work site. In this approach, all of the participating parties commit to joint goals, including financial targets.

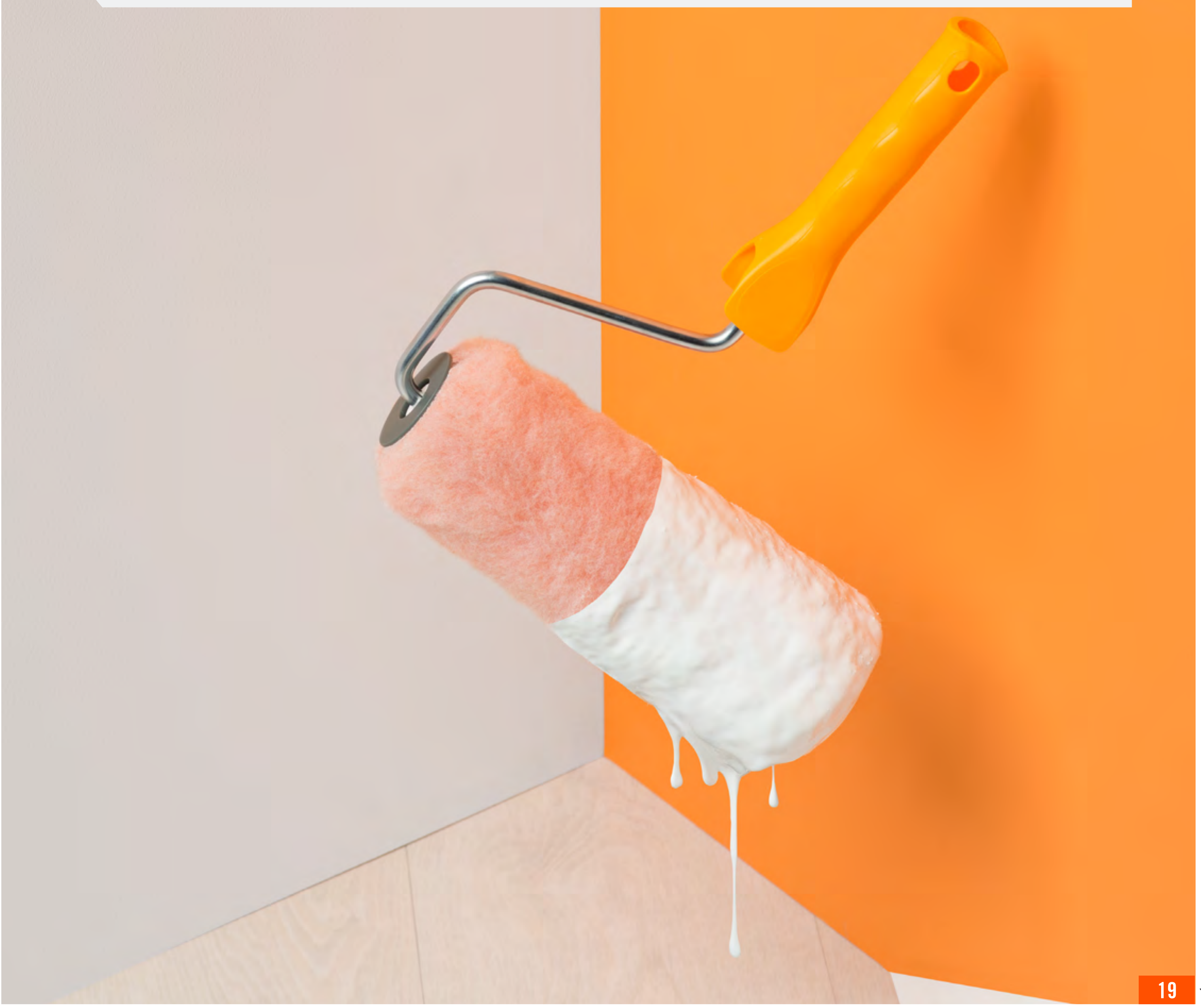


Photo: Matti Rajala

AIMING FOR COMPREHENSIVE SERVICE AGREEMENTS

Preventive maintenance expands a building's life cycle and saves costs.

One of the main reasons why property owners value preventive maintenance is the fact that it helps them avoid most surprises. A leaking roof or a heating system breaking down in the dead of winter are unpleasant surprises, and fixing them in a hurry is much more expensive than taking care of maintenance work in a planned schedule.

Scheduled maintenance ensures that technical systems such as ventilation and heating work economically. Dirty filters for incoming air or insufficient ventilation may cause indoor air problems and even learning challenges.

According to research conducted by VTT, continual maintenance lengthens system and structure life cycles by up to one third.

Broader maintenance competence

Consti's Service business offers multi-year maintenance agreements as well as individual maintenance and repair work services, such as seaming facade elements and facelift renovations for office spaces.

In 2017 new contracts were made with for example the hospital district of Tavastia Proper. Consti also has long-term agreements with Turku and Northern Ostrobothnia's hospital districts, as well as several cities and municipalities.

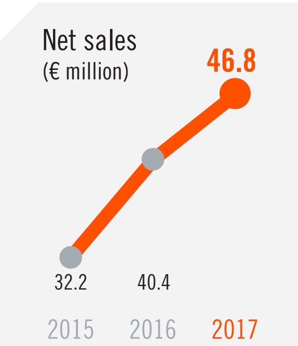
Fast problem-solving abilities are one of Consti's strengths. In the past year we focused our training and development work on increasing competence in maintenance and life cycle thinking. The goal is to offer residents even broader service packages that include all the different areas of building technology and automation. Comprehensive maintenance operations ensure functional premises and expand the life cycle of a building and its building technology.

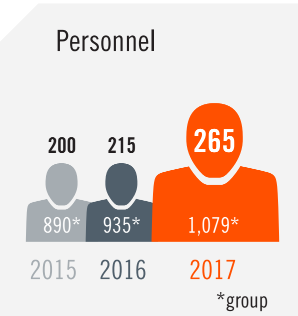
Consti's Service business offers services in building technology, facades and renovations. Service's net sales are included in the business areas' net sales. In 2017 Service operations were strengthened with acquisitions in all business areas. Consti's strategic goal is to increase Service's share of the Group's net sales. In 2017 its share was 15.6 percent of the net sales, which is slightly more than the previous year.

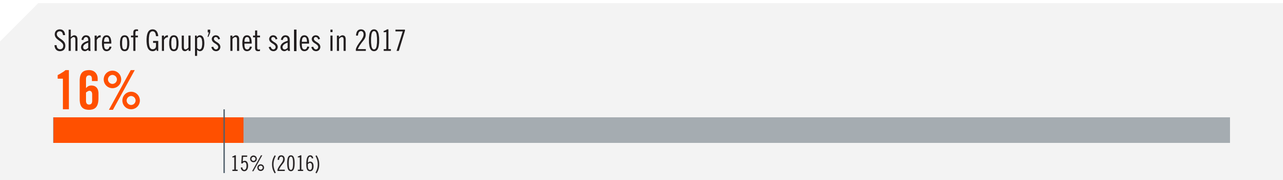
At the end of the year Service operations employed 265 professionals, which was 50 more than the previous year. The majority, 165, worked in our Technical Building Services business area.

Changing weather conditions add to maintenance needs

Maintenance needs are expected to grow in the future in residential buildings, office premises and public facilities. Changing and moist weather conditions set increasing pressure on facades. Storms are especially damaging to roofs and glass structures. Simultaneously, requirements for indoor air quality, energy efficiency and comfort of living have also increased. New construction also includes more and more building technology that adds to the need of regular maintenance.







At **Helsinki-Vantaa Airport**, passenger safety, the high quality of service, and smooth operations are pivotal. This requires operational reliability and fast actions also from construction and maintenance.

The picture showcases the Fly Inn restaurant built by Lumicon at Helsinki-Vantaa. Lumicon joined Consti Group in October.

Photo: Matti Rajala

Photo: Matti Rajala

AN INSPIRING WORKPLACE FOR OVER A THOUSAND RENOVATORS

Consti's staff count exceeded a thousand during 2017. The company was also recognised as a particularly inspiring workplace.

Consti's staff count exceeded 1000 people in 2017. At the end of the year, Consti employed 1079 professionals in renovation contracting and technical building services, when a year earlier the staff count was 890. The personnel count increased by approximately 21 percent. Just over one third of the new employees joined Consti through acquisitions. The average staff count during the year was 1 088 (933).

Consti is one of the few service providers that can offer building technology, building facade, and renovation contracting services through its own employee resources. At the end of the year 566 (524) Consti employees worked in Technical Building Services, 304 (239) in Building Facades and 201 (163) in Renovation Contracting.

4.2 (9.2) percent of our employees had fixed term contracts at the end of 2017. During the year, Consti offered summer jobs or internships for over a hundred students in the field. There is currently a shortage of professionals in renovation contracting and building technology and we strived to offer good summer workers and interns permanent work contracts after graduation. The heightened pace of new construction has increased competition especially for building technology professionals. In addition to traditional methods, we have also utilised social media and radio advertising in recruiting. Especially radio advertising has turned out to be highly successful.

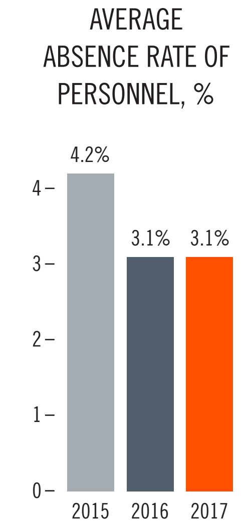
Construction has traditionally been a very male-dominated industry. 90.6 (90.7) percent of our employees were men at the end of 2017. We employed slightly more women than the industry average, which is 7.7 percent in Finland.

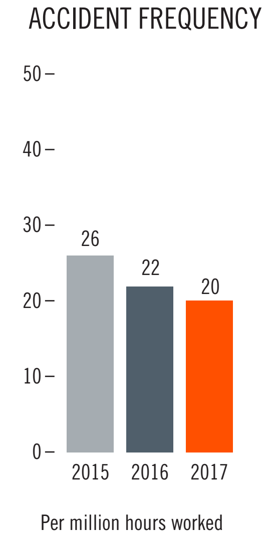
Improved occupational safety

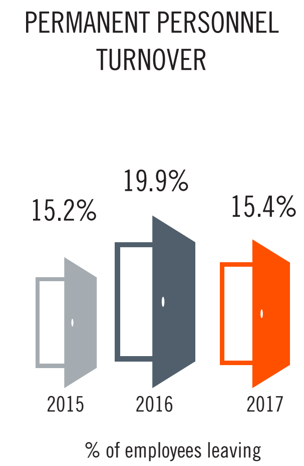
Occupational safety is the foundation of all operations at Consti and one of the cornerstones of our corporate social responsibility. Central indicators of occupational safety are sick leaves and accident frequency. Sickness and accident related leaves amounted to 3.1 percent of work hours, the same level it was the previous year and slightly less than the industry average. Occupational accident frequency, i.e. the amount of accidents compared to work hours, decreased from 22 to 20.

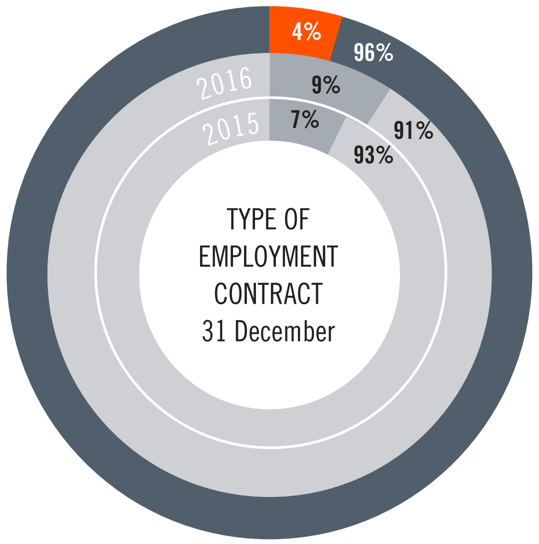
Participating in the Safety park (Turvapuisto) activities is central to Consti's safety procedure development. Consti has its own work safety site at the park, at which worksite situations typical to Consti are showcased from an occupational safety point of view. All our employees visit the Safety park. The Safety park was founded as a joint initiative by construction industry companies. The park aims at improving work safety in the entire construction industry.

Our occupational safety policy also includes discussions after every accident that leads to a sick leave.



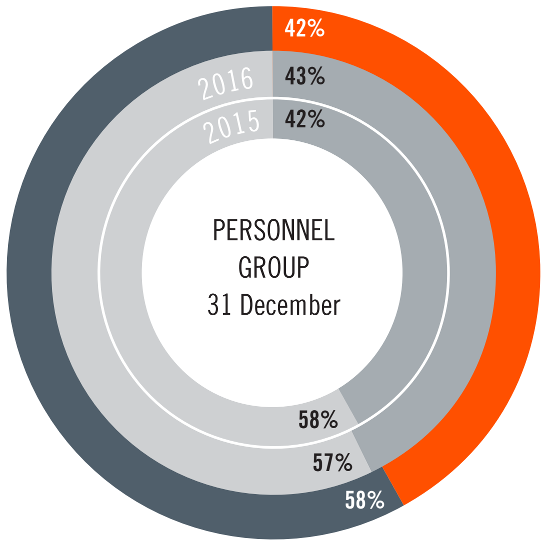






2015–2016
- Fixed-term
- Permanent

2017
- Fixed-term
- Permanent



2015–2016
- White-collar
- Blue-collar

2017
- White-collar
- Blue-collar

Engagement and commitment record high

One of our strategic endeavours is ensuring that we have the most professional employees who enjoy their work. A competent and motivated staff, whose operational preconditions and wellbeing are taken care of, is key to our growth.

Our personnel survey is conducted every two years. It again showed that Consti staff is more engaged and committed to their employer than average employees. The company conducting our personnel survey, Corporate Spirit, recognized our achievement in February 2018 and named us one of Finland's most inspiring workplaces. Consti Facades received this recognition already based on the previous personnel survey.

Based on the survey, we are now especially focusing on developing communication skills relating to supervising, and communication between the Group's subsidiaries. We are also striving to develop collaboration between our subsidiaries by enhancing joint sales and related bonus plans. We also started company-level quality training during the past year.

Our Talent Management training program 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 has been received well and is now arranged annually. In Consti Academy, our staff can for example enhance their skills in productions and quality.

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, ice hockey, golf, running, hunting and shooting.

A share-based incentive plan taken into use in 2017

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.

In the beginning of 2017 the bonus plans were supplemented 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. At the end of 2017 the plan included 53 key people.

At Consti, we value good team spirit and continuous learning.

Our corporate culture is summarised in these truths:

- Success starts from understanding customer needs.
- We apply the best and recognized methods for every task.
- Communication and service during projects supplement good building.
- We are responsible in all our operations.

I DO THIS FOR THE PASSERS BY

Jean "Janne" Lindström works as a painter for Consti Building Facades. He is known as an ambitious professional who never compromises when it comes to the quality of his work.

Janne Lindström's skills received the recognition they deserve when he won the 2017 Construction Quality competition. In painting, quality is comprised of many things: skilful painting itself is naturally integral, as is never painting on a poorly primed surface. A painter also needs to know what kinds of substances can be used on different surfaces and which substances can be used together. In addition, a painter needs to know the various drying and hardening times of different substances and see that these time-requirements are always met, even when schedules get tight.

Lindström's main work in 2017 was the renovation site at Korkeavuorenkatu 21, opposite Johannes church in Helsinki. After correct colours and work methods were identified based on models, Lindström says he got quite free hands to do the painting.

– I get to plan my work freely, because both sides trust each other.

Janne Lindström has worked as a painter for over 35 years, of which the past 15 he has been a part of Consti Building Facades' crew. Lindström's main responsibility is painting, but is also skilled in different kinds of coatings, seaming, levelling and plastering.

Lindström is originally from Helsinki, but now lives in Espoo. He says he was first introduced to painting following his uncle's footsteps. He is happy when working on a building project that can be admired by both habitants and passers-by.

A painter's skills are not always appreciated.

– I would like to see more appreciation for painters in our field, and overall I would like to see us all appreciate each other's input and skills more. Every handprint at a construction site is equally important, Lindström says.

A painter's profession has not changed much during Lindström's 35 years in the business, but the paints and other substances used in painting have evolved.

– From a painter's perspective the substances have improved, because we have got rid of solvents and other poisons. If I only had had the foresight to wear knee pads when I was younger!

– Every handprint at construction site is important, stressed Janne Lindström when receiving the first prize in the Constrcution Quality competition.

The Construction Quality competition was carried out in cooperation by the Confederation of Finnish Construction Industries RT, The Finnish Construction Trade Union, construction magazine Rakennuslehti, and RALA. The competition is meant for construction sites or professionals working in factories manufacturing construction equipment. Jean Lindström not only won the first prize in workers category but also received the most votes in the competition's public vote.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility and business ethics are a fundamental part of Consti Group companies' operations and strategy, especially because our purpose is to improve the built environment. Our responsibility themes are health and safety, occupational procedures, environment and corporate social responsibility.

Practical corporate social responsibility is visible in our everyday operations and we continuously monitor and measure how it is carried out.

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. Consti published its latest corporate social responsibility report in June 2017 and the next report will be published during spring 2018.

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 occupational accidents with risk analyses and correct safety procedures. We emphasise our supervisors' responsibility in occupational safety planning and safety monitoring. We ensure our work environments are safe for our employees, our stakeholders and end users when we are renovating facilities. We support our personnel's working capability by developing supervisor work, ensuring appropriate work equipment and offering sport and cultural benefits and wide-ranging occupational health-care.

In 2017 we invested in occupational safety for example by further developing our Safety Park site, by taking into use the Safety Observations procedure which is open to everyone, and by continuing safety discussions after any occupational accidents.

Work-life practises improve occupational wellbeing

We aim to continually develop our operations and encourage employees to make initiatives in all aspects of our business.

We mainly make permanent work contracts. Fixed term contracts are used when appropriate, for example in temporary posts, seasonal work and project work.

In our employees' work contracts we follow collective labour agreements and current Finnish Labour legislation. We continually develop our operations, and during the year we started quality training for the entire personnel. Consti has a bonus plan that includes all permanently employed white-collar workers. We are an equal-opportunities employer and do not permit discrimination. We have equality and non-discrimination plans that are part of Consti's personnel strategy.

New construction is booming in the industry and hence harsh competition has been going on for skilled personnel. Our personnel's wellbeing, career path, and recruiting processes have a significant role in our strategy, which we renewed in 2017.

Enhancing the environment is part of Consti's core operations

Renovations tend to decrease the built environment's harmful influences, due to for example the lower energy consumption of renovated properties and the health impact of improved indoor conditions.

We follow worksite environmental plans and take care of waste disposal, end-disposal and material and energy efficiency.

We follow current legislation e.g. in the demolition of asbestos and other harmful substances, and also take care of the environment affected by our work sites. Our flow-based production model will be taken into broader use, and we will also accelerate production and improve logistics, which will have a positive impact on the environment.

In 2017 no environmental risks were reported at Consti and no reclamations were made on environmental impact.

We bear our environmental responsibility

We influence society and the development of the entire construction industry together with our stakeholders. We continually collaborate with for example schools.

We renounce black market activity in our activities, which is advanced by the large-scale use of our own employees in our projects. We follow the Contractor's Obligations and Liability Act and belong to Tilaajavastuu Oy's Reliable Partner programme. We monitor work hours at our worksites according to legislation. We do not approve of corruption, bribery or attempting them in any form.

In 2017 no reports were made about violations to Consti's ethical code.

CONSTI GROUP PLC \ CORPORATE SOCIAL RESPONSIBILITY

Summary of 2017

Corporate social responsibility themes	Measured aspect	Measure	Measurement frequency	2014	2015	2016	2017
Health and safety	Number of accidents	Accident frequency	1 month	40	26*	22*	20*
Health and safety	Number of sick leaves	Sick leave, %	1 month	4.0%	4.2%	3.1%	3.1%
Health and safety	Occupational illnesses / other work-related illnesses	Number / year	1 month	1	2	1	0
Occupational procedures	Personnel turnover percentage	% of employees leaving (monthly average)	1 month	–	15.2%	19.9%	15.4%
Occupational procedures	No employment contract disputes	Number / year	1 year	0	0	1	0
Occupational procedures	Number of fixed-term work contracts	% of fixed-term work contracts (annual average)	1 year	6.2%	8.7%	9.0%	4.2%
Environment	No public environmental risks	Number / year	1 year	0	0	0	0
Environment	No reclamations on environmental impacts	Number / year	1 year	0	0	0	0
Corporate social responsibility	Regional State Administrative Agency inspections, no sanctions	Number / year	1 year	0	0	1	0
Corporate social responsibility	No events that are prohibited in the ethical guideline	Number / year	1 year	0	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 during the second quarter of 2018 www.consti.fi -> Investors

Photo: Matti Rajala

CONSTI GROUP PLC \ CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

Consti Group Plc (Consti) is registered in Finland and it is a publically 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 14 February 2018, 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.

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 organizational 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 addition to its central responsibilities, in 2017 the Board of Directors concentrated on strategy renewal and choosing a new CEO. The Board also approved the diversity principles drawn up by the Nomination and Compensation committee.

Composition of the Board

Consti Group Plc's Board of Directors is chosen by the Annual General Meeting (AGM) for a set time period lasting until the next AGM. The Nomination and Compensation Committee makes a proposal of the composition of the Board of Directors to the GM. The Nomination and Compensation committee also deals with the company's diversity principles.

Requirements set by operations as well as the company's development stage are taken into consideration when electing the Board of Directors. As stated in the Corporate Governance Code, Board members must have required competence for the position and sufficient time to take care of Board responsibilities. The number of Board Members and the Board's composition must enable efficiently taking care of the Board's responsibilities. As stated in the code, the Board must have both genders represented.

The diversity of the Board is based on Consti's business strategy and future needs. Diversity criteria include the Members' experience in the company's strategic business areas, the cultures that the company operates in, as well as education, age and gender.

In addition to the corporate governance code, the Nomination and Compensation Committee must take into consideration the company's diversity criteria when identifying and suggesting new members to the Board. The diversity criteria are set to ensure that the Board's competence, background and personal abilities in general meet the company's current and future operational needs.

Board Members 31 December 2017

Consti Group Plc's Board of Directors on 31 December 2017 comprised of Chairman Tapio Hakakari, Antti Korkeela, Erkki Norvio, Niina Rajakoski, Petri Rignell and Pekka Salokangas. All Board members were elected in the Annual General Meeting on 4 April 2017. Until the AGM, also Janne Näränen was a Board Member.

The Board of Directors held 19 meetings during 2017, the average attending rate of Board Members was 98.2. The attendance rate per Member was: Tapio Hakakari 100%, Antti Korkeela 100%, Erkki Norvio 100%, Niina Rajakoski 89.5 %, Petri Rignell 100% and Pekka Salokangas 100%.

Board of Director's Committees

The Board has a Nomination and Compensation Committee. 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.

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 2017, the Committee consisted of Chairman Petri Rignell, Pekka Salokangas and Erkki Norvio and it had three meetings. All Members attended the meetings.

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.

Up until 26 September 2017, Consti's CEO was Marko Holopainen. Esa Korkeela was appointed acting CEO on 26 September 2017 and CEO 21 December 2017. Esa Korkeela was born in 1972 and he is a Master of Science (Business), and also holds an MBA degree. He has worked for the company since 2009 as the Group's CFO. At the end of the fiscal period, according to the register maintained by Euroclear Oy, the CEO owned 399,600 Consti Group Plc shares, which amounts to 5.09 percent of the company's shares and votes. In addition, the company announced the CEO's purchase of 12 000 shares on 22 December 2017, which is not yet visible in the register information from the end of 2017.

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.

EXTERNAL AUDIT

The statutory external audit for the financial period includes auditing of accounting records, financial statements and administration. The Annual General Meeting on 4 April 2017 chose Ernst & Young as auditor with APA Mikko Rytilahti as principal auditor. In 2017 audit costs amounted to In 2017, audit costs amounted to EUR 172 thousand.

Ernst & Young Oy has acted as Consti's auditor since 2008 and also APA Mikko Rytilahti 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 approved by Consti's Board of Directors, 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.

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.

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

BOARD MEMBERS 31 DECEMBER 2017

Pekka Salokangas
Board Member
Member of the Nomination and Compensation Committee

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

Central work experience
Relacom Ltd, CEO 2009-2017
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 Wholesale 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 industries employers' association (Palta), Board Member 2011–2013 and 2015–2017
Ficom, Board Member 2009–2017

Consti Group Plc's shares 22,000 (31 December 2017)

Antti Korkeela
Board Member

Vocational Qualification in Business and Administration, born 1969
Board Member since 2012
Finnish citizen
Independent of the company and of significant shareholders

Central 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 2012–2017
Atolli Ltd, Chairman of the Board 2012–2017
Random Development Ltd, Chairman of the Board since 2012
Fluorotech Ltd, Board Member 2012–2017
Teollisuus ja Kiinteistöt Sundberg Ltd, Board Member since 2011

Consti Group Plc's shares 276,894 (31 December 2017)

Petri Rignell
Board Member
Member of the Nomination and Compensation Committee

MSc. (tech.), born 1962
Board Member since 2008
Finnish citizen
Independent of the company and of significant shareholders

Central work experience
Kreate Ltd, interim CEO 2016–2017
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
Kreate Ltd, Chairman of the Board since 2017
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 2017)

Niina Rajakoski
Board Member

MSc. (tech.) Master builder, born 1970
Board Member since 2015
Finnish citizen
Independent of the company and of significant shareholders

Central work experience
Ilmarinen Mutual Pension Insurance Company, Construction Manager since 2010 and 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 2015–2017
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
Helsingin Yliopistokiinteistöt Oy, Board Member since 2017
Helsinki University Properties Committee, Deputy Chairman since 2017

Does not own Consti Group Plc shares (31 December 2017)

Tapio Hakakari
Chairman since 2015

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

Central 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
Cargotec PLC, Board Member since 2005 and Deputy Chairman of the Board since 2009

Consti Group Plc's shares 55,400 (31 December 2017)

Erkki Norvio
Board Member
Member of the Nomination and Compensation Committee

MSc. (tech.), M.Sc. (econ.), born 1945
Board Member since 2008 (Chairman 2008-2011)
Finnish citizen
Independent of the company and of significant shareholders

Central 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 2017)

CONSTI GROUP PLC \ MANAGEMENT TEAM

Management Team (left):
Juha Salminen
Risto Kivi
Markku Kalevo
Esa Korkeela
Hannu Kimiläinen
Pekka Pöykkö
Jukka Mäkinen
Pirkka Lähteinen

MANAGEMENT TEAM 31 DECEMBER 2017

Juha Salminen
CDO
Ph.D. (tech.), born 1963

Central work experience
Consti Group Plc, CDO since 2012
NCC Rakennus Oy, Development Manager 1999–2012
Psyko Business Learning Consulting Oy, Business Consultant 1998–2000
Helsinki University of Technology, Researcher and Project Manager 1996–2000
Salmicon Oy, CEO 1990–2011
Polar-Rakennus Oy, Supervisor 1990–1991

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

Consti Group Plc's shares
15,200 (31 December 2017)

Risto Kivi
Consti Julkisivut Ltd's CEO
Master Builder, born 1971

Central work experience
Consti Building Facades, CEO since 2011
Raitayhtiöt Oy, CEO 2009–2011
Raitamiespalvelu Oy, CEO 2008–2009
Raitarakennus Oy, CEO 2007–2009
Raitasaumaus Oy, CEO 1998–2007
Rkm Kivi ja Kalevo Oy, entrepreneur 1993–1998

Key positions of trust
Midpointed Oy, Member of the Board since 2012

Consti Group Plc's shares
375,300 (31 December 2017)

Markku Kalevo
Consti Julkisivut Ltd's Bid and Sales Director
Construction technician, born 1971

Central work experience
Consti Julkisivut Oy, Bid and Sales Director since 2011
Raitayhtiöt Oy, Deputy CEO 2009–2010
Raitasaneeraus Oy, CEO 1998–2009
Rkm Kivi ja Kalevo Oy, entrepreneur 1993–1998

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

Consti Group Plc's shares
297,900 (31 December 2017)

Esa Korkeela
CEO, (CFO until 28 March 2018)
M.Sc. (econ.), MBA, born 1972

Central work experience
Consti Group Plc, acting CEO 9–12/2017
Consti Group Plc, CFO since 2009
JRH Rakennushuolto Oy, CFO 1995-2009

Key positions of trust
Sponren Oy, Member of the Board,

Consti Group Plc's shares
399,600 (31 December 2017)

Hannu Kimiläinen
Consti Service Business Director
B.Eng., born 1963

Central work experience
Consti Service, Business Director since 2014
Meju Oy, CEO since 1999
ISS Palvelut Oy, Head of CRM 2006–2014
Palosammutinhuolto PSH Oy, CEO 1989–2006

Consti Group Plc's shares
1,000 (31 December 2017)

Pekka Pöykkö
Consti Talotekniikka Oy, CEO
Engineer, born 1967

Central work experience
Consti Talotekniikka Oy, CEO from 1.2.2016
Saipu Oy, CEO 2014–2015
Caverion Suomi Oy, Business area Group Leader 2010–2014
YIT Kiinteistötekniikka Oy, Business area Group Leader 2004–2010
YIT Rapido Kiinteistöpalvelut Oy, CEO 1999–2004
YIT Service Oy, Regional Manager 1994–1999
Norstep Oy, Development Engineer 1993–1994

Key positions of trust
LVI-Tekniset Urakoitsijat LVI-TU ry, Board and Management Team Member

Consti Group Plc's shares
600 (31 December 2017)

Jukka Mäkinen
Consti Korjausurakointi Ltd's CEO
M.Sc. (tech.), born 1960

Central work experience
Consti Korjausurakointi Oy, CEO since 2013
Devecon Projektinjohtopalvelu Oy, CEO 2013
Hartela Oy, 2007–2013
ISS Proko Oy, Regional Manager 1999–2007
Projektikonsultit Oy, Project Manager 1997–1999
YIT-Yhtymä Oy, Chief 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 Uudenmaan piiri Ry, Board Member since 2015

Consti Group Plc's shares
10,812 (31 December 2017)

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

Central work experience
Consti Korjausurakointi Oy, Regional Director 2011
Jollaksen Rakennushuolto Oy, CEO 2009–2011 and Project Manager 2000–2009

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

Consti Group Plc's shares
11,750 (31 December 2017)

FINANCIAL REVIEW

CONTENT

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 façade repair and maintenance, and other renovation and technical services for demanding residential, commercial and public properties.

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.

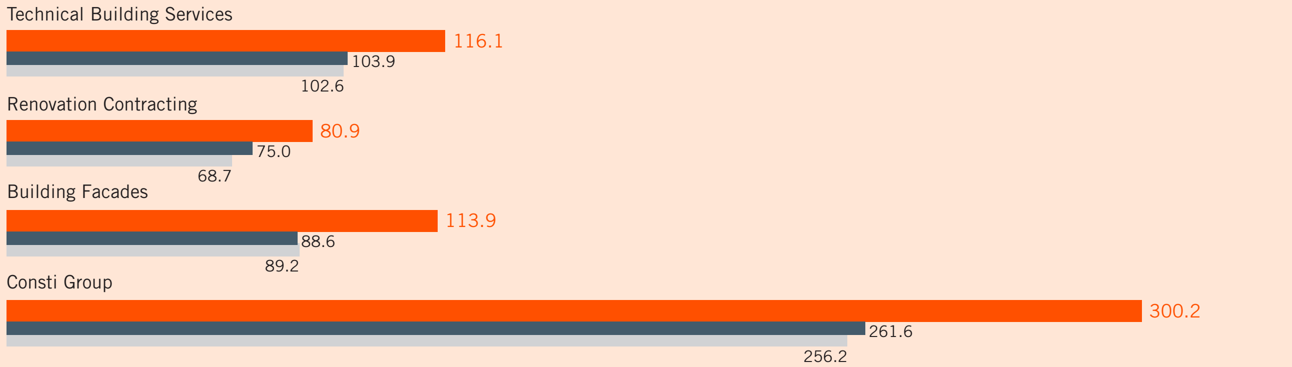
The Group's parent company is Consti Group Plc. The business areas operate in three subsidiaries completely owned by the parent company: Consti Technical Building Services Oy (Technical Building Services), Consti Building Facades Oy (Building Facades) and Consti Renovation Contracting Oy (Renovation Contracting). Acquisitions during the reporting period 1–12/2017 include Oulun Talosaneeraus Oy (in January), Pisara-Steel Oy (in March), KP Kuoppamäki Oy (in July) and Lumicon Oy (in October). Two mergers took place in the end of May 2017. Oulun Talosaneeraus Oy was merged into Consti Technical Building Services Oy and Pirkanmaan JT-Palvelut Oy (acquired in November 2016) was merged into Consti Building Facades Oy. Pisara-Steel Oy was merged into Consti Building Facades Oy in the end of August 2017. KP Kuoppamäki Oy was merged into Consti Renovation Contracting Oy in the end of December 2017. Lumicon Oy will be merged into Consti Renovation Contracting Oy during the first half of 2018.

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 14.8 percent in 2017 and were EUR 300.2 (261.6) million. Net sales grew in all business areas, and we had particularly strong growth in our Building Facades business area. Operating profit/loss (EBIT) decreased from last year and was EUR –0.4 (11.0) million. Operating profit/loss from sales was -0.1 (4.2) percent.

Net sales € million

2017 2016 2015



Operating environment

In Finland, nearly six percent of the GDP is spent on renovations, which is significantly more than the European average. An estimated 12.8 billion euro was spent on renovations in Finland during 2017, of which 7.8 billion was used on renovations of residential buildings and 5.0 billion on other renovations.

During recent years, renovations have increased their share of the total construction market steadily. Due to our building stock's age, growth has been rapid compared to the rest of Europe. New construction has picked up pace and thus in 2017 renovations only amounted to approximately half of all construction, whereas renovations amounted to over half of the total construction in Finland during 2013-2015. In 2017, new construction reached peak levels last seen in the 1970s. Renovation growth was also subdued by the shortage of skilled personnel caused by the fast-paced new construction of residential buildings.

In its October review of the business environment, the Confederation of Finnish Construction Industries RT estimated that construction grew 4.4 percent in 2017. Euroconstruct projected 4.8 percent growth. RT approximated that renovations had grown 1.5 percent and new construction about seven percent. New construction was especially driven by new residential building projects, which RT estimated to have grown by nine percent. In cubic meters, however, construction levels remain under average, as the average size of apartments has decreased. The construction of new office buildings grew by circa nine percent. The growth is mostly coming from the Greater Helsinki area and school and hospital projects.

Euroconstruct estimates that Finland's renovation markets grew 1.8 percent in 2017. Residential building renovation grew by an estimated two percent and office premise renovation by 1.5 percent.

In the near future, operational programs to improve public service facility health should bring new orders to public facility renovations. According to the Built Environment ROTI report from 2017, one in five public buildings is damaged. Also, the Ministry of the Environment estimates that 600 000–800 000 Finns are exposed to poor indoor air daily.

RT predicts that the market for new construction will grow 2.3 percent in 2018 and renovations will grow 1.5 percent. The corresponding estimates from Euroconstruct are 1.8 and 1.5 percent. The general economic situation typically has a significant impact on new construction, but a much lesser impact on renovations.

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
- Group's objective is to share at least 50 percent dividend of the net earnings

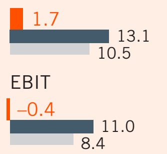
Sales, result and order backlog

Consti Group's net sales for 2017 grew 14.8 percent and were EUR 300.2 (261.6) million. Organic growth was 9.8 percent. Technical Building Service net sales were EUR 116.1 (103.9) million, Renovation Contracting net sales were EUR 80.9 (75.0) and Building Facades net sales were EUR 113.9 (88.6) million. These figures include Service Business's net sales growth which was 15.6 percent amounting to EUR 46.8 (40.4) million.

Net sales grew in all business areas. Building Façades net sales grew 28.6 percent. Growth came mainly from Greater Helsinki area's Facade business. Technical Building Services net sales grew 11.8 percent due to higher sales in business premises. Renovation Contracting net sales grew 7.8 percent. In Renovation Contracting growth was good in the Greater Helsinki area and net sales were also increased due to the acquisitions made during the second half of the year.

Operating profit/loss (EBIT) for 2017 decreased from last year and was -0.4 (11.0) million euro. Operating profit/loss from net sales was -0.1 (4.2) percent. The company's operating result is weakened by profitability problems in project management and execution. During the year, Consti has assessed ongoing and completed projects, which still have remaining disagreements and unfinished work. Based on the assessments, we adjusted our cost and profitability estimates for the project base and made provisions and write-offs mainly to the Technical Building Services business area, as well as one ongoing project in our Renovation Contracting business area.

EBITDA AND EBIT
€ million
2017 2016 2015



Consti Renovation Contracting finished several prominent projects in 2017. The complete renovation of the historically significant Samppalinna outdoor swimming stadium in Turku was completed as planned in time for the summer season. In Helsinki the functionality of shopping mall Kaari was improved and in Vantaa Renovation Contracting conducted modernisation work in shopping mall Jumbo. In the complete renovation of Espoonlahti church, improvements were made to the building's structure, indoor air quality, energy efficiency and safety. The premises and indoor air quality were also improved in Jorvi hospital and Kivipuisto multi-service centre in Järvenpää. In Turku, the alliance model renovation of housing company Jyrkkälänpolku was nearly finished, with everything else completed apart from the final planting work in the yard, which will be finalised during spring 2018. New significant contracts for 2018 include the complete renovation of Ässäkeskus, which is owned by Varma and located in Vallila, Helsinki; and the complete renovation of hotel Marski, which is owned by Valio's pension fund and located in the centre of Helsinki.

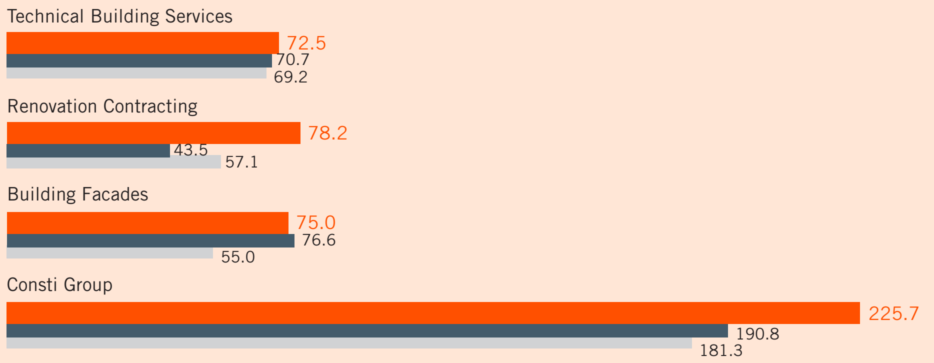
In 2017, Consti renovated several prime properties. Espoonlahti church and Eira's Mestaritalo roof renovations as well as renovation of Oulu liiketalo were finished in 2017. The ongoing renovation at Korkeavuorenkatu 21 Helsinki includes a challenging facade renovation in addition to 60 new apartments, attic construction and new balconies. At housing company Kiertotähdentie 4 in Helsinki, the facade renovation will continue in 2018. New significant work sites include the old Kesko headquarter owned by Varma. The building will be modified to hold 120 apartments.

In Technical Building Services, our largest new sites included the building technology and wet space renovations of two housing companies in Laajasalo, Helsinki, including a total of 168 apartments, and modifying the old headquarters of Kesko – a property owned by Varma – into residential use. The renovations of Kesko's old headquarters and the historically valuable building at Korkeavuorenkatu 21 Helsinki are joint projects together with Consti Building Facades.

Growth continued in Service business due to increased maintenance and upkeep work and expanding operations. Consti expanded its operations with acquisitions in facade seaming and construction work in the Pirkanmaa region. Consti's building technology maintenance and upkeep work also increased significantly, particularly in Pirkanmaa and Tavastia Proper. Consti's service business also grew in Oulu in facade and construction work. Consti conducted a great deal of maintenance and small repair work and modification of the use of buildings in many work sites, such as Helsinki-Vantaa airport due to an acquisition and in day care environments with children present. In hospital environments Consti continued deals with Tavastia Proper hospital district. Consti also has contracts with the hospital districts of Turku and Northern Ostrobothnia and several cities and municipalities.

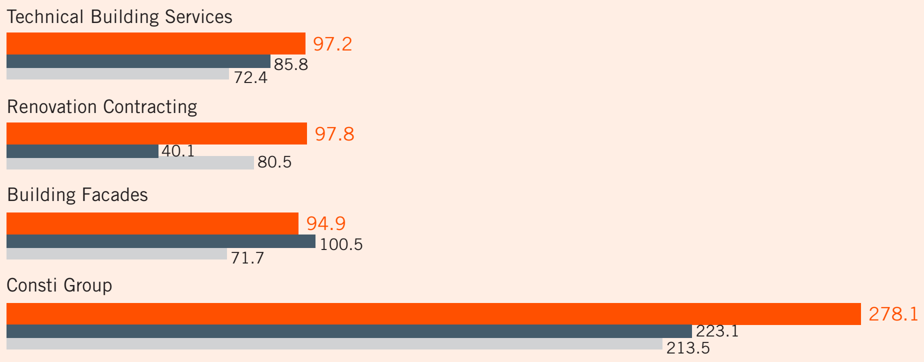
The order backlog at the end of the year grew 18.3 percent and was EUR 225.7 (190.8) million. Order backlog grew 79.8 percent in Renovation Contracting and 2.5 percent in Technical Building Services but decreased 2.1 percent in Building Facades.

ORDER BACKLOG € million
31.DEC / 2017 2016 2015



New order intake during the year was 24.7 percent more than in the previous year, and was EUR 278.1 (223.1) million. Order increase in Renovation Contracting was 143.8 percent and 13.2 percent in Technical Building Services but decreased 5.6 percent in Building Facades. In 2017 complete renovations and renewal projects were highlighted in renovations, as well as building technology projects in office premises. New order value was increased especially by the deal of renovating Hotel Scandic Marski in Helsinki and the deal to renovate two sites in Vallila Helsinki, Oy Ässäkeskus Ab and KOy Vallila premises.

ORDER INTAKE € million
2017 2016 2015



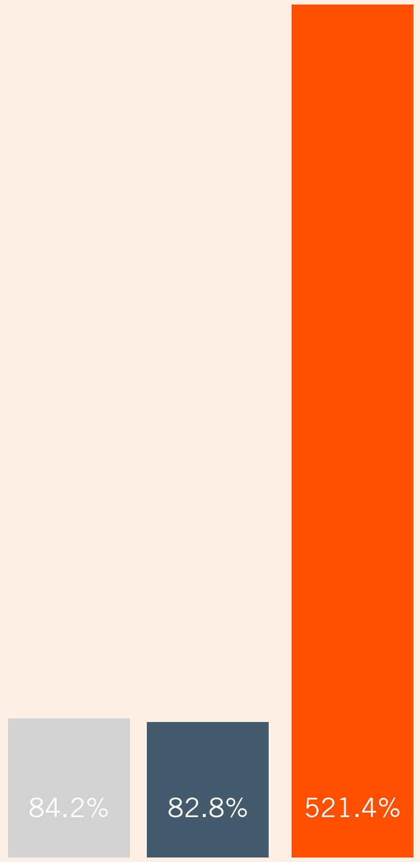
Investments

Investments into tangible and intangible assets in 2017 were EUR 1.4 (1.9) million, which is 0.5 (0.7) 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 2017 amounted to EUR 4.8 (0.9) million. Consti signed a deal of the purchase of the entire share base of Oulun Talosaneeraus Oy, which specialises in pipeline renovations in January 2017. Oulun Talosaneeraus Oy's sales in 2016 were approximately 8 million euro. The employees of Oulun Talosaneeraus Oy, altogether 30 people, transferred to work for Consti. Oulun Talosaneeraus has operated in the Oulu region for approximately ten years and its purchase significantly expands Consti's offering in the Oulu region, as thus far Consti has mainly operated in the Oulu area in facade renovations. In March 2017, Consti signed a deal of the purchase of the entire share base of Pisara-Steel Oy, which specializes in roof renovations. Pisara-Steel Oy's sales in 2016 were about 2.4 million euro. The employees of Pisara-Steel Oy, altogether 10 people, transferred to work for Consti. Pisara-Steel Oy strengthened Consti's facade renovation business in roof renovations particularly in the Greater Helsinki area. In July 2017, Consti signed a deal of the purchase of the entire share base of KP Kuoppamäki Oy, which specialises in refurbishments and change-of-use works in non-residential buildings in Tampere area. In 2016, KP Kuoppamäki Oy had a turnover of approximately EUR 6 million. The employees of KP Kuoppamäki Oy, altogether 16 people, transferred to work for Consti. The acquisition enables Consti Group to provide a full range of renovation and maintenance services in the Pirkanmaa region. In October 2017, Consti signed a deal of the purchase of the entire share base of Lumicon Oy. Specialising in service and maintenance contracting in Helsinki-Vantaa airport, Lumicon Oy had a turnover of approximately EUR 2 million in 2016. The employees of Lumicon Oy, altogether 10 people, transferred to work for Consti.

Free cash flow € million
2015 2016 2017

Cash conversion %
2015 2016 2017



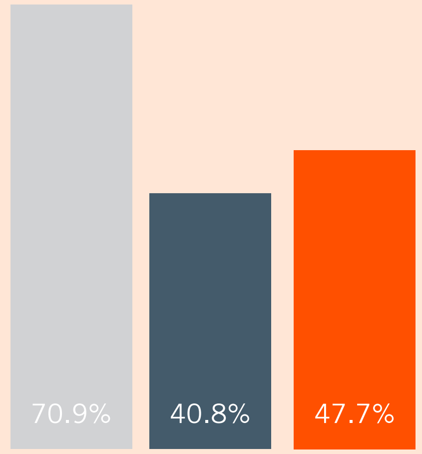
Cash flow and financial position

The operating cash flow before financing items and taxes in 2017 was EUR 10.4 (12.8) million. Free cash flow, i.e. operating cash flow before financing items and taxes less investments in intangible and tangible assets was EUR 8.9 (10.9) million. The cash flow ratio was 521.4 (82.8) percent. Cash flow was negatively affected by decreased operating result. However, net working capital released during the reporting period softened the impact of decreased operating result.

Consti Group's cash and cash equivalents on 31st December 2017 were EUR 9.7 (9.3) million. In addition, the company has undrawn revolving credit facilities amounting to EUR 5.0 million. The Group's interest bearing debts were EUR 21.7 (21.4) 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 (12.1) million and the gearing ratio 47.7 (40.8) percent. On 28 December 2017, Consti Group's financing bank agreed on allowing a violation of covenant at the financial reporting date regarding the key figure "net debt's relation to adjusted EBITDA".

Net interest-bearing debt
€ million
2015 2016 2017

Gearing %
2015 2016 2017



The balance sheet total on 31 December 2017 was EUR 100.8 (98.1) million. At the end of the reporting period tangible assets in the balance sheet were EUR 4.5 (5.1) million. Equity ratio was 28.6 (34.5) percent. Rental liabilities associated with off-balance sheet operational leasing agreements totalled EUR 4.7 (4.4) million on 31st December 2017.

In July 2017, the Company refinanced its indebtedness. Refinancing of liabilities extended the maturity for approximately two years. In addition, the new loan agreement includes EUR 10 million extra credit for the purposes of financing future acquisitions and EUR 5 million revolving credit facilities for short-term financing needs.

Research and development work

Our research and development work supports the growth and profitability of our current business areas and helps create new business. Development work at Consti aims at creating new, incorporating development results, and continual improvement.

New development initiatives have to do with Consti's strategy and strategic development areas. During the year our strategy was renewed, which some extent redirected our development work. Strategic development work was arranged under five development areas and advanced on a broad front in development projects.

The systematic development of products and services, productization and offering management were among main focus areas. Ground work for this development was conducted by analysing current services and developing our own model for productization and leading innovations. The development work will lead to new product launches during 2018.

Another central area of our development was project work and competitiveness, where a significant innovation came from product flow-based production model, with which we achieve efficient and fast results through meticulous work planning. We are starting to get new examples of how well the model works and we plan to further expand its use. We are also taking into use other Lean-production and collaboration principles and we are advancing their use also by participating in collaboration networks in the field.

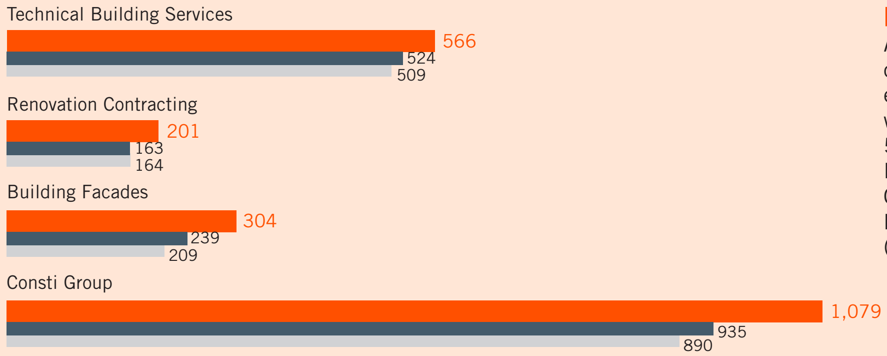
Having an active role in new work models and advancing their use has also been a strategic focus of ours. New procurement models create opportunities for the more wide-spread use new technological solutions, which Consti has developed with partners and which also relate to new work models. Alongside fast pipeline renovations based on prefabricated pipework we are bringing new solutions to the market relating to e.g. balconies, additional construction and managing indoor air quality.

IT system development was carried out according to the IT strategy. During the year new resources were obtained to manage IT ventures, and work responsibilities were also clarified. This brings new efficiency to our ability to utilise digitalisation opportunities at Consti and the entire construction business.

Personnel

At the end of 2017 Consti employed a total of 1,079 (935) professionals. The average employee count during January-December was 1,088 (933). At the end of the year 566 (524) employees worked in Technical Building Services, 201 (163) in Renovation Contracting, and 304 (239) in Building Facades. The parent company employed 8 (9) people.

Number of personnel at period end

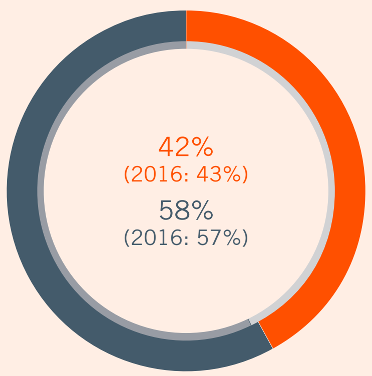


Of the personnel employed at the end of the year, 4.2 percent worked with fixed-term employment contracts. Nearly one third of them were interns. At the end of the year Consti employed 453 (404) white collar workers and 626 (531) workers.

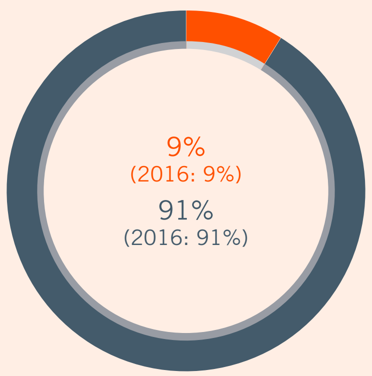
At the end of the year 90.6 (90.7) percent of Consti employees were male. 9.4 (9.3) percent of the staff were female, which is slightly above the Finnish industry average.

In 2017 personnel development continued supervisor training, as well as coaching relating to developing project management, such as work planning and scheduling. The quality training that we started at the end of 2017 will continue in 2018 as well.

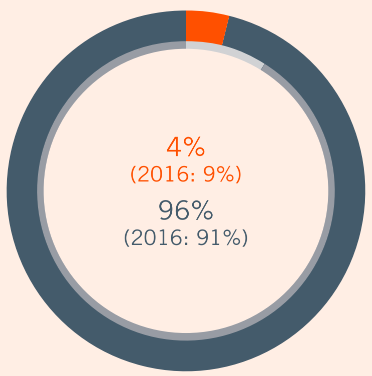
Personnel



Gender



Contracts



Management Team

Consti announced on 26 September, 2017 that Marko Holopainen would leave the company as the CEO of the company. The Board of Directors of Consti appointed CFO Esa Korkeela as Consti Group Plc's interim CEO starting from 26 September 2017 and commenced a recruitment process for a new CEO.

Consti announced on 21 December, 2017 that The Board of Directors of Consti has appointed Esa Korkeela as Consti Group Plc's CEO starting from 21 December 2017.

Consti Group Plc's Management Team at the end of the reporting period consisted of CEO and CFO Esa Korkeela and the following persons: 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.

The Annual General Meeting 2017 and Board authorisation

The Annual General Meeting of Shareholders of Consti Group Plc held on 4 April 2017 adopted the Financial Statements and discharged the Members of the Board of Directors and the CEO from liability for the financial year 1 January–31 December 2016. The Annual General Meeting resolved that dividend of EUR 0.54 per share for the financial year 2016 is paid.

The Annual General Meeting resolved that the Board of Directors consists of six members. The current members of the Board of Directors, Tapio Hakakari, Antti Korkeela, Erkki Norvio, 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 Rytilahti, 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 36,000 and members of the Board of Directors are each paid EUR 24,000. 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 550,000 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 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 from 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.

These authorisations replace previous authorisations of the Board of Directors and they shall be valid until the closing of the next Annual General Meeting, however, no longer than until 30 June 2018.

Corporate Governance and Auditors

Consti Group Plc's Board of Directors on 31 December 2017 included Tapio Hakakari (Chairman), Antti Korkeela, Erkki Norvio, Niina Rajakoski, Petri Rignell and Pekka Salokangas. The Board of Directors elected by the Annual General Meeting of Shareholders of Consti Group Plc on 4 April 2017, held its organising meeting and elected Tapio Hakakari as the Chairman of the Board. The Board of Directors appointed Erkki Norvio, Petri Rignell and Pekka Salokangas as members of the Nomination and Compensation Committee. The Board of Directors has not established other committees.

Esa Korkeela Has acted as CEO of Consti Group Plc since 21 December 2017 and as Interim CEO during 26 September 2017–21 December 2017. Marko Holopainen acted as CEO of Consti Group Plc until 26 September 2017.

On 31 December 2017 the Board members and CEO owned personally or through a holding company a total of 885,457 Consti Group Plc's shares, which amounts to 11.27 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 Rytilahti, 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 2017 and the remuneration and incentives report from 2017 are on Consti Group Plc's website www.consti.fi > Investors > Corporate governance.

Shares and share capital

Consti Group Plc's share capital on 31 December 2017 was EUR 80,000 and the number of shares 7,858 267. Consti Group Plc held 173,031 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 31 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. The shares represented 0.37 percent of the Company's entire number of shares and votes. After the transfer, the Company held 208,408 own shares. The Board announced on 9 March 2017 the transferring of a total of 7,189 of its own shares related to the purchase of the shares of Pisara-Steel Oy to cover part of the purchase price which was paid with Consti's own shares. The shares represented 0.09 percent of the Company's entire number of shares and votes. After the transfer, the Company held 201,219 own shares. The Board announced on 3 July 2017 the transferring of a total of 13,106 of its own shares related to the purchase of the shares of KP Kuoppamäki Oy to cover part of the purchase price which was paid with Consti's own shares. The shares represented 0.17 percent of the Company's entire number of shares and votes. After the transfer, the Company held 188,133 own shares. The Board announced on 2 October 2017 the transferring of a total of 15,082 of its own shares related to the purchase of the shares of Lumicon Oy to cover part of the purchase price which was paid with Consti's own shares. The shares represented 0.19 percent of the Company's entire number of shares and votes. After the transfer, the Company held 173,031 own shares.

Bonus plan

Consti Group Plc's Board decided on 10 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 longterm, 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 15 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 1 January to 31 December 2017 Consti Group Plc's lowest share price was 8.11 euro and the highest 16.49 euro. The share's trade volume weighted average price was EUR 13.63. At the close of the stock day on the last trading day of the reporting period 29 December 2017 was EUR 8.50 and the Company's market value was EUR 66.8 million.

Related-party transaction

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

Strategic risks

Risks pertain to defining and carrying out strategy. Consti's goal is to grow in its central businesses in its current market areas and also expand its full offering to Finland's other growth centres. In addition, we aim to increase maintenance and service contracting work, i.e. our Service business, so it amounts to a larger share of our net sales. Our strategy includes both organic growth and acquisitions. Risks related to acquisitions are managed with careful preparation of deals and the monitoring of integration.

Renovation construction, 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. The Group has ongoing and pending legal cases relating to normal business. It is difficult to predict the outcome of these proceedings, but provisions based on the best possible estimate have been recorded in those cases where such provisions are estimated necessary.

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's business has financial risks. Financial risks include interest rate, credit and liquidity risks as well as risk relating to the realisation of payments from long-term contract and service agreements. 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. On 28 December 2017, Consti Group's financing bank agreed on allowing a violation of covenant at the financial reporting date regarding the key figure "net debt's relation to adjusted EBITDA". The financial covenant's degree is continuously monitored and assessed in relation to net debt and EBIT realisations and predictions.

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. During fiscal year 2017 Consti has adjusted cost and profit estimates of its project base and made provisions and write-offs mainly relating to percentage-of-completion method payments. Despite this there are some open risks relating to ongoing projects in Technical Building Services and Renovation Contracting, which we have to the best of our ability taken into consideration in our financial statement for 2017.

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. Non-financial information required by Accounting Act 3a will be reported as part of Consti's annual corporate social responsibility report from reporting year 2017 onward. The corporate social responsibility report will be published during the second quarter of 2018 at www.consti.fi. The report includes non-financial information required by Accounting Act 3a, i.e. information regarding the 1) environment; 2) social issues and personnel; 3) respecting human rights; 4) preventing corruption and bribery.

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

The Annual General Meeting of Shareholders held on 4 April 2017 resolved that dividend of EUR 0.54 per share for the financial year 2016 is paid. No dividend is paid on own shares held by the Company. The record date for dividend distribution was 6 April 2017, and the dividend was paid on 13 April 2017.

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 31 December 2017 were EUR 50,931,457,51, including undistributed profits of EUR 22,878,385,08. The Board suggests to the Annual General Meeting that no dividend will be paid for the financial period from 1 January to 31 December 2017. The Board of Directors will call the Annual General Meeting of shareholders to convene on Wednesday 4 April 2018

Outlook for 2018

Renovation growth is expected to continue in 2018. In its November outlook, Euroconstruct estimated that Finland's renovation market will grow 1.5 percent from the previous year. The general economic situation typically has a significant impact on new construction, but a much lesser impact on renovations.

The Company estimates that its operating result for 2018 will grow compared to 2017.

Significant events after the reporting period

Consti Group Plc ("Consti") has received an announcement from Ilmarinen Mutual Pension Insurance Company ("Ilmarinen") on 2 January 2018, in accordance with the Finnish Securities Market Act Chapter 9, Section 5 According to the announcement, the total number of Consti shares and votes owned by Ilmarinen exceeded five (5) per cent of the share capital of Consti on 1 January 2018. The reason for the notification was merger between Ilmarinen Mutual Pension Insurance Company and Etera Mutual Pension Insurance Company as of 1 January 2018.

Consti Group Plc announced 3 January 2018 that Joni Sorsanen (born 1983), M.Sc. (econ.), has been appointed as Consti Group Plc's CFO and a member of Management Team. Joni Sorsanen will join Consti 28 March 2018 at the latest and he will report to Esa Korkeela, CEO of Consti Group Plc.

In Helsinki, 14 February 2018

Consti Group Plc's Board of Directors

CONSTI GROUP PLC \ BOARD OF DIRECTORS' REPORT

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Net sales	4	**300,203**	**261,558**
Other operating income	6	850	920
Materials and services	7	–218,324	–179,558
Employee benefit expenses	8	–60,181	–53,081
Depreciation and amortisation	10	–2,089	–2,138
Other operating expenses	9	–20,834	–16,719
Total expenses		–301,429	–251,496
Operating profit/loss (EBIT)		**–375**	**10,982**
Financial income	11	22	21
Financial expenses	11	–851	–936
Total financial income and expenses	11	–829	–915
Profit/loss before taxes (EBT)		**–1,204**	**10,067**
Total taxes	12	130	–2,089
Profit/loss for the period		**–1,074**	**7,978**
Comprehensive income for the period*		**–1,074**	**7,978**

*The group has no other comprehensive income items

CONSOLIDATED BALANCE SHEET

Assets EUR 1,000	Note	31 Dec 2017	31 Dec 2016
Non-current assets			
Property, plant and equipment	14	4,528	5,126
Goodwill	16	48,604	44,126
Other intangible assets	15	262	386
Available-for-sale financial assets	17	17	8
Deferred tax assets	12	808	77
		54,219	**49,722**
Current assets			
Inventories	19	550	500
Trade and other receivables	20	36,389	38,552
Cash and cash equivalents	21	9,652	9,304
		46,591	**48,356**
Total assets		**100,810**	**98,078**

Equity and liabilities EUR 1,000	Note	31 Dec 2017	31 Dec 2016
Equity			
Share capital	22	80	80
Reserve for invested non-restricted equity	22	28,252	27,405
Treasury shares	22	–601	–446
Retained earnings		–1,376	–5,373
Profit/loss for the year		–1,074	7,978
Total equity		**25,281**	**29,643**
Non-current liabilities			
Interest bearing liabilities	24	20,138	20,805
		20,138	**20,805**
Current liabilities			
Trade and other payables	25	51,856	45,890
Interest bearing liabilities	24	1,584	597
Provisions	23	1,951	1,144
		55,391	**47,630**
Total liabilities		**75,529**	**68,435**
Total equity and liabilities		**100,810**	**98,078**

CONSTI GROUP PLC 〉FINANCIAL STATEMENTS

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 2017	**80**	**27,405**	**–446**	**2,604**	**29,563**	**29,643**
Total comprehensive income				–1,074	–1,074	–1,074
Transactions with shareholders						
Conveyance of own shares		847	103		950	950
Purchase of own shares			–258		–258	–258
Share compensation				155	155	155
Dividend distribution				–4,135	–4,135	–4,135
Transactions with shareholders, total		847	–155	–3,980	–3,288	–3,288
Equity on 31 Dec 2017	**80**	**28,252**	**–601**	**–2,450**	**25,201**	**25,281**

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**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows (EUR 1,000)	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Cash flow from operating activities			
Operating profit/loss		–375	10,982
Adjustments:			
Depreciation		2,089	2,138
Other adjustments		–81	–161
Change in working capital		8,742	–180
Operating cash flow before financial and tax items		10,375	12,778
Financial income		22	21
Financial expenses		–851	–936
Taxes paid		–679	–1,208
Net cash flow from operating activities (A)		**8,867**	**10,656**
Cash flow from investing activities			
Acquisition of subsidiaries and business operations, net of cash	3	–3,855	–884
Investments in tangible and intangible assets		–1,439	–1,913
Proceeds from sale of property, plant and equipment		847	458
Proceeds from sale of available-for-sale financial assets		0	5
Net cash flow from investing activities (B)		**–4,446**	**–2,334**
Cash flow from financing activities			
Purchase of treasury shares		–258	0
Dividend distribution		–4,135	–2,969
Change in interest-bearing liabilities	24	321	–117
Proceeds from long-term liabilities		21,000	0
Payments of long-term liabilities		–20,500	0
Change in other interest-bearing liabilities		–179	–117
Net cash flow from financing activities (C)		**–4,072**	**–3,087**
Change in cash and cash equivalents (A+B+C)		348	5,235
Cash and cash equivalents at period start		9,304	4,070
Cash and cash equivalents at period end		**9,652**	**9,304**

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 11 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 Yhtiöt Oy for the financial year ending 31 December 2017 were approved for publication by its Board of Directors at its meeting on 14 February 2018. 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 31 December 2017. 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) standard, with the date of transition being 1 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 2017 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

The group has a share-based incentive plan for its key people. 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 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 includes approximately 70 key people including the Management Team.

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 31 December 2017 (31 December 2016).

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.

Deferred tax assets

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 1 January 2018 and IFRS 16 standard as of 1 January 2019. The European Union has endorsed the IFRS 15, IFRS 9 and IFRS 16 standards.

IFRS 15 Revenue from Contracts with Customers

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 continued assessing the impact of the IFRS 15 standard during fiscal period 2017 and conducted an analysis which is subject to change upon more detailed analysis. According to the assessment the standard has impact on all Consti business areas' long-term projects and Service business deals in which revenue recognition occurs according to the completion of the project 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.

Application of new revenue recognition principles under IFRS 15 will not have a material impact on Consti's consolidated financial statements. Changes in the timing of revenue recognition and effects in Group's balance sheet will be minor.

IFRS 9 Financial Instruments

IFRS 9 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. Consti Oyj has thus far not started applying hedge accounting and has not made a decision regarding starting hedge accounting according to IFRS 9.

The company will apply the standard as of the financial period commencing on 1 January 2018. When the expected credit loss model is applied, impairments are estimated to increase somewhat, but according to Consti's estimation the application of IFRS 9 should not have a material impact on the financial report.

IFRS 16 Leases

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. 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 and decision about the transition approach will be done over the next twelve months.

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 decision proposals.

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	2017	2016
Net sales		
Technical Building Services	116,106	103,892
Renovation Contracting	80,850	74,966
Building Facades	113,921	88,615
Parent company and eliminations	–10,675	–5,915
Total	300,203	261,558
Order backlog		
Technical Building Services	72,500	70,700
Renovation Contracting	78,233	43,515
Building Facades	74,988	76,591
Total	225,721	190,806
Order intake		
Technical Building Services	97,180	85,834
Renovation Contracting	97,827	40,122
Building Facades	94,901	100,517
Parent company and eliminations	–11,832	–3,418
Total	278,077	223,055

Information on key customers

In the 1 January–31 December 2017 and 1 January–31 December 2016 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 2017

ACQUIRED BUSINESS	Country	Type	Month of acquisition	Acquired share	No. of employees	Estimated annual net sales (€m)
Oulun Talosaneeraus Oy	Finland	Share deal	31 Jan 2017	100 %	30	8.0
Pisara-Steel Oy	Finland	Share deal	9 Mar 2017	100 %	10	2.4
KP Kuoppamäki Oy	Finland	Share deal	3 Jul 2017	100 %	16	6.0
Lumicon Oy	Finland	Share deal	2 Oct 2017	100 %	10	2.0

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

Acquired assets and liabilities

Fair values of the identified assets and liabilities of the businesses acquired in 2017, after their combination:

EUR 1,000	Fair value
Assets	
Property, plant and equipment	222
Intangible assets	317
Cash and cash equivalents	3,207
Trade and other receivables	3,039
Inventories	78
Available-for-sale financial assets	9
Total assets	**6,871**
Liabilities	
Trade and other payables	3,275
Interest-bearing liabilities	0
Deferred tax liabilities	63
Total liabilities	**3,338**
Fair value of identified net assets, total	3,532
Goodwill arising from acquisitions	4,479
Amount of consideration transferred	**8,011**

A total of 64,305 own shares were transferred related to the purchase of the shares of Oulun Talosaneeraus Oy, Pisara-Steel Oy, KP Kuoppamäki Oy and Lumicon Oy to cover part of the purchase price.

The value of the transferred shares was calculated based on the weighted average share price of the Company in accordance with the terms of the share purchase agreement. In the period of 28 Oct 2016–27 Jan 2017 it was approximately EUR 440 thousand in the period of 8 December 2016–7 March 2017 it was approximately EUR 110 thousand in the period of 30 March 2017–29 June 2017 it was approximately EUR 200 thousand and in the period of 15–25 September 2017 it was approximately EUR 200 thousand.

The transaction costs arising from the acquisition, totalling EUR 416 thousand have been recognised as expenses and are included under administrative expenses.

Business combinations in 2016

ACQUIRED BUSINESS	Country	Type	Month of acquisition	Acquired share	No. of employees	Estimated annual net sales (€m)
Eleta Talotekniikka Oy	Finland	Share deal	4 Jan 2016	100%	18	2.0
Pirkanmaan JT-Palvelut Oy	Finland	Share deal	25 Nov 2016	100%	10	1.3
Installation and maintenance business of cooling equipment (Cool Air Service Ky)	Finland	Asset deal	30 Nov 2016	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.

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
Trade and other receivables	429
Inventories	67
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 thousand in total, calculated based on the weighted average share price of the Company in the period of 25 August–24 November 2016 in accordance with the terms of the share purchase agreement.

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

4. Net sales EUR 1,000

	2017	2016
Income from construction contracts	275,340	233,891
Income from services	24,863	27,667
Total	**300,203**	**261,558**

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	275,340	233,891
Accrued realised expenses and recognised gains less recognised losses from contracts in progress	360,765	320,105
Receivables from construction contracts	10,916	13,281
Advances received from construction contracts	12,531	12,267

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	246	174
Government grants	–	1
Insurance indemnities and damages received	446	252
Other income items	159	494
Total	**850**	**920**

7. Materials and services EUR 1,000

Purchases of materials, supplies and goods	62,216	47,542
Increase (–) or decrease (+) in inventories	15	74
External services	156,093	131,942
Total	**218,324**	**179,558**

8. Employee benefit expenses EUR 1,000

Salaries	48,623	42,476
Pension expenses	9,047	7,895
Share-based payments	271	–
Other social security expenses	2,241	2,710
Total	**60,181**	**53,081**

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

White-collar employees	452	404
Blue-collar employees	637	531
Total	**1,088**	**935**

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

9. Other operating expenses EUR 1,000

	2017	2016
Capital losses on and scrapping of property, plant and equipment	7	5
Production operating and maintenance expenses	6,542	4,573
Costs of facilities	1,804	1,583
Voluntary social security expenses	2,114	1,782
Travel expenses	3,036	2,737
Vehicle costs	1,507	1,251
Other fixed expenses	5,825	4,788
Total	**20,834**	**16,719**

Auditor's fees		
Audit	172	153
Other assignments and statements of the auditor	0	5
Total	**172**	**158**

10. Depreciation and amortisation EUR 1,000

Depreciation by asset type		
Intangible assets		
Allocation of acquisitions	358	95
Other intangible assets	149	155
Property, plant and equipment		
Buildings and structures	144	563
Machinery and equipment	1,378	1,260
Machinery and equipment, finance leasing	60	66
Total depreciation and amortisation	**2,089**	**2,138**

11. Financial income and expenses EUR 1,000

Financial income		
Interest income and other financial income	22	21
Total financial income	**22**	**21**
Financial expenses		
Interest expenses on loans recognised at amortised cost	294	394
Interest expenses on finance lease agreements	13	13
Other financial expenses	544	528
Total financial expenses	**851**	**936**
Net financial expenses	**829**	**915**

12. Income taxes EUR 1,000

	2017	2016
The key components of income taxes in the financial periods ending on 31 December 2017 and 31 December 2016 are as follows:		
Consolidated statement of comprehensive income		
Current income taxes	680	1,745
Taxes for the previous financial periods	–15	20
Deferred taxes		
Origination and reversal of temporary differences	–794	324
Total	**–130**	**2,089**
Taxes recognised directly under equity	–	–

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

Earnings before taxes	**–1,204**	**10,067**
Taxes calculated on the basis of the Finnish tax rate of 20%	–241	2,013
Income not subject to tax	0	0
Non-deductible expenses	127	56
Taxes for prior financial periods	–15	20
Income taxes in the income statement	**–130**	**2,089**

Deferred taxes

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

Reconciliation of deferred tax assets	Consolidated balance sheet		Consolidated income statement	
	2017	2016	2017	2016
Depreciation not deducted in taxation	89	71	18	–4
Deductible goodwill depreciation	–80	–68	–12	–10
Capitalisation of tangible and intangible assets	–10	–59	112	37
Losses confirmed in taxation	0	0	0	0
Provisions	124	23	101	3
Other items [1]	685	110	575	–350
Deferred tax assets (/-liabilities), net	**808**	**77**		
Deferred tax expenses (/income)			**794**	**–324**

[1] The other items mainly refer to deferred tax assets for losses for fiscal period 2017. As at 31 Dec 2017, the Group has deductible intra-Group interests of EUR 399 thousand (EUR 521 thousand in 2016).

	Consolidated balance sheet	
The balance sheet includes the following items:	2017	2016
Deferred tax assets	907	213
Deferred tax liabilities	–99	–136
Deferred tax assets(/liabilities), net	**808**	**77**
Reconciliation of deferred (net) tax asset		
Deferred tax assets at the beginning of the period	**77**	**430**
Deferred tax income(/expenses) in the consolidated statement of comprehensive income	794	–324
Deferred taxes transferred in the combination of business operations	–63	–29
Deferred tax assets at the end of the period	**808**	**77**

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 Group has no losses confirmed in taxation (EUR 0 in 2016).

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	2017	2016
Profit/loss for the period attributable to the shareholders of the parent (EUR 1,000)	–1,074	7,978
Weighted average number of shares during the period	7,660,253	7,615,373
Earnings per share, undiluted (€)	–0.14	1.05

Earnings per share, diluted	2017	2016
Profit/loss for the period attributable to the shareholders of the parent (EUR 1,000)	–1,074	7,978
Diluted Profit/loss for the period (EUR 1,000)	–1,074	7,978
Weighted average number of shares during the period	7,660,253	7,615,373
Weighted average number of diluted shares during the period	7,663,470	7,615,373
Earnings per share, diluted (€)	–0.14	1.05

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 2017	**655**	**2,092**	**11,039**	**4**	**13,790**
Additions	–	187	1,187	–	1,374
Business combinations	16	–	206	–	222
Disposals	–106	–517	–600	–	–1,223
Acquisition cost 31 Dec 2017	**565**	**1,763**	**11,831**	**4**	**14,162**
Depreciation and impairment 1 Jan 2017	**–**	**1,159**	**7,505**	**–**	**8,664**
Depreciation for the period	–	142	1,440	–	1,583
Disposals	–	–186	–426	–	–612
Depreciation and impairment 31 Dec 2017	**–**	**1,115**	**8,519**	**–**	**9,635**
Carrying amount 31 Dec 2017	**565**	**647**	**3,311**	**4**	**4,528**
Acquisition cost 1 Jan 2016	655	2,006	9,824	12	12,497
Additions	–	86	1,766	–	1,852
Business combinations	–	–	105	–	105
Disposals	–	–	–656	–8	–664
Acquisition cost 31 Dec 2016	655	2,092	11,039	4	13,790
Depreciation and impairment 1 Jan 2016	–	597	6,546	–	7,143
Depreciation for the period	–	563	1,326	–	1,888
Disposals	–	–	–368	–	–368
Depreciation and impairment 31 Dec 2016	–	1,159	7,505	–	8,664
Carrying amount 31 Dec 2016	**655**	**933**	**3,534**	**4**	**5,126**

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

EUR 1,000	Machinery and equipment
Acquisition cost	311
Accumulated depreciation	141
Carrying amount 31 Dec 2017	**170**
Acquisition cost	311
Accumulated depreciation	135
Carrying amount 31 Dec 2016	**175**

Additions to the acquisition costs of property, plant and equipment include assets leased under finance lease agreements totalling EUR 55 thousand in 2017 (EUR 55 thousand in 2016).

Impairment
No impairment losses were recognised on the Group's production machinery in 2017.

Grants
The Group did not receive any grants for the acquisition of property, plant or equipment in 2017.

15. Intangible assets EUR 1,000

	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2017	**44,126**	**5,124**	**49,250**
Additions	–	67	67
Business combinations	4,479	317	4,795
Acquisition cost 31 Dec 2017	**48,604**	**5,507**	**54,112**
Depreciation and impairment 1 Jan 2017	**–**	**4,738**	**4,738**
Depreciation for the period	–	507	507
Depreciation and impairment 31 Dec 2017	**–**	**5,245**	**5,245**
Carrying amount 31 Dec 2017	**48,604**	**262**	**48,867**
Acquisition cost 1 Jan 2016	43,484	4,913	48,397
Additions	–	61	61
Business combinations	642	149	791
Acquisition cost 31 Dec 2016	44,126	5,124	49,250
Depreciation and impairment 1 Jan 2016	–	4,488	4,488
Depreciation for the period	–	250	250
Depreciation and impairment 31 Dec 2016	–	4,738	4,738
Carrying amount 31 Dec 2016	**44,126**	**386**	**44,512**

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

	2017	2016
Technical Building Services	21,056	18,926
Building Facades	14,717	14,301
Renovation Contracting	12,831	10,898
Total	48,604	44,126

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 31 December 2017, 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 9.96 percent and 10.26 percent (10.44–10.49% in 2016) 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

	2017	2016		
Financial assets	Carrying amount and fair value	Carrying amount and fair value	Fair value hierarchy	Note
Available-for-sale financial assets at fair value				
Current financial assets				
Available-for-sale financial assets	17	8		
Total available-for-sale financial assets at fair value	**17**	**8**		
Loans and other receivables at amortised cost				
Current financial assets				
Trade receivables	22,688	22,758		20
Total loans and other receivables at amortised cost	**22,688**	**22,758**		
Cash and cash equivalents	9,652	9,304		21
Total current financial assets	**32,357**	**32,070**		
Total financial assets	**32,357**	**32,070**		

EUR 1,000

Financial liabilities	2017 Carrying amount and fair value	2016 Carrying amount and fair value	Fair value hierarchy	Note
Financial liabilities at amortised cost				
Non-current financial liabilities				
Loans from financial institutions	19,455	20,000		24
Non-current hire purchase debt	589	711		24
Finance leasing liabilities	94	94		24
Current financial liabilities				
Loans from financial institutions	1,000	–		
Current hire purchase debt	508	517		24
Finance leasing liabilities	76	79		24
Trade payables	21,118	16,417		25
Total financial liabilities at amortised cost	**42,840**	**37,819**		
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	**20,138**	**20,805**		
Total current financial liabilities	**22,702**	**17,014**		
Total financial liabilities	**42,840**	**37,819**		

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 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 and 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 percent unit in interest rate would have been EUR 199 thousand (EUR 200 thousand in 2016) in the result before taxes.

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

EUR 1,000	31 Dec 2017	31 Dec 2016
Undrawn loans	5,000	5,000
Cash and cash equivalents	9,652	9,304
Total	**14,652**	**14,304**

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 accepted 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 and loss were EUR 34 thousand (EUR 71 thousand in 2016).

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 suitably 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 31 December 2017, 7 percent of the Group's interest bearing debts are due within the following year (31 December 2016 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 demand accelerated loan repayments. The financial covenants included in the loans are based on the Group's gearing and the ratio of net debt to adjusted EBITDA. On 28 December 2017, Consti Group's financing bank agreed on allowing a violation of covenant at the financial reporting date regarding the key figure "net debt's relation 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 31 December 2017 (31 December 2016).

31 Dec 2017 EUR 1,000	2018	2019	2020	2021	2022	2023–	Total
Bank loans	1,203	1,193	1,183	1,173	17,083	0	21,833
Finance leasing liabilities	83	51	48	0	0	0	182
Other interest bearing liabilities	564	422	157	49	0	0	1,192
Trade payables	21,118	0	0	0	0	0	21,118
	22,967	**1,665**	**1,387**	**1,221**	**17,083**	**0**	**44,324**

31 Dec 2016 EUR 1,000	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**

Capital risk management
The aim of the group's capital risk management is to ascertain the normal operating requirements for the business operations, to ascertain optimal capital structure and minimize the cost of capital. The capital is managed mainly by controlling investments and the amount of working capital committed to the business.

In order to reach the goals, that the capital risk management of the group aims, the group ascertains, that it meets the covenants related to the interest bearing debts that define requirements for the equity structure. The most significant ratios concerning the capital risk management are interest bearing net debt / EBITDA and gearing, which are also loan covenants.

19. Inventories EUR 1,000

	2017	2016
Materials and supplies (measured at acquisition cost)	550	500
Total	**550**	**500**

No write-downs of inventories were made in the financial years 2017 or 2016.

20. Trade and other receivables EUR 1,000

	2017	2016
Trade receivables	22,688	22,758
Receivables from construction contracts	10,916	13,281
Accrued income	2,722	2,459
Other receivables	63	54
Total	**36,389**	**38,552**

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 34 thousand (EUR 71 thousand in 2016) 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:

Undue	20,259	18,819
Fallen due		
< 30 days	1,972	2,599
30–60 days	213	243
61–90 days	169	269
> 90 days	74	829
Total	**22,688**	**22,758**

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.

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21. Cash and cash equivalents EUR 1,000

	2017	2016
Cash in hand and at banks	9,652	9,304
Total	**9,652**	**9,304**

Banks pay a variable interest on cash in deposit accounts according to daily deposit interest rates.
The Group's unused account limits on 31 December 2017 were EUR 5,000 thousand (EUR 5,000 thousand in 2016).

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

Cash in hand and at banks	9,652	9,304
Cash and cash equivalents	**9,652**	**9,304**

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 2016	7,614,767	80	243,500	7,858,267
Conveyance of treasury shares	6,164		–6,164	
31 Dec 2016	7,620,931	80	237,336	7,858,267
1 Jan 2017	7,620,931	80	237,336	7,858,267
Conveyance of treasury shares	64,305		–64,305	
Purchase of treasury shares	–23,020		23,020	
31 Dec 2017	7,662,216	80	196,051	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 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**
1 Jan 2017	**7,620,931**	**80**	**27,405**	**–446**	**27,039**
Conveyance of treasury shares	64,305		847	103	950
Purchase of treasury shares	–23,020			–258	–258
31 Dec 2017	**7,662,216**	**80**	**28,252**	**–601**	**27,731**

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 that no dividend will be paid for the financial year 2017.

23. Provisions EUR 1,000

	Warranty provisions	Onerous contracts	Litigation provisions	Total
1 Jan 2017	981	163	0	1,144
Arising during the year	1,060	805	0	1,865
Utilised provision	–894	–164	0	–1,058
Unused amounts reversed	0	0	0	0
31 Dec 2017	**1,146**	**804**	**0**	**1,951**
Current provisions	1,146	804	0	1,951
Total	**1,146**	**804**	**0**	**1,951**
1 Jan 2016	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**

Warranty provisions
Warranty provisions for contracts are determined with information based on experience of the materialisation of liability.
At the end of 2017 warranty provisions amounted to EUR 1,146 thousand (EUR 981 thousand in 2016).
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

	2017	2016
Non-current financial liabilities		
Loans from financial institutions	19,455	20,000
Non-current hire purchase debt	589	711
Finance leasing liabilities	94	94
Total non-current financial liabilities	20,138	20,805
Current financial liabilities		
Loans from financial institutions	1,000	0
Hire purchase debts	508	517
Finance leasing liabilities	76	79
Total current financial liabilities	1,584	597

Net changes to non-current and current financial liabilities amount to EUR 321 thousand and are cash flow based.

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

	2017	2016
Finance leasing liabilities		
Finance leasing liabilities will mature as follows:		
Minimum leases		
In less than a year	86	90
In 1 to 5 years	84	70
Minimum leases, total	170	160
Finance leasing liabilities will mature as follows:		
Present value of minimum leases		
In less than a year	76	79
In 1 to 5 years	94	94
Minimum leases, total	170	173
Unaccrued financial expenses	0	–14
Amount recognised as financial expense in the financial year	13	13

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

25. Trade and other payables EUR 1,000

	2017	2016
Trade payable	21,118	16,417
Advances received from customers on construction contracts	12,531	12,267
Other payables	8,349	8,186
Liabilities based on derivatives contracts	0	0
Accrued expenses	9,859	9,019
Total	**51,856**	**45,890**

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:

	2017	2016
Within 1 year	1,621	1,231
In 1 to 5 years	3,087	3,066
In more than 5 years	0	122
Total	4,708	4,419

The income statement includes EUR 1,465 thousand (EUR 1,182 thousand in 2016) of leases paid in the 2017 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 five 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

	2017	2016
Carrying amount of pledged shares	0	70,711

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.

	2017	2016
Bank guarantees and guarantee insurance commitments for the duration of work and warranty periods and rental deposits	43,949	35,397
Total	43,949	35,397

27. Related party transactions

Information about subsidiaries

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

			Ownership %	
Company name	Primary business	Country	2017	2016
Consti Talotekniikka Oy	Technical building services	Finland	100%	100%
Consti Korjausurakointi Oy	Construction	Finland	100%	100%
Consti Julkisivut Oy	Construction	Finland	100%	100%
Lumicon Oy [1]	Construction	Finland	100%	–
EAM Consti Holding Oy		Finland	0%	–

[1] Lumicon Oy was acquired through a share deal on 2 October 2017.

The Board of Directors decided in their meeting on 4 April, 2017 to implement a share acquisition and administration arrangement of Consti Group Plc (Consti) shares with Evli Awards Management Oy (EAM) according to the stipulations of the Companies Act for financing the purchase of own shares (the Finnish Companies Act, Chapter 13, Section 10, Subsection 2) relating to incentive plans. As a part of this arrangement EAM founded EAM CONSTI Holding Oy (Holding company) which acquires the shares with Consti's funding and according to the agreement. These shares will be delivered to the employees according to the Consti's share plan terms and conditions. The Holding company is owned by EAM in legal terms, but according to the agreement Consti has control over the company and acts as the principal, whereas EAM is an agent through the Holding company. This control arising from contractual terms means that the Holding company is consolidated in to the group's IFRS financial statements as a structured entity.

Entities holding significant control in the Group

On 31 December 2017 and 31 December 2016, 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	2017	194	0	1	0
	2016	2	0	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	2017	2016
Employee benefits of management members		
Salaries and other short-term employee benefits	1,561	1,794
Share based payments	115	0
Termination compensation	297	0
Total	**1,974**	**1,794**

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		
Esa Korkeela, Interim CEO as of 26 September 2017 and CEO as of 21 December 2017	66	–
Marko Holopainen, CEO until 26 September 2017	268	334
Total	**334**	**334**

Board members and deputy members:		
Tapio Hakakari, Chairman	35	30
Antti Korkeela	22	15
Erkki Norvio	22	15
Petri Rignell	22	15
Pekka Salokangas	22	15
Niina Rajakoski	22	15
Janne Näränen, member until 4 April 2017	4	16
Total	**147**	**121**

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 62 thousand in 2017 (EUR 63 thousand in 2016).

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 10 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 5 January 2017. Establishing of the incentive plan had no impact on the financial period 1 January–31 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.

The consolidated financial statements in 2017 include cost from the share-based incentive plan amounting to EUR 271 thousand. At the end of financial year, the accrued liabilities related to the incentive plan amounted to EUR 116 thousand.

29. Events after the reporting period

Consti Group Plc announced on 3 January 2018 that Joni Sorsanen (born 1983), M.Sc. (econ.), had been appointed as Consti Group Plc's CFO and a member of Management Team. Joni Sorsanen will join Consti on 28 March 2018 at the latest and he will report to Esa Korkeela, CEO of Consti Group Plc.

PARENT COMPANY

INCOME STATEMENT OF THE PARENT COMPANY (FAS)

EUR 1,000	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Net sales	1	**1,788**	**1,652**
Other operating income	2	429	656
Employee benefit expenses	3	–1,372	–1,575
Depreciation and amortisation	5	–193	–182
Other operating expenses	4	–2,190	–1,692
		–3,755	–3,449
Operating profit/loss		**–1,538**	**–1,141**
Financial income and expenses	6	1,394	–472
Profit (loss) before appropriations and taxes		**–144**	**–1,613**
Appropriations	7	550	10,500
Profit (loss) before taxes		**406**	**8,887**
Total taxes	8	21	–1,414
Profit (loss) for the period		**427**	**7,473**

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BALANCE SHEET OF THE PARENT COMPANY (FAS)

Assets EUR 1,000	Note	31 Dec 2017	31 Dec 2016
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		44	72
Other long-term expenditure		152	118
		196	**191**
Tangible assets	9		
Buildings and structures		25	34
Machinery and equipment		190	244
		216	**278**
Investments	10		
Shares in Group companies		91,038	82,611
Other shares		254	254
		91,292	**82,865**
Total Non-current assets		**91,704**	**83,334**
CURRENT ASSETS			
Short-term receivables	11		
Trade receivables		0	9
Intra-group receivables		2,094	3,962
Prepaid expenses and accrued income		841	69
		2,935	4,040
Cash and cash equivalents		0	671
Total current assets		**2,935**	**4,711**
ASSETS		**94,639**	**88,045**

Equity and liabilities EUR 1,000	Note	31 Dec 2017	31 Dec 2016
EQUITY	12		
Share capital		80	80
Reserve for invested non-restricted equity		28,053	27,206
Treasury shares		–343	–446
Retained earnings		22,794	19,456
Profit (loss) for the period		427	7,473
Total equity		**51,011**	**53,769**
LIABILITIES			
Non-current liabilities	13		
Loans from financial institutions		19,500	20,000
Non-current hire purchase debts		9	28
		19,509	**20,028**
Current liabilities	13		
Loans from financial institutions		10,061	0
Trade payables		320	181
Current hire purchase debts		18	18
Intra-group liabilities		12,756	13,016
Other current liabilities		223	274
Accrued expenses		741	760
		24,119	**14,248**
Total liabilities		**43,628**	**34,275**
EQUITY AND LIABILITIES		**94,639**	**88,045**

CASH FLOW STATEMENT OF THE PARENT COMPANY

Cash flow statement of the parent company (EUR 1,000)	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Cash flow from operating activities		
Operating profit/loss	–1,538	–1,141
Adjustments:		
Depreciation	193	182
Change in working capital	–463	–521
Operating cash flow before financial and tax items	–1,808	–1,480
Financial income and expenses (+/-)	1,394	–472
Taxes paid	–552	–1,156
Net cash flow from operating activities (A)	**–966**	**–3,109**
Cash flow from investing activities		
Investments in other shares	–7,477	–1,159
Investments in tangible and intangible assets	–137	–273
Net cash flow from investing activities (B)	**–7,613**	**–1,432**
Cash flow from financing activities		
Proceeds from long-term liabilities	21,000	0
Payments of long-term liabilities	–20,500	0
Change in interest-bearing liabilities	9,043	15
Group contribution received	2,500	8,000
Dividend distribution	–4,135	–2,970
Net cash flow from financing activities (C)	**7,908**	**5,045**
Change in cash and cash equivalents (A+B+C)	**–671**	**505**
Cash and cash equivalents at period start	671	166
Cash and cash equivalents at period end	**0**	**671**

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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 1 January–31 December 2017.

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 been 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.

Appropriations
Appropriations encompass received and paid group constributions.

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

	2017	2016
Income from services	1,788	1,652
Total	**1,788**	**1,652**

2. Other operating income EUR 1,000

Other income	429	656
Total	**429**	**656**

3. Information on personnel and members of Plc organs EUR 1,000

Salaries	1,165	1,293
Pension expenses	221	234
Other social security expenses	–15	48
Total	**1,372**	**1,575**
Average number of employees during the financial year	8	9
Management remuneration		
CEO	334	334
Members of Board of Directors	147	121
Total	**481**	**455**

4. Other operating expenses EUR 1,000

Auditor fees		
Ernst & Young Ltd		
Audit fees	104	90
Other services	0	5
Total	**104**	**95**

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5. Depreciation, amortisation and impairment EUR 1,000

	2017	2016
Depreciation and amortisation by asset type		
Intangible rights	28	29
Other long-term expenses	59	52
Buildings and structures	8	8
Machinery and equipment	98	93
Total	**193**	**182**

6. Financial income and expenses EUR 1,000

Dividends		
From group companies	2,300	160
Other interest and financial income		
From group companies	0	167
Total	**0**	**167**
Interest and other financial expenses		
To group companies	474	397
Interest expenses to others	432	403
Total	**906**	**799**
Total financial income and expenses	**1,394**	**–472**

7. Appropriations EUR 1,000

Group contributions received	550	10,500

8. Taxes EUR 1,000

Taxes from ordinary business	21	–1,414

9. Changes in non-current assets EUR 1,000

	2017	2016
TANGIBLE AND INTANGIBLE ASSETS		
Intangible rights		
Carrying amount at period start	72	88
Additions	0	13
Amortisation	28	29
Carrying amount at period end	44	72
Other long-term expenses		
Carrying amount at period start	118	91
Additions	92	79
Amortisation	59	52
Carrying amount at period end	152	118
Buildings and structures		
Carrying amount at period start	34	42
Additions	0	0
Depreciation	8	8
Carrying amount at period end	25	34
Machinery and equipment		
Carrying amount at period start	244	157
Additions	44	180
Disposals	0	0
Depreciation	98	93
Carrying amount at period end	190	244

10. Investments EUR 1,000

	2017	2016
Shares in Group companies		
Acquisition cost 1 Jan	82,611	81,355
Additions	8,427	1,256
Acquisition cost 31 Dec	91,038	82,611
Other shares		
Acquisition cost 1 Jan	254	254
Acquisition cost 31 Dec	254	254
Total investments	**91,292**	**82,865**

11. Receivables EUR 1,000

	2017	2016
Current receivables		
Intra-group receivables		
Trade receivables	2,094	1,462
Group contribution receivables	0	2,500
Total	**2,094**	**3,962**
Material external items in accrued income and prepaid expenses		
Tax assets	740	0
Other items	101	69
Total	**841**	**69**

12. Equity EUR 1,000

	2017	2016
Share capital 1 Jan	80	80
Additions	0	0
Share capital 31 Dec	**80**	**80**
Reserve for invested non-restricted equity 1 Jan	27,206	27,119
Additions	847	87
Reserve for invested non-restricted equity 31 Dec	**28,053**	**27,206**
Retained earnings 1 Jan	26,483	21,970
Purchase/conveyance of treasury shares	103	10
Dividend distribution	–4,135	–2,970
Retained earnings 31 Dec	**22,451**	**19,010**
Profit for the period	**427**	**7,473**
Total	**22,878**	**26,483**
Equity	**51,011**	**53,769**
Distributable funds 31 Dec		
Reserve for invested non-restricted equity	28,053	27,206
Retained earnings	22,451	19,010
Profit for the period	427	7,473
Total distributable funds	**50,931**	**53,689**

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
173,031	2.2%	2.2%

13. Non-current and current liabilities EUR 1,000

	2017	2016
Non-current liabilities		
Liabilities to others		
Loans from financial institutions	19,509	20,028
Total non-current liabilities	**19,509**	**20,028**
Current liabilities		
Intra-group liabilities		
Trade payables	34	13
Other liabilities	12,722	13,003
Liabilities to others		
Trade payables	320	181
Loans from financial institutions	10,080	18
Accrued expenses	741	760
Other liabilities	223	274
Total current liabilities	**24,119**	**14,248**
Material items included in accrued expenses		
External		
Accruals related to employee benefit expenses	237	237
Tax accruals	0	257
Other accruals	504	265
	741	**760**

14. Commitments EUR 1,000

	2017	2016
Carrying amount of pledged shares	0	70,711
Rental liabilities		
To be paid during the on-going financial year	199	146
To be paid in later years	181	279
Total	**380**	**425**
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	60	45
On behalf of intra-group companies	43,889	35,351

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 4 2017 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 36,000 and members of the Board of Directors are each paid EUR 24,000. 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 2018

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 2019 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 2017

EUR	Compensation 2017	Compensation 2016
Tapio Hakakari*	34,500	30,000
Antti Korkeela	21,750	15,000
Erkki Norvio*	21,750	15,000
Niina Rajakoski	21,750	15,000
Petri Rignell*	21,750	15,000
Pekka Salokangas*	21,750	15,000
Janne Näränen[1)]	3,750	16,250

1) Janne Näränen was a member of the Board of Directors until 4 April 2017

* Member of the Nomination and Compensation Committee, according to the decision made by the AGM, committee work is not separately compensated. Tapio Hakakari was a Member of the Nomination and Compensation Committee until 4 April 2017. Erkki Norvio has been a Member of the Nomination and Compensation Committee since 4 April 2017.

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 10 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 2017 CEO Marko Holopainen was paid a salary of EUR 268 thousand. In addition, cost of EUR 297 thousand related to termination compensation was included in 2017 consolidated financial statements. In 2017 CEO Esa Korkeela was paid a salary of EUR 66 thousand. 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 December 2017 are (EUR):

Retained earnings	22,451,316.47
Profit for the period	427,068.61
Total retained earnings	22,878,385.08
Reserve for invested non-restricted equity	28,053,072.43
Total distributable funds	50,931,457.51

The Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the financial period from 1 January to 31 December 2017.

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki, 14 February 2018

Hakakari Tapio
Chairman of the Board of Directors

Norvio Erkki
Member of the Board of Directors

Rignell Petri
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

Korkeela Esa
CEO

Auditor's note

An auditor's report has been issued today.

Helsinki, 14 February 2018

Ernst & Young Oy
Authorised Public Accountants

Rytilahti Mikko
APA

AUDITOR'S REPORT

(TRANSLATION OF THE FINNISH ORIGINAL)

TO THE ANNUAL GENERAL MEETING OF CONSTI YHTIÖT OYJ

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Consti Yhtiöt Oyj (business identity code 2203605-5) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position 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.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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.

Key Audit Matter

Revenue recognition of long-term contracts
Refer to the Group's accounting policies 1. and the 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 2017, approximately 92 % of the net sales of 300 million euro were recognized under the stage of completion method. We identified revenue from fixed price projects as a significant risk, requiring special audit consideration.

This matter was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

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 estimates of revenue based on the future costs to complete as well as time required to complete the project
- In the note 1. Group's accounting policies the most important assumptions related to revenue recognition have been disclosed. We evaluate the adequacy of these disclosures.

Key Audit Matter

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 31 December, 2017, the value of goodwill amounted to 49 million euro representing 48 % of the total assets and 192 % 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.

This matter was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

How our audit addressed the Key Audit Matter

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.

In the note 1. Group's accounting policies the most important assumptions related to valuation of goodwill have been disclosed. We evaluate the adequacy of these accounting principles.

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.

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 18 June, 2008, and our appointment represents a total period of uninterrupted engagement of 10 years. Consti Yhtiöt Oyj became a Public Interest Entity on 11 December, 2015.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 14 February 2018

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

CONSTI GROUP PLC \ AUDITOR'S REPORT

KEY FIGURES AND INFORMATION FOR SHAREHOLDERS

KEY FIGURES

Income statement, 1 Jan to 31 Dec (EUR 1,000)	2017 IFRS	2016 IFRS	2015 IFRS
Net sales	300,203	261,558	256,151
Adjusted EBITDA	1,714	13,142	12,613
Adjusted EBITDA margin (%)	0.6%	5.0%	4.9%
EBITDA	1,714	13,120	10,507
EBITDA margin (%)	0.6%	5.0%	4.1%
Adjusted operating profit/loss (EBIT)	–375	11,004	10,520
Adjusted operating profit/loss (EBIT) margin (%)	–0.1%	4.2%	4.1%
Operating profit/loss	–375	10,982	8,414
Operating profit/loss margin (%)	–0.1%	4.2%	3.3%
Profit/loss before taxes (EBT)	–1,204	10,067	4,054
as % of net sales	–0.4%	3.8%	1.6%
Profit/loss for the year	–1,074	7,978	3,260
as % of net sales	–0.4%	3.1%	1.3%

Balance sheet (EUR 1,000)			
Balance sheet total	100,810	98,078	90,692
Net interest bearing debt	12,070	12,097	17,407
Equity ratio (%)	28.6%	34.5%	31.4%
Gearing (%)	47.7%	40.8%	70.9%

Other key figures			
Free cash flow (EUR 1,000)	8,936	10,865	8,910
Cash conversion (%)	521.4%	82.8%	84.8%
Order backlog (EUR 1,000)	225,721	190,806	181,301
Order intake (EUR 1,000)	278,077	223,055	213,504
Average number of personnel	1,088	933	910
Number of personnel at period end	1,079	935	890
Earnings per share, undiluted (EUR)	–0.14	1.05	0.61
Earnings per share, diluted (EUR)	–0.14	1.05	0.61
Shareholders' equity per share (EUR)	3.30	3.89	3.22
Number of shares, end of period	7,858,267	7,858,267	7,858,267
Number of outstanding shares, end of period	7,662,216	7,620,931	7,614,767
Average number of outstanding shares	7,660,253	7,615,373	5,329,936

CALCULATION OF KEY FIGURES

EBITDA	=	Operating profit/loss (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 (%)	=	$\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity}} \times 100$
Return on investment, ROI (%)	=	$\frac{\text{Profit/loss before taxes + interest and other financial expenses (rolling 12 month)}}{\text{Total equity + interest-bearing liabilities (average)}} \times 100$
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	=	$\frac{\text{Profit/loss attributable to equity holders of the parent company}}{\text{Weighted average number of shares outstanding during the period}}$
Adjusted EBITDA	=	EBITDA before items affecting comparability
Adjusted operating profit/loss (EBIT)	=	Operating profit/loss (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 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 2017**	IFRS	IAC	Income statement before IAC
Net sales	**300,203**		**300,203**
Other operating income	850		850
Materials and services	–218,324		–218,324
Employee benefit expenses	–60,181		–60,181
Other operating expenses	–20,834		–20,834
EBITDA	**1,714**		**1,714**
Depreciation	–2,089		–2,089
Operating profit/loss (EBIT)	**–375**		**–375**

1 Jan–31 Dec 2016	IFRS	IAC	Income statement before IAC
Net sales	**261,558**		**261,558**
Other operating income	920		920
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/loss (EBIT)	**10,982**	**–23**	**11,004**

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 31 December 2017, 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 31 Dec 2017: 7,858,267
- Listing date: 11 December 2015

Shareholders

At the end of December 2017, Consti Group Plc had 3,470 shareholders in the share register. Distribution of shareholders is shown in the table and graphs presented below. At the end of December 2017, non-Finnish shareholders held approximately 14.1 percent of Consti Group Plc's shares. Majority 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.

Annual General Meeting

Consti Group Plc's Annual General Meeting (AGM) will be held on Wednesday 4 April 2018 at 1:00 p.m. at conference room Fennia I of Marina Congress Center, address Katajanokanlaituri 6, Helsinki, Finland.

Shareholders who wish to attend the AGM must be registered on 21 March 2018 in the company's shareholders' register held by Euroclear Finland Ltd. Shareholders must also give prior notice of their attendance to the company by 27 March 2018 at 4:00 p.m. Such notice can be given:

a) on Consti Group Plc's website at www.consti.fi;
b) by telephone on +358 20 770 6903 during office hours from Monday to Friday between 8:00 a.m. and 4:00 p.m.; or
c) by letter addressed to Consti Group Plc, "Annual General Meeting", Hopeatie 2, FI-00440 Helsinki, Finland.

Dividend payment

The Board proposed to the Annual General Meeting that no dividend will be paid for the financial year 2017.

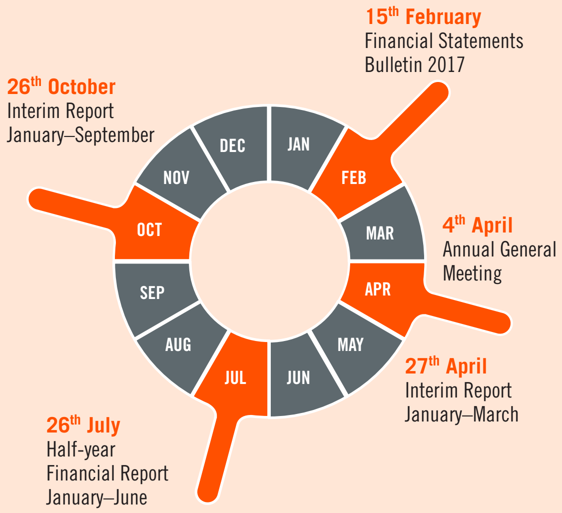
Financial calendar in 2018

Consti shall publish three interim reports during 2018:

- Interim report 1–3/2018 will be published on 27 April 2018
- Half-year financial report 1–6/2018 will be published on 26 July 2018
- Interim report 1–9/2018 will be published on 26 October 2018

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.

IR calendar



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-day 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.

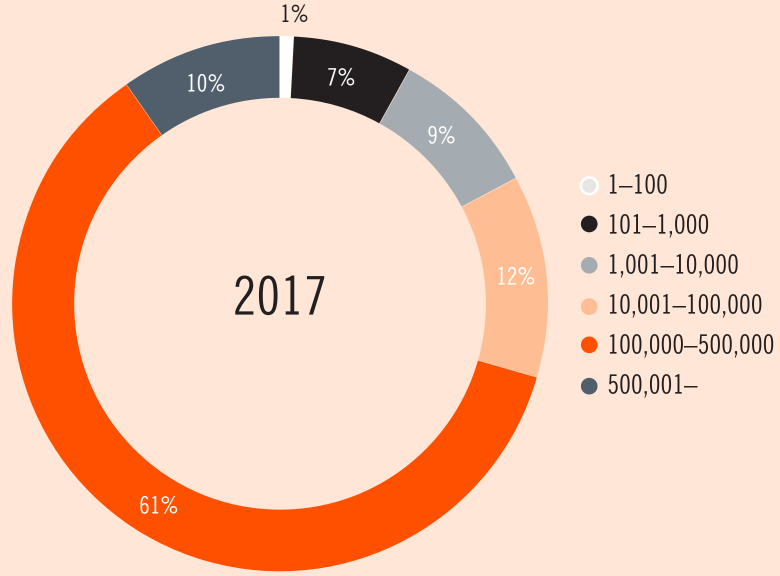
Contact details

Esa Korkeela
CEO
tel: +358 40 730 8568
esa.korkeela(at)consti.fi

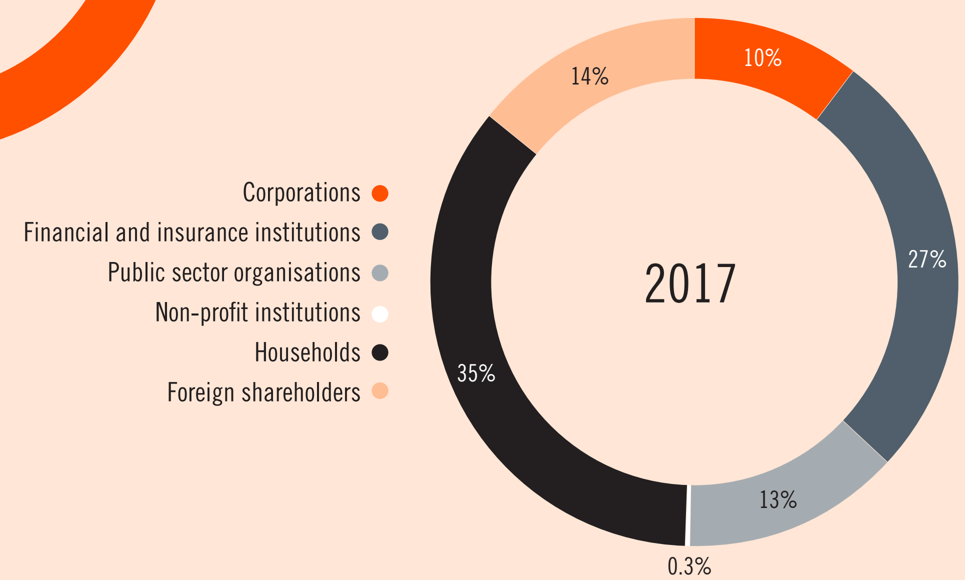
Financial documents can be obtained from:
Consti Group Plc
Hopeatie 2, FI-00440 Helsinki, Finland
tel: +358 10 288 6000
IR@consti.fi

Further investor information can be found at www.consti.fi → Investors

Distribution of shareholding by size range



Distribution of shareholding by sector



Major shareholders 31 December 2017

Major shareholders 31 December 2017	Number of shares	%
Etera Mutual Pension Insurance Company	469,451	5.97
Esa Sakari Korkeela *)	399,600	5.09
Risto Juhani Kivi	375,300	4.78
Ilmarinen Mutual Pension Insurance Company	311,000	3.96
Danske Invest Finnish Institutional Equity Fund	300,818	3.83
Markku Kalevo	297,900	3.79
OP-Suomi Pienyhtiöt	284,034	3.61
Antti Petteri Korkeela	276,894	3.52
Fondita Nordic Micro Cap	260,000	3.31
Sijoitusrahasto Evli Suomi Pienyhtiöt	228,699	2.91
Sijoitusrahasto Aktia Capital	185,850	2.37
Consti Yhtiöt Oyj	173,031	2.20
Varma Mutual Pension Insurance Company	172,000	2.19
Sijoitusrahasto Danske Invest Suomen Pienyhtiöt	150,000	1.91
Sijoitusrahasto Nordea Pro Suomi	137,581	1.75
EQ Pohjoismaat Pienyhtiö	117,108	1.49
Sijoitusrahasto Säästöpankki Pienyhtiöt	112,038	1.43
Sijoitusrahasto Danske Invest Suomi Osake	107,890	1.37
Norvier Oy	106,463	1.35
Kirkon Eläkerahasto	100,000	1.27
20 largest owners, total	**4,565,657**	**58.10**
Nominee registered	1,110,917	14.14
Other	2,181,693	27.76
Total	**7,858,267**	**100.00**

*) Share purchases publicised on 22 December 2017 are not yet visible in the share ownerships dated 31 December 2017 as the share clearing was delayed due to chained transactions.

CONSTI

2017

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www.consti.fi