CONSTI

CONSTI GROUP PLC ANNUAL REPORT

2018

EXPERTISE AND EXPERIENCE

Cover photo: Juho Kuva

Contents

CONSTI IN BRIEF

Consti is one of Finland's leading companies focusing on repair and construction work.

Consti is one of the leading companies focusing on renovation and technical services in Finland. The company has a comprehensive service offering covering technical building services, residential pipeline renovation, renovation contracting, building facade repair and maintenance, and other renovation and technical services for demanding residential and non-residential properties. The company's business is concentrated into Finnish growth centres.

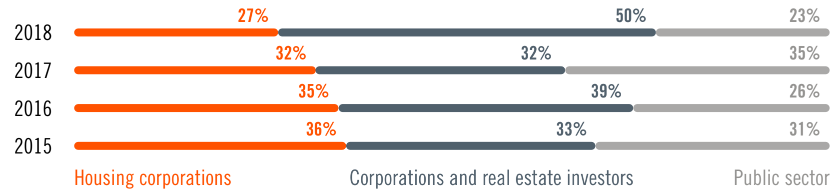
The Group's parent company is Consti Group Plc. The business areas operated in 2018 in three subsidiaries completely owned by the parent company: Consti Talotekniikka Oy (Technical Building Services), Consti Julkisivut Oy (Building Facades) and Consti Korjausurakointi Oy (Renovation Contracting). Business areas are reported in one segment. In addition, Consti reports sales, order backlog and order intake for each business area. In this Annual Report 2018 the business is also introduced by customer groups.

In February 2019 a new organisation structure was announced. The new organisation has four business areas: Renovation services for housing companies, Renovation services for corporations and investors, Renovation services for the public sector, and Building technology installations and maintenance.

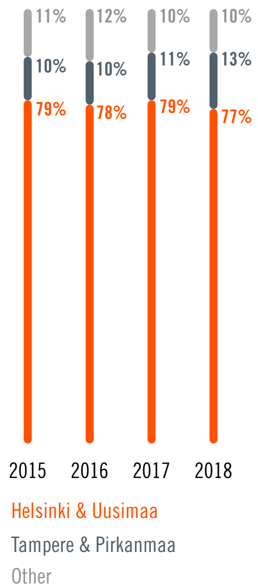
Characteristics of renovation construction

The renovation market is versatile.	Consti's service offering includes around 30 separate services.
Projects are often unique due to characteristics of old buildings.	A renovation professional is not easily intimidated, and knows how to solve surprizing situations. A renovation professional is also familiar with the history of construction.
The work is conducted close to the customers in homes and business premises.	Consti knows how to renovate facilities so that they can be in use throughout the renovation.
Both the building and its building technology are often renovated at the same time.	Consti is skilled in both. Our ability to combine projects that require competence in renovation and building technology brings clear customer benefits.
Success in renovation requires specialization.	Renovation is Consti's main business.

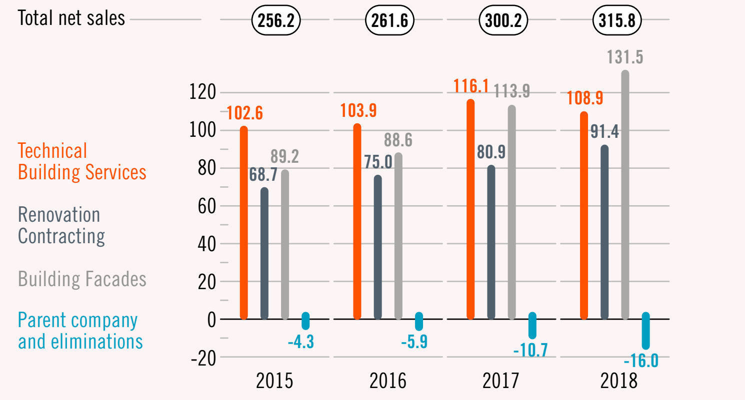
NET SALES BY CUSTOMER GROUP



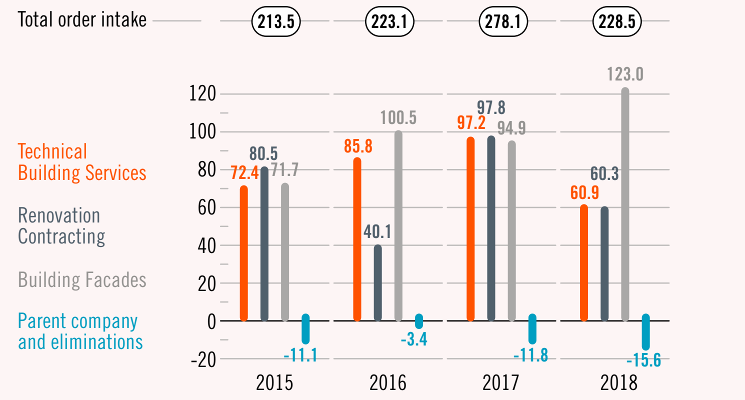
NET SALES BY GEOGRAPHICAL AREA



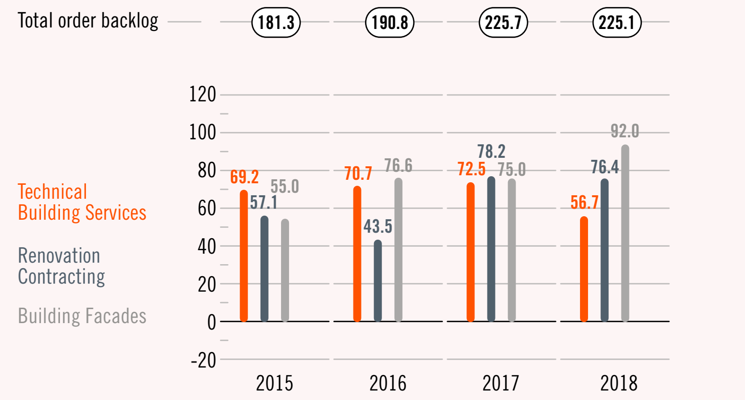
NET SALES (€ million)



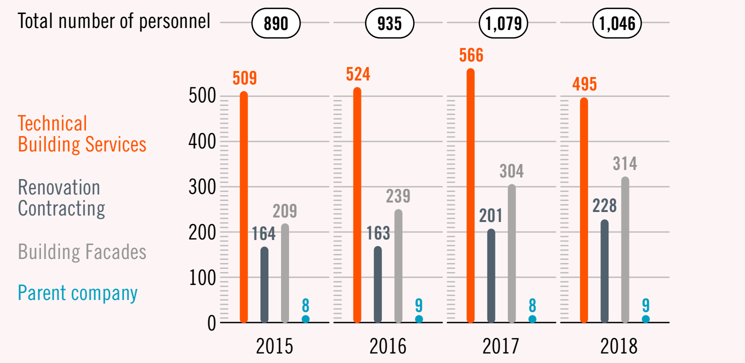
ORDER INTAKE (€ million)



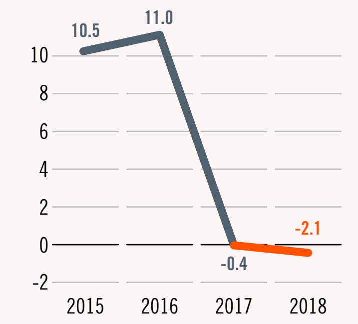
ORDER BACKLOG (€ million)



NUMBER OF PERSONNEL AT YEAR END

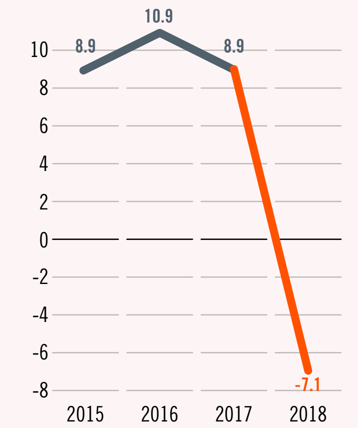


EBIT (€ million)*



* Adjusted EBIT before items affecting comparability

FREE CASH FLOW (€ million)*



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

NET SALES
316
€ MILLION

AVERAGE NUMBER OF EMPLOYEES
1,093

Photo: Ville Vappula

2018

A YEAR OF UNIFYING OPERATIONS AND CLARIFYING RESPONSIBILITIES

A common factor in renovation construction is that projects come in all shapes and sizes – and often include surprises.

Our net sales grew approximately five percent in 2018 from the previous year and amounted to 316 million euro. Net sales grew in both Building Facades and Renovation Construction. Our net sales decreased as estimated in Technical Building Services due to the new operating models we took into use toward the end of 2017, and our more disciplined bidding practises.

Our result for the fiscal year was negative. Result was mainly weakened by the impact of negative results from two demanding building purpose modification projects and by weak profitability in our Technical Installations Unit. The profitability problems were limited to a number of projects started in 2016 and 2017. Most of the projects with profitability issues, including one of the two demanding building purpose modifications, were finished by the end of the fiscal year. A few projects will be handed over in 2019.

We have continued targeted activities to return profitability in weakly preforming units. In addition to resolving changes and reductions in personnel, and clarifying responsibilities, we have also tightened our bidding and monitoring processes even further. The positive impact of these actions could already be seen in our new commenced projects, the majority of which have advanced as planned.

Consti had approximately 900 projects ongoing during the past year. Our largest projects last up to many years, such as the complete renovation of three buildings in Vallila, Helsinki, which are protected by the Finnish Heritage Agency, and being modified into office space. Large projects also include building apartments into Kesko's former headquarter, and the basic renovation of hotel Scandic Marski in central Helsinki. Numerically, most of our projects are much smaller scale renovations of schools and offices, pipeline renovations of apartment buildings, and facade renovations.

A common factor in renovation construction is that projects come in all shapes and sizes – and often include surprises. Renovation professionals must be skilled at solving unexpected problems, which often times only unfold as work advances in old buildings. Working in homes and facilities that are in use throughout the renovation also calls for special expertise.

During the past year we focused on unifying our operations and clarifying responsibilities all the way from the bidding phase to work site visits and documenting. Risk management is also emphasised in our actions to improve our result. In future, we will not take part in demanding building purpose modifications in which the project delivery method is not balanced with the risks and profit potential of the project. We have also decreased the average size of pipeline renovation projects.

To boost our performance, we decided to renew our organisational structure in the beginning of 2019. Our previous organisation was based on the subsidiary structure from when Consti was founded, which we are now adjusting into a more customer-oriented organisation. Our goal is to make it easier for our customers to purchase all the services they require from Consti, and also ensure that we can focus our competences in an even more customer specific manner. In addition to structural changes, our plans also include developing our common processes and operational models, and we expect these changes to bring annual savings amounting to approximately two million euro.

Our market environment remained good in 2018, particularly in the Greater Helsinki Area. We received new orders during the year amounting to 228.5 million euro, and therefore our order backlog at the end of the year, 225 million euro, was nearly at the same level as the previous year. General market assessments support our outlook that the demand for renovations and technical building services will remain good for the current year as well. I believe that put together, our strong order backlog and the change program we have started will improve our performance in 2019.

Thank you for the past year to our personnel, all our customers, our partners and shareholders.

Esa Korkeela

Photo: Bernard Hermant

A GOAL OF BEING FINLAND'S NUMBER ONE

Consti's mission is to improve the value of the building stock and people's quality of life. Consti's goal is to be number one in renovation construction in Finland.

During the past ten years, Consti has achieved a leading position in renovation construction. Its market position is strong in selected growth centres: The Greater Helsinki area, Pirkanmaa, Turku and Oulu.

Consti offers versatile services to a broad range of customers, which can be divided into housing corporations, public organisations and associations, corporations and investors. The broad customer base, versatility of Consti's services and adaptable size of projects are Consti's strengths and simultaneously part of its risk management.

Consti's position as the number one in renovation construction requires continuous customer oriented development of operations in a sustainable manner that simultaneously improves profitability. Shortening the lead time of renovations and a high-quality end result achieved in an efficient manner are the main goals in developing the company's operations.

In 2018 improving profitability was highlighted in carrying out Consti's strategy work. Unifying procedures in both work sites and administration forms a significant portion of this work.

A part of the strategy to improve profitability is productising industrial production methods and services into part of renovation construction. A flow-based production model was achieved in several work sites. Productising has moved forward especially in services being developed for residential buildings.

Risk management was improved by defining the customer groups that best match Consti's competence and offering in more detail than before, and also by paying more attention to the method by which each project was executed.

Alongside the expansion of renovation projects and the number of parties involved, the development of various alliance models is emphasized. Consti is a frontrunner as a developer and implementor of alliance models.

Our strategic goals for 2017–2021 are to reach an average 10 percent growth in our current businesses, improve our relative profitability, and achieve growth in new business areas.

Improving profitability is our primary goal for 2019 as well.

Strategic development projects:

To achieve its vision and goals, Consti has defined strategic development areas which are advanced as strategic development projects.

Profitable and competitive operations: Consti's business consists of project-based ventures. To ensure profitability in these ventures, the Group defined joint operating procedures for project and performance management in 2018. In quality training aimed at the entire personnel, the quality guidelines were communicated. Compliance with the guidelines is monitored with internal audits and management quality walks. Incorporating Lean principles and tools has advanced especially in the flow-based production model and scheduling based on takt time. Consti has also been active in the industry's joint development activities in advancing lean-construction.

The best talent: The key to growth is a competent and motivated staff. To ensure this, the Group hired an HR director who was also made a member of the management team. Supervisor interaction skills were emphasised in training, as was developing the collaboration between the Group and its subsidiaries. HR procedures such as the recruiting process and remuneration policies were developed and unified. An electronic orientation method was taken into wider use to improve occupational safety.

Excellent services and solutions: The goal is to productise Consti's broad offering into even more clear-cut and customer-oriented service concepts. At the same time the aspiration is to change purchasing habits in the industry so that value creation is emphasized instead of merely concentrating on price. Amenity renovations that were first started in student housing were expanded to other kinds of tenant buildings during the past year. The Consti balcony renovation model enabled accelerating the duration of balcony renovations and improving efficiency. In 2018 the inhabitant oriented Consti Kodikas service model was also launched for housing corporations. In it housing corporations get the opportunity to utilise Consti's broad range of special expertise already while planning renovations.

Move a step closer to the work site prompts the supervisors to visit work sites more often.

Photo: Juho Kuva

The best customer experience: Customers are always near in renovations. In order to monitor and develop customer experience, a new customer feedback system was taken into use. Consti has exceptionally broad and versatile competence in renovations and during the year a new service classification system was taken into use to clarify service offering and its management. Sales operations were developed so that it is easier for the customer to obtain all the services that Consti offers. All of Consti's business areas participated in for example the renovations of student housing building at Arentinkuja in Helsinki.

Renewal and growth: Consti seeks growth by expanding its services in renovation value chains from the beginning stages of the venture to also include usage and servicing and also by expanding into new business areas. This is accomplished by actively taking part in developing new kinds of construction models that enable broader scale collaboration already at early stages of a project, and also by investing in technical services that span the entire life span of a building such as maintenance and servicing. During the year a development project was also commenced to utilise digital solutions in renovation construction.

STRATEGY

Long-term strategic goals

Growth: Average annual growth in revenue at least

10%

Profitability: Adjusted EBIT margin exceeding

5%

Cash flow: Cash conversion ratio exceeding*

90%

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

2.5 x

while maintaining an efficient capital structure

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."

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.

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

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

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

THE VALUE OF RENOVATION CONSTRUCTION GREW

Residential building renovations kept renovation construction growing at a steady pace. Office spaces will also need basic renovations soon.

The amount of professional renovation construction has grown nearly continuously for the past 20 years in Finland. In peak years renovation construction's value has surpassed the value of new construction. Growth has been fast compared to the rest of Europe, due to the age of our building stock.

The value of renovation construction in house building was approximately 12.7 billion euro in 2018. Both the Confederation of Finnish Construction Industries RT and Euroconstruct have estimates that house building grew about four percent in Finland during 2018. The Confederation of Finnish Construction Industries RT estimates that renovations grew 1.5 percent while Euroconstruct estimated the growth at 0.8 percent. Due to the heightened construction of residential buildings, both estimated that new construction grew approximately six percent.

Over half of renovation construction comes from renovating residential buildings. During the past two years residential building renovations declined slightly due to the rapid pace of new construction, but in 2018 renovations bounced back to a growth path.

A significant portion of renovation growth comes from renovating residential buildings in growth centres. The general economic situation has a far less significant impact on renovations than it does on new construction. The need for technical renovations such as pipeline, sewer, electric and facade renovations have a much greater impact.

Obtaining skilled workforce is a challenge that hinders the growth of renovation construction. In Finland, education in the field is focused on new construction, and renovation construction requires more versatile skills, such as the ability to solve problems caused by old structures both in the planning stage and at the work site.

Competition for talent in the field is not limited to contractors but it is also visible in planning and amongst developers. In addition, there is an ongoing trend in the construction industry in general where the number of parties on an individual work site is growing, which makes managing the whole challenging. The lack of skilled professionals combined with the large amount of parties at work sites unfortunately often makes it challenging to stick to cost estimates and schedules.

Commercial and office buildings are often younger than residential buildings

In 2018, new construction grew in other kinds of buildings as well, in addition to residential buildings. According to Euroconstruct this market grew about three percent primarily due to a few very large projects. Growth in new construction other than residential buildings was 0.5 percent.

New construction of public facilities has focused on schools and hospitals during the past few years. In 2018, schools made up for nine percent and hospitals for 11 percent of non-residential construction. Alongside new construction of schools and hospitals, their old facilities are often also renovated and their building technology renewed, often due to problems with mould or the inside air.

Construction of malls and other new commercial premises has been fast-paced during recent years, particularly in the Greater Helsinki Area, but growth is not expected to continue in upcoming years.

The fact that renovation construction is so focused on residential buildings at the moment is largely explained by the age of the building stock. A large number of residential buildings were built soon after the World War II, and apartment buildings were built at an especially fast pace during the 1970s. At the moment primarily buildings from the 1960s and 1970s are being renovated. Buildings other than residential buildings are often younger. Although the lifespan of commercial and office premises is often shorter than residential buildings, there renovations needs are expected to grow in upcoming years all the way to the year 2030.

In commercial and office premises the focus of renovations is often renewing building technology and also modifying the use of the building, for example altering offices into apartments or hotels. Modifications of building use are conducted particularly during periods of economic growth. New working and teaching methods also necessitate new kinds of facilities.

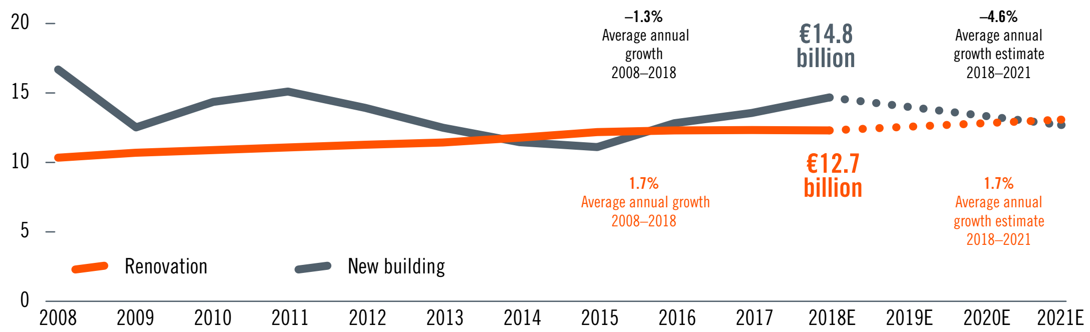
Building technology brings safety and energy efficiency

Divided into building technology, facades and renovating the interiors of buildings, the largest portion of renovation construction measured in euro comes from building technology. Building technology includes for example heating, ventilation, lighting, cooling, plumbing, safety, access control and telecommunications systems, and the importance of these systems is continuously growing in terms of maintenance and the comfort of living of a building.

Developing building technology necessitates continuously more versatile skills from professional building technology installers.

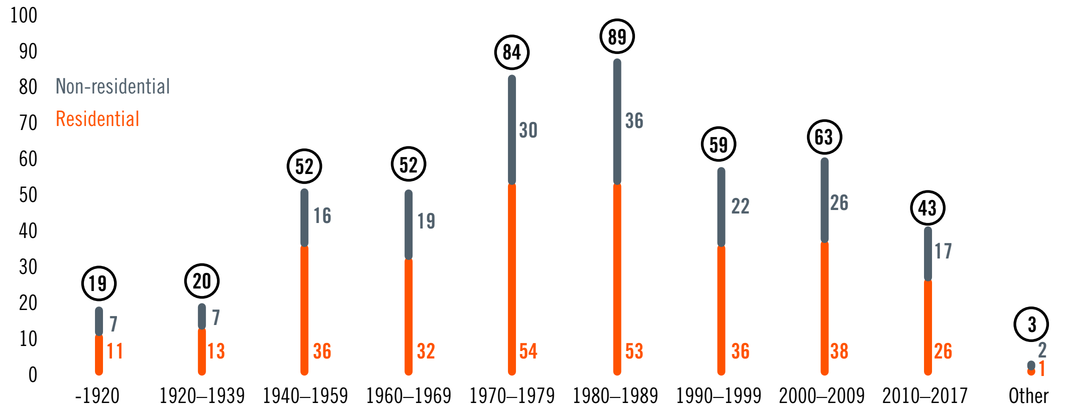
Consti installs building technology to both renovation sites and new commercial and office buildings.

Finnish renovation market (€ billion)



Source: Euroconstruct, November 2018

Finnish building stock by construction year (million m²)



Source: Statistics Finland, May 2018

Renovation growth continues

The Confederation of Finnish Construction Industries RT estimates that renovation construction will continue to grow approximately 1.5 percent in 2019. Euroconstruct estimates that renovation construction will grow 1.8 percent. According to Euroconstruct, residential building renovations will grow 2.0 percent and renovations of other than residential buildings will grow 1.6 percent.

According to the Confederation of Finnish Construction Industries RT, new construction growth will be 0.7 percent in 2019. Euroconstruct estimates that new construction will decrease 2.2 percent.

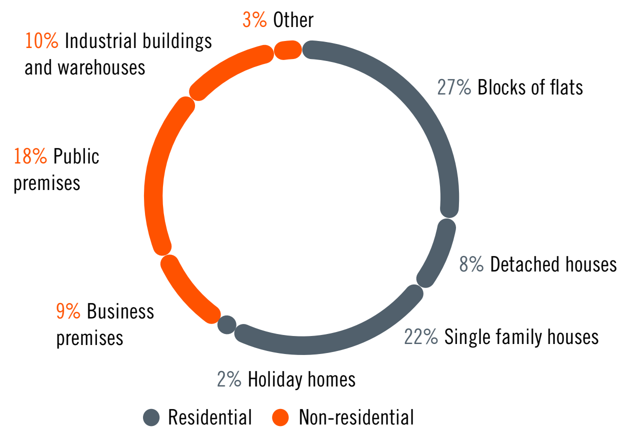
In its September review of the current economic situation, the Finnish Association of HPAC Technical Contractors assessed that the general economic climate will stay favourable, despite a slight decline.

In addition to the aging building stock, renovation construction, building technology and maintenance needs are maintained by heightened energy efficiency requirement, urbanisation, the need to modify the use of buildings for new purposes, the development of building technology and the aging population's need for accessible buildings. Climate change also adds to the need of facade renovations and servicing, in particular.

The renovation market in Finland is very fragmented. Major construction companies have typically focused more on the new construction market, where the average project is substantially larger than in renovation. The renovation market has been served by numerous small operators, often focusing on one particular segment of the renovation or building technology market.

Consti is the largest renovator in Finland when measured by revenue from renovation. Consti differentiates itself from its competition with a comprehensive service offering and experience from continuous servicing work, rapid interior renovations and renovation contracts worth millions of euros.

Renovation market in Finland



Source: Euroconstruct, 2018

Sources: The Confederation of Finnish Construction Industries RT's September 2018 review of the current economic situation; Euroconstruct/Forecon, 2018 review of the current economic situation in November 2018.

Renovation construction refers to renovations in buildings, so the market estimates do not include road and waterworks construction.

NEW PRODUCTS FOR HOUSING CORPORATIONS

Consti Kodikas encourages housing corporations to map all their renovation needs at once.

Residential buildings make up for over half of all the renovations in Finland. Their renovation need is maintained by the aging building stock, renovation debt accumulated throughout the years, and the development of technology enabling more energy efficient solutions. At the moment renovations concentrate on residential buildings from the 1960s, 1970s and 1980s. The largest renovation projects are pipeline renovations and facade renovations.

Consti is Finland's most popular renovator for residential buildings. Compered to competitors, Consti has an exceptionally broad range of inhouse expertise for nearly every kind of renovation need that housing corporations have.

In 2018 housing corporations formed approximately 27 percent of Consti's net sales. The previous year this share was 32 percent. Net sales decreased due to more disciplined bidding practises.

A work site as a home

In addition to ensuring that residents receive a high-quality and cost-efficient end result, it is also important that all inconvenience caused by the renovation is minimized. In order to decrease the duration of renovations, improvements have been made to the continuous work flow of different work stages, and project management. In the customer satisfaction survey of 2018 particularly, positive feedback was received for upholding schedules.

In 2018 Consti introduced the Consti Kodikas operational model to residential buildings. In this model, a building's potential additional renovation needs are identified alongside assessing immediate renovation needs. Conducting additional renovations alongside ones that are immediately necessary may be worthwhile, if the additional work requires opening the same structures or setting up scaffolding. The gamified Consti Kodikas tool kit enables portraying various options and opportunities in a concrete and understandable manner for example at a housing corporations' events for inhabitants already prior to the bidding stage.

Consti's strengths are knowledge of various renovation methods and also the ability to operate in a resident's home. A building's construction method and the needs of its inhabitants specify the best renovation methods for each situation.

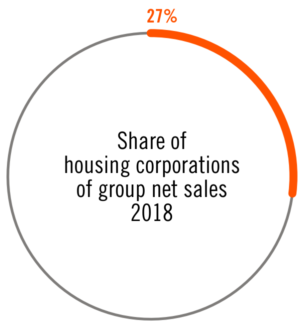
A new model for pipeline renovations the Ideal pipeline and bathroom renovation concept ensures renovations are finished in three weeks on average, and it also guarantees that the apartments are inhabitable for the entire duration of the renovation. The Flowall wall solution is the industry's joint innovation for sites in which bathrooms and kitchens are renovated. A traditional pipeline renovation is, however, still the most popular method. In order to streamline pipeline renovations, various collaboration and total management models have been developed.

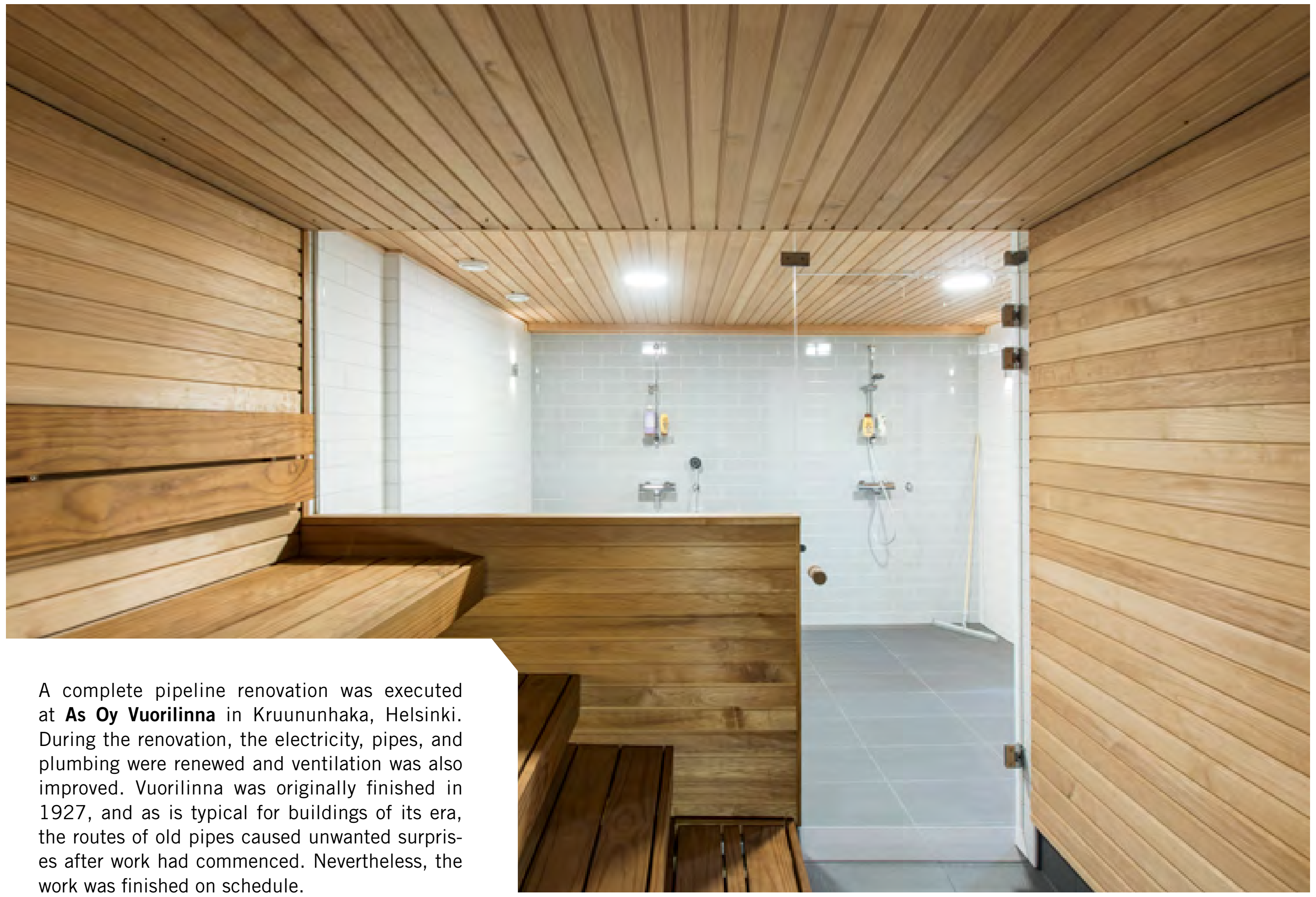
Balcony renovations with industrial efficiency

Facade renovation projects often also include renovating windows, balconies, the roof and yard structures. A facade renovation may also mean the restoration of a high value property.

A new Consti balcony concept was first used in May to finish an accelerated balcony renovation. In it, 30 widened and roofed balconies were remodelled in under two months. The swiftness was achieved with ready to assemble elements and renovation methods which have been honed close to industrial efficiency. The amount of balcony renovations has been estimated to grow in upcoming years, as balcony renovations become necessary for the large building stock of the 1970s.

In addition to renovating buildings that are owned by housing corporations, Consti remodels residential buildings owned by non-profit landlords and institutional investors. In Consti's customer based net sales they are included in the corporations and investors sector.





A complete pipeline renovation was executed at **As Oy Vuorilinna** in Kruununhaka, Helsinki. During the renovation, the electricity, pipes, and plumbing were renewed and ventilation was also improved. Vuorilinna was originally finished in 1927, and as is typical for buildings of its era, the routes of old pipes caused unwanted surprises after work had commenced. Nevertheless, the work was finished on schedule.

Photo: Sami Tuoriniemi

Photo: Esa Jaskari

Bostads Ab Parkgatan 9, located in Helsinki's Ullanlinna, was originally finished in 1914. The building was given a completely new look as its facade was renovated, and its intricate tin roof renewed. Skilled craftmanship was a necessity when renewing the building's copper details. Bostads Ab Parkgatan 9 has been classified as a valuable building in both historical and architectural sense. The work was executed in three phases between 2016 and 2018.

THE AVERAGE SIZE OF OFFICE SPACE PROJECTS GREW

The growing average size of building use modification projects calls for contractors with extensive experience of large projects. It also turns attention to risk management.

The net sales from projects conducted for corporations and real estate investors grew to 50 percent in 2018. The previous year they amounted to 32 percent. Net sales grew especially due to the large number of substantial building use modification projects, which were conducted in office, commercial and residential buildings alike.

In addition to building use modifications, Consti has a strong position as a renovator of tenant buildings owned by corporations and investors. Basic renovations of tenant buildings typically include a facade renovation, remodelling interiors and renewing building technology.

Collaboration success is the decisive factor

Collaboration amongst the developers, planners, contractors and end users is emphasised in broad-scale renovations.

Examples of broad-scale projects include the work started in January 2018 for Varma Mutual Pension Insurance Company in Vallila, Helsinki. Mutual real-estate company Vallilan Toimisto's three buildings – protected by the Finnish Heritage Agency – were stripped down to their frames to enable the building of modern office premises. The complete modernisation of Oy Ässäkeskus Ab's facilities in Vallila used by SOK, is carried out as a project management contract. At the time of commencing the Vallila project, its price estimate was approximately 35 million euro.

A substantially large project was building 120 apartments into Kesko's former headquarter in Helsinki's Katajanokka. The project also included a complete facade renovation. The flow-based production model was successfully used in the process to ensure more efficient use of resources and improved profitability.

The basic renovation of hotel Scandic Marski in central Helsinki started in January 2018, and the basic renovation of Koy Kasarmikatu 25's high value property started in the spring. In Helsinki's Ruskeasuo a building which had been in office use was renovated into an apartment hotel. In Tampere Consti conducted several smaller-scale modifications of building use, such as for example renovating former Nokia facilities in Hervanta.

Smaller renovations also include for instance renewing shop and hotel interiors. Working in the customer's facility without disturbing business is an important skill in projects like this.

New products for tenant buildings

Amenity renovations are a concept that Consti first started with the Foundation for Student Housing in the Helsinki Region (Hoas). In 2018 the concept was expanded to apartments owned by the Y-Foundation. In amenity renovations the apartment's surface materials, cupboards and, if necessary, also kitchen furniture are renewed in 1–2 days so that the resident only needs to vacate the apartment during the daytime.

Material and furniture alternatives for basic renovations were also productised. In addition, the Consti Balcony renovation method can be used in tenant buildings, many of which have been built in the 1970s.

In addition to building use modifications and apartment renovations, Consti offers corporations and real-estate investors building technology services and various kinds of services to renew facades. Alongside renovation sites, building technology is also installed to new office premises, malls and underground facilities. Glass construction was conducted in the past year for example at Helsinki-Vantaa airport.

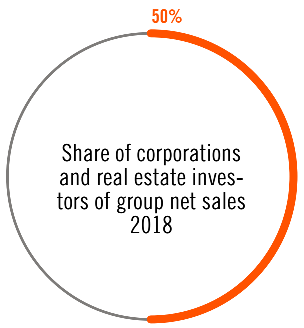
Building technology instalments and seaming are also conducted for construction companies.

Risk management is increasingly important

The industry is facing a general challenge: the large number of parties working side by side at large-scale work sites, in which construction goes on for years. The number of parties makes managing the whole site challenging for planners, developers and contractors alike. In addition, the hastily made invitations for tender may contain insufficient initial data, or plans can change.

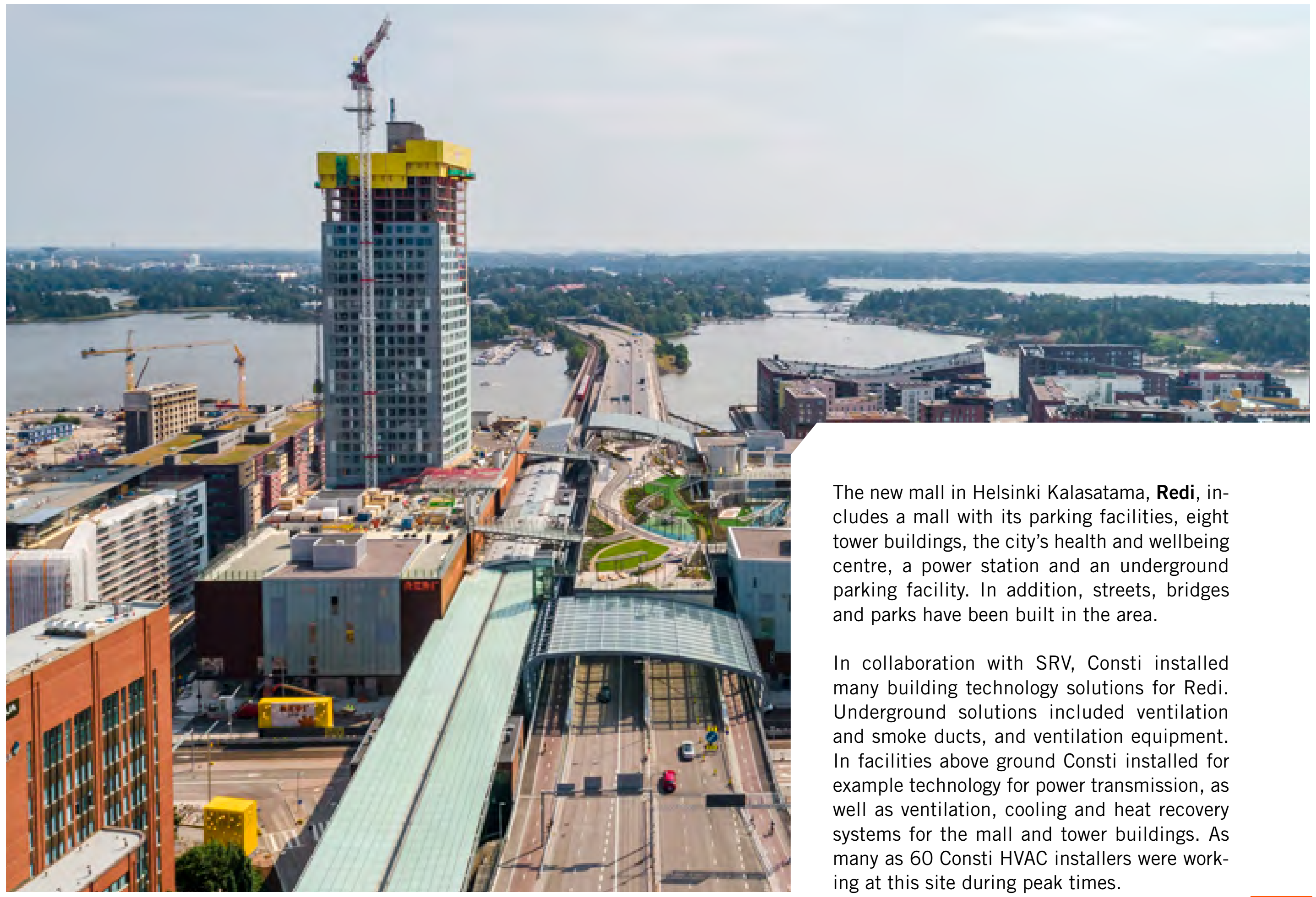
Risk management was a central focus of operational development during the past year. Consti has communicated that it does not take part in modifications of building use where the planned method of carrying out the project is not in line with the risks and potential returns. In building technology contracts, the average project size has been decreased.

Risks have been decreased by making sure Consti only participates in ventures that suit the company's own schedule at the moment, and by ensuring meticulous documenting throughout the project.



Wärtsilä Plc's operations in the Greater Helsinki Area moved to Helsinki's Salmisaari at the end of 2018. **Wärtsilä Helsinki Campus** is owned by Varma. It is a good example of how premises originally designed for banking ten years ago have been successfully updated to meet new needs. The premises utilises the newest technology and promotes new ways of working. Sustainable development is supported with modern building technology and automation, for example smart lighting solutions installed by Consti. The modification included a total of 11,000 square meters in 8 stories.

Photo: Wärtsilä, Marja Väänänen



The new mall in Helsinki Kalasatama, **Redi**, includes a mall with its parking facilities, eight tower buildings, the city's health and wellbeing centre, a power station and an underground parking facility. In addition, streets, bridges and parks have been built in the area.

In collaboration with SRV, Consti installed many building technology solutions for Redi. Underground solutions included ventilation and smoke ducts, and ventilation equipment. In facilities above ground Consti installed for example technology for power transmission, as well as ventilation, cooling and heat recovery systems for the mall and tower buildings. As many as 60 Consti HVAC installers were working at this site during peak times.

A FUNCTIONING SOCIETY REQUIRES A HEALTHY AND FUNCTIONING BUILDING STOCK

School and tenant building renovations support citizens' wellbeing.

Public properties are renovated not only because of the buildings' age, but also due to heightening accessibility requirements and inside air problems. As the population is aging, the private housing base is not sufficient to answer demands set by urbanisation alone. In addition, expectations are continuously rising for the comfort of living and work environments. Renovations also maintain architectural heritage and history.

> "The value of the building stock stems from how well it supports the functioning of society."

Renovations of public buildings formed approximately 23 percent of Consti's net sales in 2018, while the year before they amounted to 35 percent. This business's share of net sales decreased due to large-scale corporate customer projects which increased the share of Corporations and real estate investors customer group.

In addition to non-profit tenant buildings, Consti renovates a great deal of schools and other teaching facilities, health centres, churches and other church facilities, and public sector offices. Consti's offering covers basic renovations, building technology, broad scale facade renovations and facade servicing.

In upcoming years, the public sector is expected to focus on school and hospital renovations.

Price competition as the starting point

Public sector renovations often focus on price, and they are based on detailed invitations for tenders. In price competitions Consti has the advantage of highly skilled inhouse personnel, with competence ranging from window and balcony renovations of prefab houses to restoring decorative paintings and copper roofs of high value properties. Handicraft skills are required for example when renovating 1950s tenant buildings, which Consti has conducted for the City of Helsinki.

In 2018 new broad-scale renovations of school buildings commenced in Haukilahti, in Helsinki's largest high school located in Tapanila, in Svenska Gården i Lahtis, which is Lahti's oldest school building currently in school use, and in Porvoo, where a school building from the 1960s is being demolished and a new school, Tolkis nya skolan, built in its place. School building renovations are often necessitated by inside air problems, but learning environments are often renewed at the same time.

Consti also takes care of building technology instalments as a subcontractor. Consti is in charge of building technology instalments in for example Kangasala, at the Vatiala school construction site, and at Tampere City's street car depot.

Building technology plays a significant role in for example improving inside air and energy efficiency, as for example heating, ventilation and lighting can be regulated according to need.

Maintenance also as a fixed service

In addition to renovations, Consti is also in charge of servicing in many public spaces. Consti has long term servicing contracts for example with municipalities, parishes, federations of municipalities, and hospital districts. Many municipalities have their facades serviced both as projects and as a regular service.

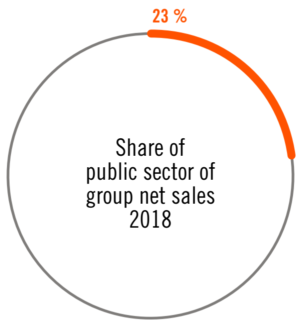
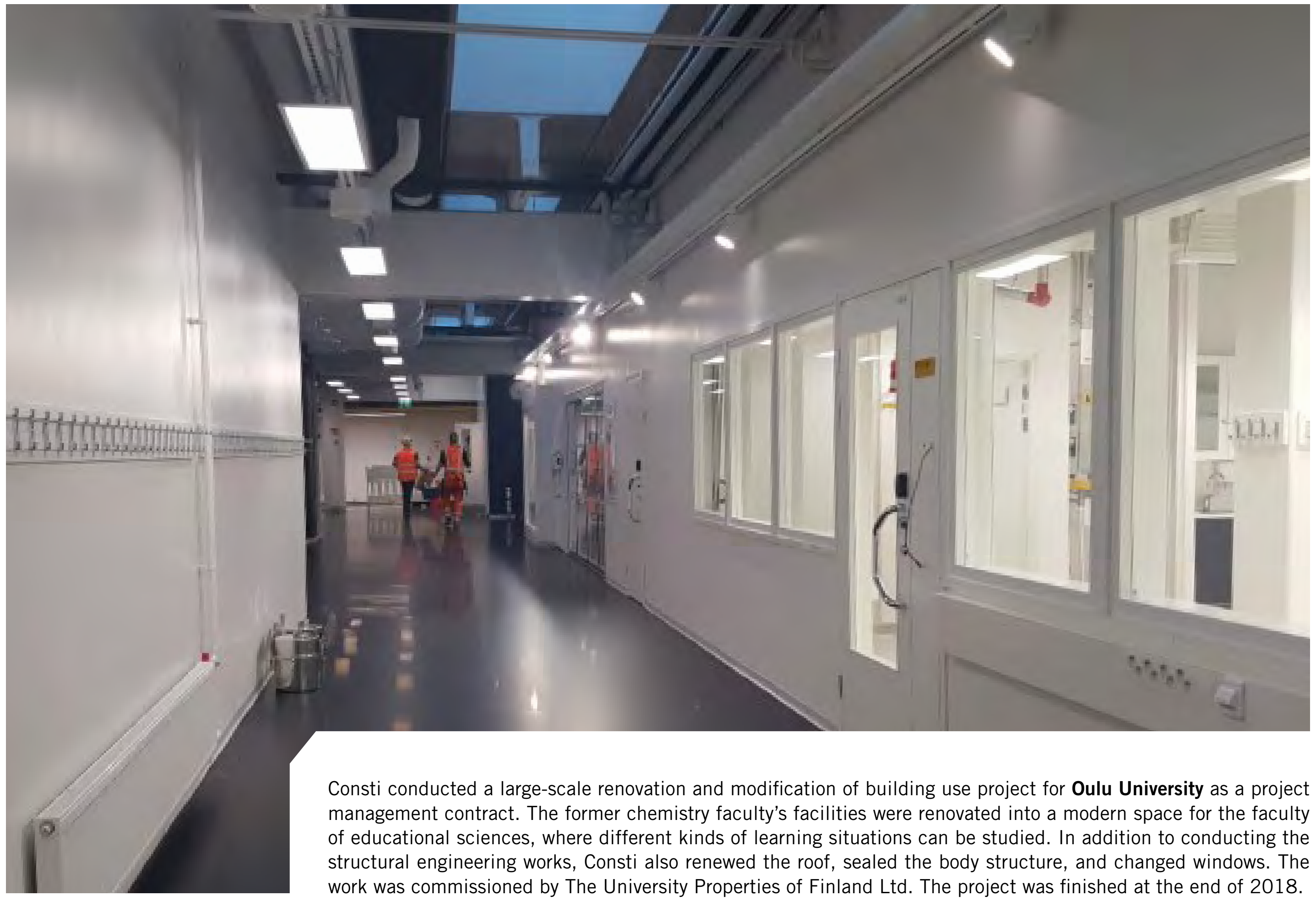


Photo: Jukka Tavikainen

In spring 2018, a facade renovation was conducted at **Palkkatilankatu 1–3** in Länsi-Pasila, a building owned by Helsinki City Housing Company. The building was finished in 1983 and in its renovation the doors and balcony railings were renewed. In addition, 900 windows and 176 balconies were renewed, as well as a 3300 square meter roof. The project also included nine new ventilation rooms, 4.4 kilometres of joint sealing and renovating the yard areas.

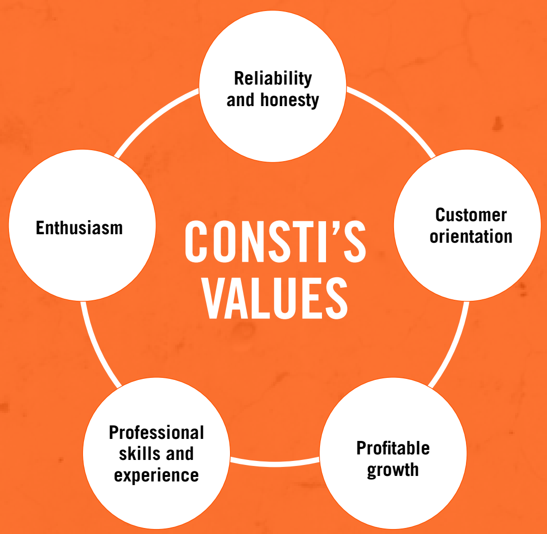
Photo: Anne Kamaranta



Consti conducted a large-scale renovation and modification of building use project for **Oulu University** as a project management contract. The former chemistry faculty's facilities were renovated into a modern space for the faculty of educational sciences, where different kinds of learning situations can be studied. In addition to conducting the structural engineering works, Consti also renewed the roof, sealed the body structure, and changed windows. The work was commissioned by The University Properties of Finland Ltd. The project was finished at the end of 2018.

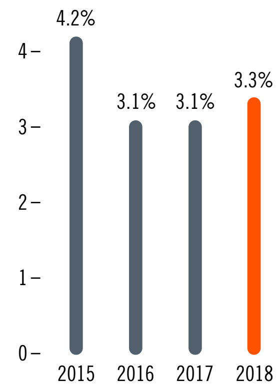
TOWARDS A MORE COHESIVE CONSTI

More unified operations, closer to the work site and closer internal collaboration.



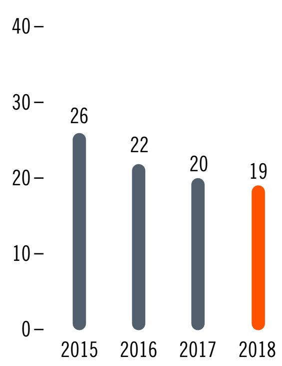
The cornerstones of what it means being one of Consti's professionals

AVERAGE ABSENCE RATE OF PERSONNEL, %



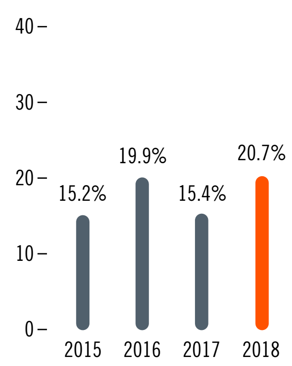
ACCIDENT FREQUENCY

Per million hours worked



PERMANENT PERSONNEL TURNOVER

% of employees leaving



At the end of the year, Consti employed 1,046 professionals in renovations and technical building services, while the staff count was 1,079 the previous year. The personnel count declined in technical building services due to the discontinuation of certain services offered to detached houses. The average personnel count during the year was 1,093 (1,088).

Consti prefers permanent work contracts. Consti is one of the few service providers that can offer for example residential buildings all kinds of renovation services with its own personnel. Our special expertise ranges from electric and pipe renovations to restoring facades of high-value properties and renovating tin roofs.

A total of 3.3 (4.2) percent of the personnel employed by Consti at the end of the year had a permanent work contract. Fixed term contract workers were most common during summer months, as interns, and in seasonal jobs such as facade renovations.

At the end of 2018 Consti's personnel was 88 (91) percent male. A 12 percent female staff is above the industry average. On average women make up for about 9 percent of the staff in construction companies.

Closer to the work site

In HR, 2018 was a year for bringing operations together. Consti Group has had a great deal of acquisitions, which is still clearly visible in operations. In 2017 the company's organizational structure, HR procedures and supervisor responsibilities were standardized on a broader scale alongside integrating acquired companies, and this work is still ongoing.

We developed and unified business processes as well, for example relating to bidding calculations, scheduling, project management and leading performance.

Alongside unified procedures we have also emphasised supporting employees both in supervisor work and its development. We have a motto: 'move a step closer to the work site' to prompt our supervisors to visit work sites more often. We also aspire to give supervisors more opportunities to solve unclear situations immediately when questions arise. Our aim is that this will also encourage personnel at our work sites to ask for help and support as soon as it is needed.

A safe work environment is everybody's basic right

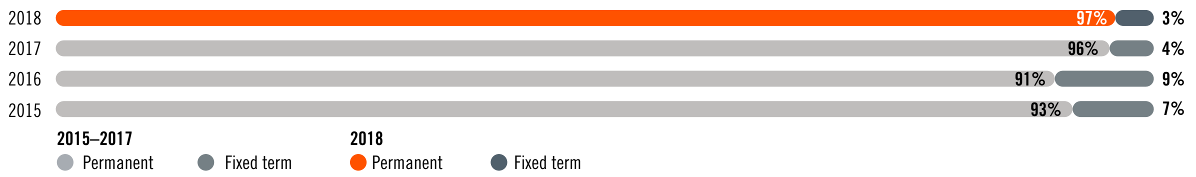
Occupational safety is the foundation of all operations at Consti and one of the cornerstones of our corporate social responsibility. Central indicators of occupational safety are leaves of absence and accident frequency.

Sickness and accident related leaves amounted to 3.3 (3.1) percent of work hours. Occupational accident frequency was 19 accidents per one million work hours. These figures represent a good industry average.

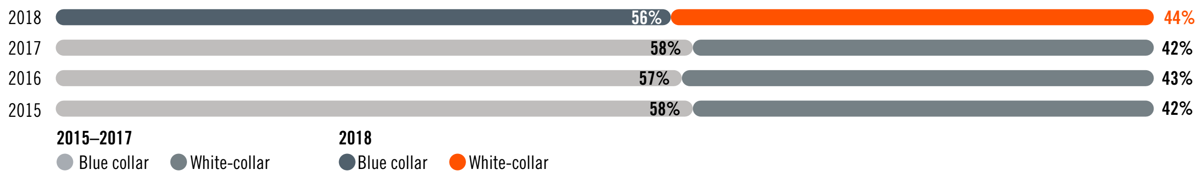
Participating in the Safety park (Turvapuisto) activities is central to Consti's safety procedure development. Consti has its own work safety site at the park, at which worksite situations typical to Consti are showcased from an occupational safety point of view. All our employees visit the Safety park.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

Our occupational safety policy also includes discussions after every accident that leads to a sick leave. As a new safety measure, we introduced 15-minute information sessions on safety held by supervisors (Turvavartti-info).

TYPE OF EMPLOYMENT CONTRACT 31 December



PERSONNEL GROUP 31 December



The competition for talent continued

Ensuring we have the best talent in the field is one of our strategic endeavours, because a skilled and motivated personnel is key to attaining our growth targets. In addition to education and experience in the field, we also value good collaboration skills, punctuality and a 'self-starter' attitude. Consti employees keep their promises.

Fast-paced new construction has added to the competition for recruiting skilled renovators and especially building technology professionals. Again during 2018, we offered summer jobs or internships to over one hundred students in the field, and we strive to offer permanent work contracts to good summer employees and interns after they graduate.

According to our biennial personnel survey, Consti employees have already for several years now been more committed to their jobs and employer than the industry average. In February 2018, the conductor of our survey, Corporate Spirit, awarded Consti with recognition for being one of the most inspiring work places in the field. The development areas that we have particularly focused on based on our 2017 survey have been supervisor communication skills and collaboration between Group subsidiaries.

We have strived to enhance collaboration amongst our sales staff as well, to ensure our customers have an even easier time obtaining all the renovations they need from Consti. In 2018 we prepared a joint project reward model, which we will take into use during 2019.

During the past year we continued quality training for the entire Group and our Talent Management training program for new and future supervisors. 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 healthcare 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.

Results are rewarded

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.

The bonus plans are supplemented with a long-term share-based incentive plan, which was taken into use in 2017. The aim of the 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. Key people included in the plan are offered the opportunity to earn Company shares as bonuses by altering half or all of their performance-based bonuses 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 possible remuneration for individuals included in the plan for earnings period 2018 will be paid in 2021. At the end of 2018 the plan included 52 key people.

The Group's Management Team was strengthened during the summer with a HR Director.

KATA RUOPPA LIKES PIPELINE RENOVATIONS AND OLD HOUSES

A construction manager's work combines numbers and people in an optimal manner, Kata Ruoppa describes her job.

What do you do at Consti and what is your work like?

I work as a construction manager at pipeline renovation sites. I participate in for example creating bids. It is my responsibility to ensure that we have the right number of the right kind of professionals on site; and that the work advances as it should. I support the site manager and act as a supervisor. I am responsible for 4–5 work sites at a time. I visit each work site once or twice a week, depending on each work site's needs.

What kind of skills does your work require?

In addition to competence in building technology and finance, renovations require social skills and fastidiousness. You cannot fear surprises, because it is certain that you will encounter them.

I am currently studying for a higher degree in renovation construction alongside work at a university of applied sciences education. I have always had good social skills and been meticulous, which is probably why I enjoy this job so much.

How did you end up in the construction business?

Both my parents have a construction company. First, I watched them from the side-lines during the crazy years of the 1980s and after that through the depression of the 1990s. At the time, construction did not seem like an appealing alternative. Hence, my first degree is in nursing. After some time, I nevertheless found myself drawn to construction, and I studied to become a construction engineer while working at Töölö hospital.

What inspires you in your work, and what is most challenging?

The most rewarding part is naturally finishing a site and handing it over to a client. It is especially rewarding if we finish earlier than we promised and when we stay in schedule, although significant surprises might have been found in the structures. Overall old buildings bring a nice bit of spice to my work. Every renovation is unique.

In pipeline renovations, the most challenging part is always working in a resident's home. On the other hand, the inhabitants are part of the big picture that makes this work so interesting.

Perhaps most of all I enjoy visiting work sites. We have such great people at each site!

What kind of employer is Consti?

I have worked for Consti for a bit over a year. The thing I especially value about is the fact that you get great support for your work if you need it. You are never alone with your work. And there is great comradeships at the work sites. When you work with great people, it doesn't really matter if you have a rougher day.

Do you remodel during your free time?

I've fixed up a few row houses from the 1970s. I like how the large windows let in the light.

Photo: Juho Kuva

CORPORATE SOCIAL RESPONSIBILITY

Consti's operations are based on improving the built environment. In corporate social responsibility the main focus areas are health and safety, occupational procedures, the environment and developing the built environment.

Health and safety are the cornerstones of our operations

We want to offer every person working at Consti's work sites a safe and healthy work environment. Monitoring occupational safety is central to preventing accidents at work, as are guidelines on safe practises and emphasising safety in all training and orientation. We underline the role of supervisors in creating safety plans and monitoring safety. We monitor accident frequency on a monthly basis. In 2018 we took into use fifteen-minute-long safety sessions held by supervisors (Turvavartti) and expanded our electronic orientation and safety observation function to the entire Group.

We take care of the safety of all people using the premises and ensure the buildings are healthy environments both during renovations and after the renovations are finished. Renovations are used to improve for example inside air and energy efficiency and we provide training when new building technology is taken into use to guarantee that the users know how to operate and service the systems correctly.

We support our personnel's working capability by developing supervisor work, ensuring appropriate work equipment and offering wide-ranging occupational health-care which covers more than legally required. We also support leisure activity that supports working capability.

Work-life practises improve occupational wellbeing

Renovation construction requires versatile competence and good team work skills. Our personnel's wellbeing, career paths and recruiting processes are significant parts of our strategy. We prefer permanent work contracts. At the end of the year 97 percent of all Consti's work contracts were permanent. 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 are an equal-opportunities employer and do not tolerate discrimination.

We continuously develop our competence. During the year we continued quality training for the entire production personnel, unified processes and supported supervisor work especially at work sites. Our goal is to encourage our entire personnel to participate in the continual development of our operations and we are open to all initiatives regarding work methods or developing the work environment.

We strive to give recognition for work well done. Consti's bonus plan rewards reaching quality and financial goals, and it includes all permanently employed white collar workers. We also annually reward the best work sites in all of our business areas based on the following criteria: quality, safety, customer feedback, maintaining schedules and finance.

We minimize harm to the environment caused by work sites

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.

At worksites it is central to minimize any harm to the local environment. This means for example minimising noise and dust created by vehicles at the work site, demolition work and construction. We handle harmful materials with great care and communicate any harms. We create environmental plans for our work sites and take care of waste disposal, end-disposal and material and energy efficiency. Our flow-based production model is being taken into continuously broader use. It will accelerate production and improve logistics, thus decreasing negative impact on the environment.

In 2018 no reports were made regarding environmental harms leading to disputes or official notices.

We develop the built environment and industry policies

Our mission is to improve the value of the building stock and the wellbeing of individuals. In addition to high-quality renovations we strive to develop the entire construction industry together with our stakeholders. We participate in developing numerous alliance models and new products and Consti employees participate in various industry associations. We continuously collaborate with educational institutes in the field as well.

We renounce black market activity in our activities. 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.

Unified procedures and internalising ethical guidelines are vital to leading corporate social responsibility. Subcontractor contracts made in Consti's name obligate the entire supply chain to follow Consti's internal guidelines and procedures alongside legislation and regulations.

In 2018 no violations to Consti's ethical code were found and there was no need for activities to counteract bribery or corruption.

Our annually published corporate social responsibility review crystallizes Consti's joint procedures and depicts the ways with which we strive to ensure that our operations are responsible on all levels. Consti published its latest corporate social responsibility report in June 2018 and the next report will be published during the second quarter of 2019.

Summary of 2018

Responsibility theme	Measured aspect	Measure	Measurement frequency	2015	2016	2017	2018
Health and safety	Number of accidents	Accident frequency	1 month	26	22	20	19
Health and safety	Number of sick leaves	Sick leave, %	1 month	4,2%	3,1%	3,1%	3,3%
Health and safety	Occupational illnesses / other work-related illnesses	Number / year	1 month	2	1	0	0
Occupational procedures	Personnel turnover percentage	% of employees leaving (monthly average)	1 month	15,2%	19,9%	15,4%	20,7%
Occupational procedures	No employment contract disputes	Number / year	1 year	0	1	0	0
Occupational procedures	Number of fixed-term work contracts	% of fixed-term work contracts (annual average)	1 year	8,7%	9,0%	4,2%	3,3%
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	1	0	0
Corporate social responsibility	No events that are prohibited in the ethical guideline	Number / year	1 year	0	0	0	0

Consti's corporate social responsibility report will be available on the company's website during the second quarter of 2018 www.consti.fi -> Investors

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 Oy. Consti complies with the Finnish Corporate Governance Code (www.cgfinland.fi)

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 6 February 2019, 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 assesses the independence of its members. The Nomination and Compensation Committee, annually set by the Board of Directors, makes a proposal of the composition of the Board of Directors to the GM.

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.

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 2018

Consti Group Plc's Board of Directors on 31 December 2018 comprised of Tapio Hakakari (Chairman), Antti Korkeela, Erkki Norvio, Niina Rajakoski, Petri Rignell and Pekka Salokangas. All Board members were elected in the Annual General Meeting on 4 April 2018.

The Board of Directors held 13 meetings during 2018, the average attending rate of Board Members was 98.7. The attendance rate per Member was: Tapio Hakakari 100%, Antti Korkeela 100%, Erkki Norvio 100%, Niina Rajakoski 100.0%, Petri Rignell 100% and Pekka Salokangas 92.3%.

Board of Directors 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 2018, the Committee consisted of Petri Rignell (Chairman), Pekka Salokangas, Erkki Norvio and Tapio Hakakari 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.

In 2018, Consti's CEO was Esa Korkeela. Esa Korkeela was born in 1972 and has Master of Science (Econ.) and MBA degrees. He has worked for the company since 2009 as the Group's CFO and as interim CEO during 9–12/2017. At the end of the fiscal period, according to the register maintained by Euroclear Oy, the CEO owned 411,600 Consti Group Plc shares, which amounts to 5.24 percent of the company's shares and votes.

MANAGEMENT TEAM

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

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 2018 chose Ernst & Young as auditor with APA Mikko Rytilahti as principal auditor. In 2018, audit costs amounted to EUR 215 thousand. In addition, the auditor received compensation for other services amounting to EUR 17 thousand. These other services were mainly related to preparations for adoption of new IFRS standards as well as to IFRS training.

Ernst & Young Oy has acted as Consti's auditor since 2008 and 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.

CONSTI GROUP PLC \ CORPORATE GOVERNANCE

CONSTI GROUP PLC \ BOARD OF DIRECTORS

Kuva: Pasi Salminen

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

BOARD OF DIRECTORS 31 DECEMBER 2018

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 Oy, Key Account Manager 1999
YIT Rakennus Oy, Sales Manager 1998
Haka Oy, Estimating Engineer 1993–1994

Key positions of trust
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 2018)

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 Plc, Deputy CEO 1984–1985
and CEO 1986–2005
Partek Oy, 1972–1984

Key positions of trust
Renta Group Oy, Board Member since 2015
Norvier Oy, Chairman of the Board since 2007
RGE Holding Oy, Board Member since 2014
Intera Equity Partners Oy, Board Member since 2007

Consti Group Plc's shares through
his holding company 106,463
(31 December 2018)

Pekka Salokangas
Board Member
Member of the Nomination
and Compensation Committee

M.Sc. (Econ.), born 1961
Board Member since 2012
Finnish citizen
Independent of the company
and of significant shareholders

Central work experience
Mantec International,
Management Consultant since 2018
Relacom Oy, CEO 2009–2017
Wiltrain Consulting Oy and PlanStone Oy,
Management Consultant 2008–2009
ISS Palvelut Oy, Business Unit Director 1998–2008
Talotek Oy, CEO 1996–1998
Onninen Oy Wholesale International,
Marketing Director 1993–1996
Huber Oy, Development Director 1989–1993

Consti Group Plc's shares 22,000
(31 December 2018)

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

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

Central work experience
Webstor Oy, 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 Oy,
Chairman of the Board since 2016
Svenska Handelsbanken AB (publ) Finland,
Board Member since 2016 and
Chairman of the Board since 2019
Cargotec PLC, Board Member since 2005
and Deputy Chairman of the Board since 2009

Consti Group Plc's shares 55,400
(31 December 2018)

Petri Rignell
Board Member
Member of the Nomination
and Compensation Committee

M.Sc. (Tech.), born 1962
Board Member since 2008
Finnish citizen
Independent of the company
and of significant shareholders

Central work experience
Kreate Oy, CEO 2016–2017
IVG Polar Oy, CEO 2010–2013
CapMan Real Estate, Industrial Advisor 2007–2010
Projektikonsultit Oy, CEO 1994–2007
Polar Yhtiöt, Foreman 1989–1994
Lemminkäinen Oy, Project Engineer 1985–1989

Key positions of trust
Normek Group Oy, Chairman of the Board since 2018
Kreate Oy, Chairman of the Board since 2017
PriRock Oy, Chairman of the Board since 2007
Minerva Kehitys ja Palvelu Oy,
Board Member since 2012
Tilakarhut Oy, Board Member since 2008

Consti Group Plc's shares through his
holding company 25,100
(31 December 2018)

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 Oy, CEO 2009–2011
Jollaksen Rakennushuolto Oy, CEO 1995–2009

Key positions of trust
Random Development Oy,
Chairman of the Board since 2012
Teollisuus ja Kiinteistöt Sundberg Oy,
Board Member since 2011

Consti Group Plc's shares 276,894
(31 December 2018)

Photo: Ville Vappula

Management team from the left:
Risto Kivi
Esa Korkeela
Turo Turja
Jukka Mäkinen
Juha Salminen
Pekka Pöykkö
Joni Sorsanen
Pirkka Lähteinen
Markku Kalevo

MANAGEMENT TEAM 31 DECEMBER 2018

Risto Kivi
CEO, Consti Julkisivut Oy
Master Builder, born 1971

Central work experience
Consti Julkisivut Oy, 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 2018)

Esa Korkeela
CEO
M.Sc. (Econ.),
MBA, born 1972

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

Key positions of trust
Sponren Oy,
Member of the Board
since 2017
Tiirinkallio Oy,
Chairman of the Board
since 2018

Consti Group Plc's
shares 411,600
(31 December 2018)

Turo Turja
HR Director
M.Sc. (Econ.),
M.Sc. (Tech.), born 1967

Key work experience
Consti Group Plc,
HR Director since 8/2018
SSAB Europe Oy,
HR Director 2015–2017
Rautaruukki Oyj,
HR Director 2008–2015
Maan Auto Oy, HR Manager 2006-2008
Steveco Oy, HR Manager 2004-2006
Tekniikan Akateemisten Liitto TEK ry,
Adviser 1998–2004

Does not own Consti Group Plc
shares (31 December 2018)

Jukka Mäkinen
CEO, Consti Korjausurakointi Oy
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 2018)

Juha Salminen
Chief Development Officer
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 2018)

Pekka Pöykkö
CEO, Consti Talotekniikka Oy
Engineer, born 1967

Central work experience
Consti Talotekniikka Oy,
CEO since 2016
Saipu Oy, CEO 2014–2015
Caverion Suomi Oy,
Business Unit Director 2010–2014
YIT Kiinteistötekniikka Oy,
Business Unit Director 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
Talotekniikkaliitto ry, Member
of the Board

Consti Group Plc's
shares 600
(31 December 2018)

Joni Sorsanen
CFO
M.Sc. (Econ.), born 1983

Central work experience
Consti Group Plc,
CFO since 3/2018
Caverion Corporation,
Head of Group Project Control
2017–2018
Consti Group Plc, Head of Investor
Relations & Group Controller
2016–2017
Cramo Corporation,
various group finance and
development tasks, including
Business Controller 2009–2016
Ernst & Young Oy,
Consultant 2007–2008

Consti Group Plc's
shares 2,000
(31 December 2018)

Pirkka Lähteinen
Regional Director,
Consti Korjausurakointi Oy
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
eGate Smart Building Innovation Oy,
Board Member since 2018
Kaskiniemen Sora Oy,
Board Member since 1992

Consti Group Plc's
shares 11,750
(31 December 2018)

Markku Kalevo
Bid and Sales Director
Consti Julkisivut
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 2018)

CONSTI

FINANCIAL STATEMENTS

CONTENTS

BOARD OF DIRECTORS' REPORT

CONSTI GROUP PLC \ BOARD OF DIRECTORS' REPORT

BOARD OF DIRECTORS' REPORT

Consti is one of Finland's leading companies focused on renovation and technical building services. Consti has a comprehensive service offering covering technical building services, residential pipeline renovation, renovation contracting, building facade repair and maintenance, and other renovation and technical services for demanding residential, commercial and public properties.

Consti has 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). Lumicon Oy (acquired in October 2017), was merged into Consti Korjausurakointi Oy in the end of May 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 5.2 percent in 2018 and were EUR 315.8 (300.2) million. Net sales grew in Building Facades and in Renovation Contracting but decreased in Technical Building Services. Operating profit/loss (EBIT) decreased from last year and was EUR –2.1 (–0.4) million. Operating profit/loss from net sales was –0.7 (–0.1) percent.

Operating environment

The amount of professional renovation construction has grown nearly continuously for the past 20 years in Finland. In peak years renovation construction's value has surpassed the value of new construction. Growth has been fast compared to the rest of Europe, due to the age of our building stock.

The value of renovation construction in house building was approximately 12.7 billion euro in 2018. Both the Confederation of Finnish Construction Industries RT and Euroconstruct have estimates that house building grew about four percent in Finland during 2018. The Confederation of Finnish Construction Industries RT estimates that renovations grew 1.5 percent while Euroconstruct estimated the growth at 0.8 percent. Due to the heightened construction of residential buildings, both estimated that new construction grew approximately six percent.

Over half of renovation construction comes from renovating residential buildings. During the past two years residential building renovations declined slightly due to the rapid pace of new construction, but in 2018 renovations bounced back to a growth path. A significant portion of renovation growth comes from renovating residential buildings in growth centres. The general economic situation has a far less significant impact on renovations than it does on new construction. The need for technical renovations such as pipeline, sewer, electric and facade renovations have a much greater impact.

Obtaining skilled workforce is a challenge that hinders the growth of renovation construction. In Finland, education in the field is focused on new construction, and renovation construction requires more versatile skills, such as the ability to solve problems caused by old structures both in the planning stage and at the work site. Competition for talent in the field is not limited to contractors but it is also visible in planning and amongst developers. In addition, there is an ongoing trend in the construction industry in general where the number of parties on an individual work site is growing, which makes managing the whole challenging. The lack of skilled professionals combined with the large amount of parties at work sites unfortunately often makes it challenging to stick to cost estimates and schedules.

The fact that renovation construction is so focused on residential buildings at the moment is largely explained by the age of the building stock. A large number of residential buildings were built soon after the World War II, and apartment buildings were built at an especially fast pace during the 1970s. At the moment primarily buildings from the 1960s and 1970s are being renovated. Buildings other than residential buildings are often younger. Although the lifespan of commercial and office premises is often shorter than residential buildings, there renovations needs are expected to grow in upcoming years all the way to the year 2030.

The Confederation of Finnish Construction Industries RT estimates that renovation construction will continue to grow approximately 1.5 percent in 2019. Euroconstruct estimates that renovation construction will grow 1.8 percent. According to Euroconstruct, residential building renovations will grow 2.0 percent and renovations of other than residential buildings will grow 1.6 percent.

In addition to the aging building stock, renovation construction, building technology and maintenance needs are maintained by heightened energy efficiency requirement, urbanisation, the need to modify the use of buildings for new purposes, the development of building technology and the aging population's need for accessible buildings. Climate change also adds to the need of facade renovations and servicing, in particular.

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:

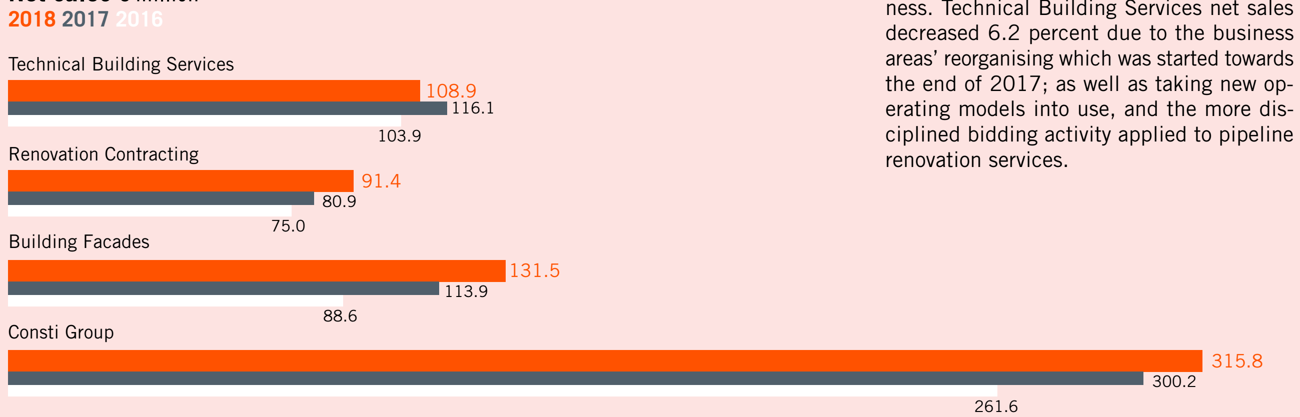
- Annual average net sales growth of at least 10 percent
- Adjusted EBIT margin of over 5 percent
- Cash conversion ratio of over 90 percent
- Net debt and adjusted EBITDA rate of under 2.5 whilst maintaining an efficient capital structure
- Group's objective is to share at least 50 percent dividend of the net earnings

Sales, result and order backlog

Consti Group's net sales for 2018 grew 5.2 percent and were EUR 315.8 (300.2) million. Organic growth was 3.4 percent. Technical Building Service net sales were EUR 108.9 (116.1) million, Renovation Contracting net sales were EUR 91.4 (80.9) and Building Facades net sales were EUR 131.5 (113.9) million. These figures include Service Business's net sales amounting to 40.4 (46.8) million euro.

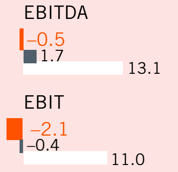
Net sales grew in Building Facades and in Renovation Contracting but decreased in Technical Building Services. Building Facades net sales grew 15.4 percent mainly thanks to volume growth in housing repair business included in Building Facades business area. Renovation Contracting net sales grew 13.0 percent. Net sales were positively affected by the acquisitions made during the second half of 2017 as well as growth in Greater Helsinki area's renovation business. Technical Building Services net sales decreased 6.2 percent due to the business areas' reorganising which was started towards the end of 2017; as well as taking new operating models into use, and the more disciplined bidding activity applied to pipeline renovation services.

Net sales € million



Operating profit/loss (EBIT) for January–December decreased from last year and was –2.1 (–0.4) million euro. Operating profit/loss from net sales was –0.7 (–0.1) percent. Earnings per share was EUR –0.30 (–0.14). The result for the first half-year was weakened by certain projects that were identified as low-margin in late 2017, especially finishing the remaining work on the Hotel St. George project. During the second half-year the result was weakened as well, mainly because of weak profitability of project deliveries from the technical installations unit included in Technical Building Services business area, and also from the housing repair unit included in Building Facades business area. Our result for January-December was considerably weakened by the impact of negative results from two demanding building purpose modification projects.

EBITDA AND EBIT € million
2018 2017 2016



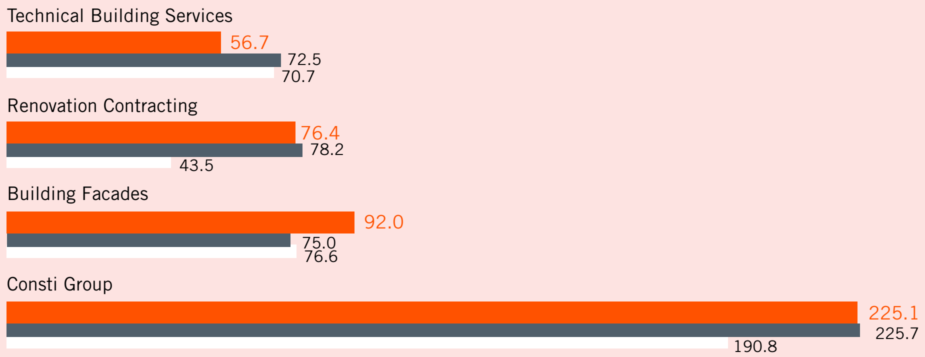
During 2018 Consti had approximately 900 ongoing projects, of which half were for the corporate and investor sector. Examples of broad-scale projects from the past year include the work started in January 2018 for Varma Mutual Pension Insurance Company in Vallila, Helsinki. Mutual real-estate company Vallilan Toimisto's three buildings – protected by the Finnish Heritage Agency – were stripped down to their frames to enable the building of modern office premises. In addition, Consti is taking care of the complete modernisation of Oy Ässäkeskus Ab's facilities, which are used by SOK. A substantial project measured in size was building 120 apartments into Kesko's former headquarter in Helsinki's Katajanokka. The project also included a complete facade renovation. The basic renovation of hotel Scandic Marski located in central Helsinki started in January 2018, and the basic renovation of Koy Kasarmikatu 25's high value property started in the spring. In Helsinki's Ruskeasuo a building which had been in office use was renovated into an apartment hotel. In Tampere Consti conducted several smaller-scale modifications of building use, such as for example renovating former Nokia facilities in Hervanta.

In 2018 Consti introduced the Consti Kodikas operational model to housing companies. In this model, a building's potential additional renovation needs are identified alongside assessing immediate renovation needs. A new Consti balcony concept was first used in May to finish an accelerated balcony renovation. In it, 30 widened and roofed balconies were remodelled in under two months. A complete pipeline renovation was executed at As Oy Vuorilinna in Kruunuhaka, Helsinki. During the renovation, the electricity, pipes, and plumbing were renewed, and ventilation was also improved.

In addition to non-profit tenant buildings, Consti renovated a great deal of schools and other teaching facilities, health centres, churches and other church facilities, and public sector offices. In 2018 new broad-scale renovations of school buildings commenced in Haukilahti, in Helsinki's largest high school located in Tapanila, in Svenska Gården i Lahtis, which is Lahti's largest school building currently in school use, and in Porvoo, where a school building from the 1960s is being demolished and a new school, Tolkis nya skolan, built in its place. School building renovations are often necessitated by inside air problems, but learning environments are often renewed at the same time.

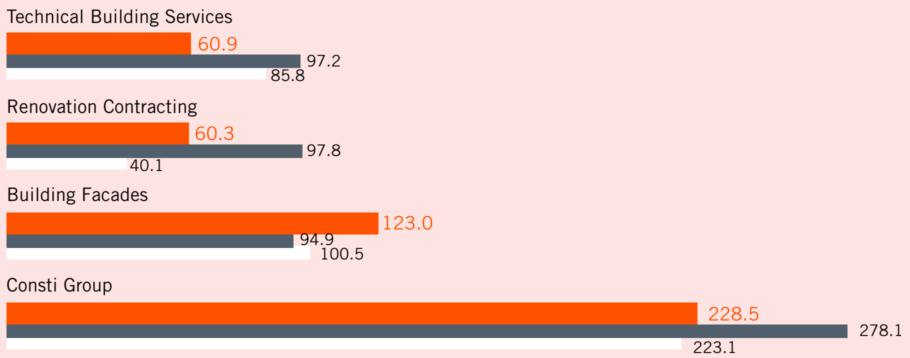
The order backlog at the end of the reporting period 225.1 million euro was close to previous year's level with a change of –0.3 percent. Order backlog grew 22.7 percent in Building Facades but decreased 2.4 percent in Renovation Contracting and 21.8 percent in Technical Building Services.

ORDER BACKLOG € million
31 DEC / 2018 2017 2016



New order intake value during the year decreased 17.8 percent. Orders increased by 29.6 percent in Building Facades but decreased by 38.4 percent in Renovation Contracting and by 37.3 percent in Technical Building Services. In new orders received during 2018, especially building facades projects in Greater Helsinki area were highlighted, as well as several school renovation projects.

ORDER INTAKE € million
2018 2017 2016

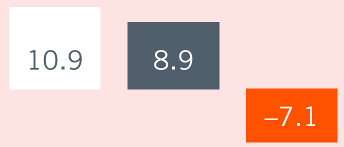


Investments

Investments into tangible and intangible assets in 2018 were EUR 1.3 (1.4) million, which is 0.4 (0.5) 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 2018 amounted to EUR 0.0 (4.8) million.

Free cash flow
€ million
2016 2017 2018



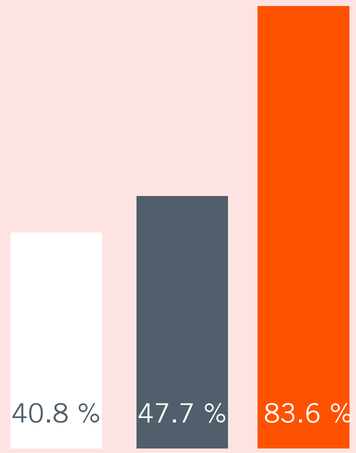
Cash flow and financial position

The operating cash flow before financing items and taxes in 2018 was EUR –5.8 (10.4) million. Free cash flow, i.e. operating cash flow before financing items and taxes less investments in intangible and tangible assets was EUR –7.1 (8.9) million. Cash flow was affected by weakened operating result as well as tied up working capital during the reporting phase, especially due to the exceptionally low net working capital level in the last quarter of 2017 and tied up working capital in Hotel St. George project included in Renovation Contracting business area.

Consti Group's cash and cash equivalents on 31 December 2018 were EUR 3.2 (9.7) million. In addition, the company had undrawn revolving credit facilities amounting to EUR 3.0 million and unused credit limits amounting to EUR 3.0 million. The Group's interest-bearing debts were EUR 22.8 (21.7) 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 19.6 (12.1) million and the gearing ratio 83.6 (47.7) percent. Consti Group made an agreement with its financing bank in December 2018 regarding contract changes to the EBITDA calculation principles related to the Group's financial covenant at the balance sheet date. At the balance sheet date, the Group's interest-bearing net debt to adjusted EBITDA ratio was under the covenant's maximum level according to the confirmed calculation principles.

Net interest-bearing debt
€ million
2016 2017 2018

Gearing %
€ million
2016 2017 2018



The balance sheet total on 31 December 2018 was EUR 111.0 (100.8) million. At the end of the reporting period tangible assets in the balance sheet were EUR 3.9 (4.5) million. Equity ratio was 25.4 (28.6) percent. Rental liabilities associated with off-balance sheet operational leasing agreements totalled EUR 3.9 (4.7) million on 31 December 2018.

Research and development work

Research and development work at Consti is divided into strategic creation of new business, service and process development, and into the continuous improvement of current business. The development work is based on our strategy and the development areas described in it.

Amenity renovations that were first started in student housing were developed and expanded to new customers during the past year. The Consti Kodikas service model concept was perfected and its marketing launched. The concept's spearhead is a gamified toolkit that can be utilized in residents' workshops. The Consti Parveke concept was also favourably received on the market and work was started on new work sites based on the concept.

The focus on advancing profitable and competitive operations was strengthened in development work. Audits were conducted at work sites, and material was simultaneously collected for the annual work site competition. Several pilots were carried out and launched on continuous work flow production. The continuous work flow model is expected to bring substantial competitive advantage in future. The operating system was developed by adding guidelines on for example quality control, and during the year quality training for the entire production staff was continued.

Consti took part in RAIN, a joint collaboration between several companies. RAIN focuses on integration capabilities in construction, and promotes the utilization of Lean-based principles. Integrated project deliveries like alliance models are seen as an opportunity to improve the operational culture in construction and manage risks relating to demanding renovation projects. New operational procedures are being developed for instance in an alliance project for an office building on Uudenmaankatu, in which both Consti Building Facades and Consti Technical Building Services belong to the alliance group.

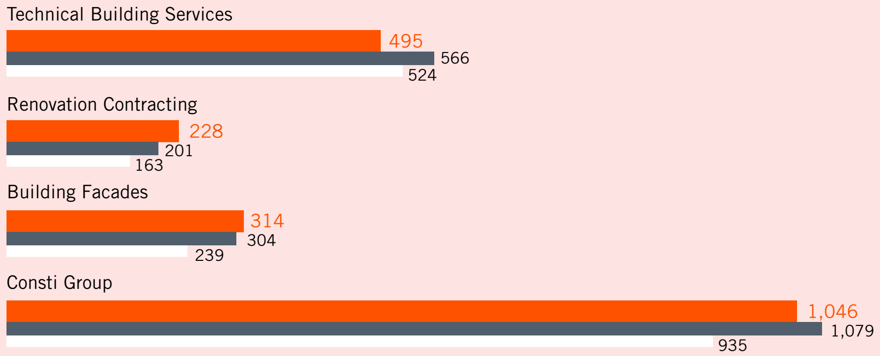
Internal processes were improved by renewing the classification system for businesses and services, and by taking into use new reporting and monitoring procedures based on the new classification. Development work was commenced on both analytics and BI reporting. The renewal of the project cost management systems was started at Consti Renovation Construction and the Group's ERP renewal is advancing. A new customer feedback system covering projects, maintenance and sales meeting was taken into use. During the year a GDPR project was carried out to ensure compliance with the EU General Data Protection Regulation.

Personnel

At the end of 2018 Consti employed a total of 1,046 (1,079) professionals. The average employee count during January–December was 1,093 (1,088). At the end of the year 495 (566) employees worked in Technical Building Services, 228 (201) in Renovation Contracting, and 314 (304) in Building Facades. The parent company employed 9 (8) people. Personnel expenses Jan–Dec 2018 amounted to EUR 62.2 (60.2) million.

Number of personnel at period end

2018 2017 2016

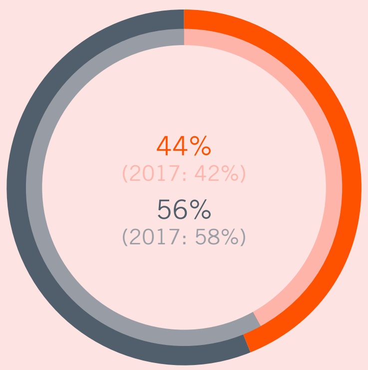


Of the personnel employed at the end of the year, 3 percent worked with fixed-term employment contracts. Approximately one third of them were interns. At the end of the year Consti employed 458 (453) white collar workers and 588 (626) workers.

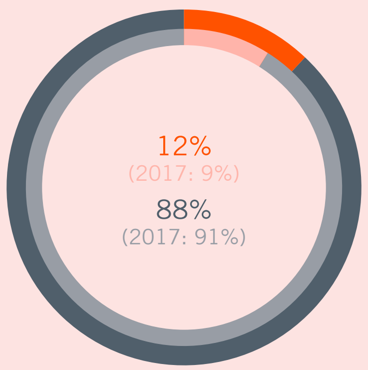
At the end of the year 88 (91) percent of Consti employees were male. 12 (9) percent of the staff were female, which is slightly above the Finnish industry average.

In 2018 personnel development continued with quality training for the entire Group and a Talent Management training program for new and future supervisors. The Talent Management program boosts participants' understanding of their own strengths and encourages the renewal and development of operational models across business units.

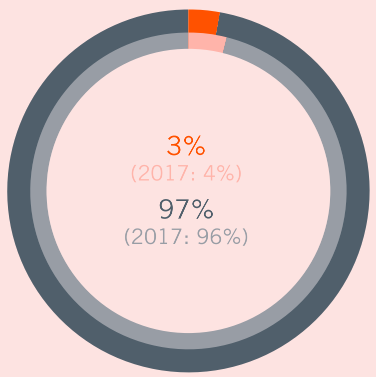
Personnel
White collar Blue collar



Gender
Female Male



Contracts
Fixed term Permanent



CONSTI GROUP PLC \ BOARD OF DIRECTORS' REPORT

Management Team

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 joined Consti 26 March 2018 and reports to Esa Korkeela, CEO of Consti Group Plc.

Consti Group Plc announced 5 July 2018 that the Company is renewing the management model of its Service business by allocating the responsibility of the Service business management to the operating business areas. Therefore, the Service business as a Group level function ceased to exist. Due to the change, Consti Group Plc and its Service Business Director Hannu Kimiläinen jointly agreed that Hannu Kimiläinen leaves his position as Group's Service Business Director immediately. Kimiläinen worked as Service Business Director and as member of Group Management Team since April 2014.

Consti Group Plc announced 26 July 2018 that Turo Turja, born 1967, M.Sc. (Eng.), M.Sc. (Econ), has been appointed as Consti Group Plc's HR Director and a member of the Management Team. Turo Turja joined Consti 13 August 2018 and reports to Esa Korkeela, CEO of Consti Group Plc.

Consti Group Plc's Management Team at the end of the reporting period consisted of CEO Esa Korkeela and the following persons: Joni Sorsanen, CFO; Risto Kivi, Consti Julkisivut Oy's CEO; Jukka Mäkinen, Consti Korjausurakointi Oy's CEO; Pekka Pöykkö, Consti Talotekniikka Oy's CEO; Markku Kalevo, Consti Julkisivut Oy's Bid and Sales Director; Pirkka Lähteinen, Consti Korjausurakointi Oy's Regional Director; Juha Salminen, Chief Development Officer and Turo Turja, HR Director.

The Annual General Meeting 2018 and Board authorisation

The Annual General Meeting of Shareholders of Consti Group Plc held on 4 April 2018 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 2017. The Annual General Meeting resolved that no dividend will be paid for the financial year 2017.

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 Oy 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 580,000 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 amount of shares to be issued, including the shares to be received based on special rights, shall not exceed 780,000 shares. The Board of the Directors may resolve to issue either new shares or to transfer treasury shares potentially held by the Company. The Board of Directors is authorised to decide on all other matters related to the issuance of shares and special rights, including on a deviation from the shareholders' pre-emptive rights. The authorisation is used, for example, to carry out the Company's share-based incentive plan or for other purposes resolved by the Board of Directors.

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 2019.

Corporate Governance and Auditors

Consti Group Plc's Board of Directors on 31 December 2018 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 2018, held its organising meeting and elected Tapio Hakakari as the Chairman of the Board. The Board of Directors appointed Petri Rignell, Erkki Norvio, Tapio Hakakari 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 during the financial year 1 January–31 December 2018.

On 31 December 2018 the Board members and CEO owned personally or through a holding company a total of 897,457 Consti Group Plc's shares, which amounts to 11.42 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 2018 and the remuneration and incentives report from 2018 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 2018 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.

Bonus plan

Consti Group Plc's Board decided on 15 February 2018 to continue the share-based incentive plan that was set up to engage the Group's key people in 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 2018 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 possible bonus for earnings period 2018 will be paid to participants after a two-year engagement period during 2021, in part as company shares and in part as cash.

During earnings period 2018 the plan will include a maximum of approximately 70 key people including the Management Team. For the earning periods 2018, the bonuses paid will amount to a maximum of approximately 250 000 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.

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 2018 Consti Group Plc's lowest share price was EUR 5.20 and the highest EUR 9.52. The share's trade volume weighted average price was EUR 8.24. At the close of the stock day on the last trading day of the reporting period 28 December 2018 was EUR 5.50 and the Company's market value was EUR 43.2 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 an 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 co-operation 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. Consti Group made an agreement with its financing bank in December 2018 regarding contract changes to the EBITDA calculation principles related to the Group's financial covenant at the balance sheet date. At the balance sheet date, the Group's interest-bearing net debt to adjusted EBITDA ratio was under the covenant's maximum level according to the confirmed calculation principles. 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.

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

Hotel St. George construction project

Consti Group Plc's subsidiary Consti Korjausurakointi Oy has initiated on 17 August 2018 arbitration proceedings in accordance with the Arbitration Rules of the Finland Chamber of Commerce against Kiinteistö Oy Yrjönkatu 13, which relates to the construction project for Hotel St. George. This disagreement has arisen between Consti Korjausurakointi Oy and Kiinteistö Oy Yrjönkatu 13 relating to the project management agreement signed on 21 December 2015, which concerns the construction project for Hotel St. George. In addition, the disagreement relates to a so-called rush contract signed on 1 December 2017. The construction project for Hotel St. George has been completed and handed over to the client.

Consti Korjausurakointi Oy demands payments from Kiinteistö Oy Yrjönkatu 13 based on the above-mentioned contracts. According to the current estimate, the amount of capital of Consti's settlement requirement would be approximately EUR 15 million. Consti Korjausurakointi Oy has received a response from Kiinteistö Oy Yrjönkatu 13 with respect to Consti Korjausurakointi Oy's request for the initiation of arbitration proceedings dated 17 August 2018. In its response to the Arbitration Institute of the Finland Chamber of Commerce, Kiinteistö Oy Yrjönkatu 13 has denied claims stated by Consti Korjausurakointi Oy in its request for the initiation of arbitration proceedings, and announced to file a counterclaim against Consti Korjausurakointi Oy in the upcoming arbitration proceedings. Kiinteistö Oy Yrjönkatu 13 has tentatively notified to present claims against Consti Korjausurakointi Oy for the amount of capital approximately up to EUR 20 million. The amount does not include VAT. In addition, Kiinteistö Oy Yrjönkatu 13 claims interest payments and compensation for legal expenses from Consti Korjausurakointi Oy. Consti Korjausurakointi Oy considers the claims of Kiinteistö Oy Yrjönkatu 13 to be unfounded.

To the best of its ability, Consti has taken the disagreement into consideration in its financial reporting. In the future, Consti will disclose information on this matter, on the final claims presented and on the relevance of this matter to the company's financial position as necessary in connection with interim reports and by separate releases, as necessary.

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 2019 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 2018 resolved that no dividend will be paid for the financial year 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 2018 were 49,737,721.73 euro, including retained earnings of 21,684,649.30 euro. The Board proposes to the Annual General Meeting that no dividend will be paid for the financial period 1 January–31 December 2018. The Board of Directors plans to call the Annual General Meeting of shareholders to convene on Tuesday 2 April 2019.

Outlook for 2019

Renovation growth is expected to continue in 2019. In its November outlook, Euroconstruct estimated that Finland's renovation market will grow 1.8 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 2019 will improve compared to 2018.

Significant events after the reporting period

Consti Group Plc lowered its guidance for 2018 with a stock exchange release on 14 January 2019 in which the company estimated that its operating result for 2018 will decline compared to 2017. The company previously estimated that "its operating result for 2018 will grow compared to 2017".

Consti announced 7 February 2019, that Consti Group Plc's Board of Directors decided to launch a program to improve the company's profitability and competitiveness. The essence of the program is to create a customer-oriented organisation structure, which moves leadership closer to production at the work sites and fosters the efficient organising of internal support services. In addition to clarifying the service offering, the program also enables improving risk management and the organisation's ability to react. The planned actions include structural changes and also developing common processes and operational models. The new organisation will be effective as of 18 February 2019.

The program aims at achieving an approximately 2 million-euro annual cost savings. The sum includes targeted cost savings from actions carried out in the fourth quarter of 2018 to restore the performance of low-profitability units. The cost savings are expected to take effect fully from the beginning of 2020 onwards. The impact of the program will be communicated in more detail as plans are specified. The program's costs are estimated to amount to approximately 0.5 million euro and estimated to be fully expended during 2019.

Consti's new organisational structure has four business areas:

1. Renovation services for housing corporations,
2. Renovation services for corporations and real estate investors,
3. Renovation services for the public sector; and
4. Building technology contracting and maintenance

Consti is altering its segment reporting due to the change in its organisational structure. In future, its operational segments are the four aforementioned business areas, which will be combined into one reportable segment. Consti will publish information on its net sales based on the new segment reporting for the fiscal year that ended on 31 December 2018 before publishing the first interim report for 2019.

In Helsinki, 6 February 2019

Consti Group Plc's Board of Directors

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Net sales	4	**315,762**	**300,203**
Other operating income	5	731	850
Materials and services	6	–233,181	–218,324
Employee benefit expenses	7	–62,170	–60,181
Depreciation and amortisation	9	–1,662	–2,089
Other operating expenses	8	–21,606	–20,834
Total expenses		–318,619	–301,429
Operating profit/loss (EBIT)		**–2,126**	**–375**
Financial income	10	23	22
Financial expenses	10	–734	–851
Total financial income and expenses	10	–711	–829
Profit/loss before taxes (EBT)		**–2,837**	**–1,204**
Total taxes	11	507	130
Profit/loss for the period		**–2,330**	**–1,074**
Comprehensive income for the period*		**–2,330**	**–1,074**

* The group has no other comprehensive income items

CONSOLIDATED BALANCE SHEET

Assets EUR 1,000	Note	31 Dec 2018	31 Dec 2017
Non-current assets			
Property, plant and equipment	13	3,908	4,528
Goodwill	15	48,604	48,604
Other intangible assets	14	254	262
Shares and other non-current financial assets	16	17	17
Deferred tax assets	11	1,356	808
		54,139	**54,219**
Current assets			
Inventories	18	650	550
Trade and other receivables	19	53,049	36,389
Cash and cash equivalents	20	3,203	9,652
		56,902	**46,591**
Total assets		**111,041**	**100,810**

Equity and liabilities EUR 1,000	Note	31 Dec 2018	31 Dec 2017
Equity			
Share capital	21	80	80
Reserve for invested non-restricted equity	21	28,252	28,252
Treasury shares	21	–601	–601
Retained earnings		–1,984	–1,376
Profit/loss for the year		–2,330	–1,074
Total equity		**23,418**	**25,281**
Non-current liabilities			
Interest bearing liabilities	23	19,186	20,138
		19,186	**20,138**
Current liabilities			
Trade and other payables	24	61,642	51,856
Interest bearing liabilities	23	3,600	1,584
Provisions	22	3,195	1,951
		68,437	**55,391**
Total liabilities		**87,623**	**75,529**
Total equity and liabilities		**111,041**	**100,810**

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 31 Dec 2017	**80**	**28,252**	**–601**	**–2,450**	**25,201**	**25,281**
Changes in accounting principles (IFRS 2)				**116**	**116**	**116**
Equity on 1 Jan 2018	**80**	**28,252**	**–601**	**–2,334**	**25,317**	**25,397**
Total comprehensive income				–2,330	–2,330	–2,330
Transactions with shareholders						
Share compensation				351	351	351
Transactions with shareholders, total				351	351	351
Equity on 31 Dec 2018	**80**	**28,252**	**–601**	**–4,313**	**23,338**	**23,418**

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**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows (EUR 1,000)	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cash flow from operating activities			
Operating profit/loss		–2,126	–375
Adjustments:			
Depreciation		1,662	2,089
Other adjustments		118	–81
Change in working capital		–5,469	8,742
Operating cash flow before financial and tax items		–5,815	10,375
Financial income		23	22
Financial expenses		–734	–851
Taxes paid		–184	–679
Net cash flow from operating activities (A)		**–6,711**	**8,867**
Cash flow from investing activities			
Acquisition of subsidiaries and business operations, net of cash	3	0	–3,855
Investments in tangible and intangible assets		–1,325	–1,439
Proceeds from sale of property, plant and equipment		524	847
Net cash flow from investing activities (B)		**–801**	**–4,446**
Cash flow from financing activities			
Purchase of treasury shares		0	–258
Dividend distribution		0	–4,135
Change in interest-bearing liabilities	23	1,063	321
Proceeds from long-term liabilities		0	21,000
Payments of long-term liabilities		–1,000	–20,500
Change in other interest-bearing liabilities		2,063	–179
Net cash flow from financing activities (C)		**1,063**	**–4,072**
Change in cash and cash equivalents (A+B+C)		–6,449	348
Cash and cash equivalents at period start		9,652	9,304
Cash and cash equivalents at period end		**3,203**	**9,652**

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, Finland. 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 2018 were approved for publication by its Board of Directors at its meeting on 6 February 2019. 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, 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 2018. 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, with the date of transition being 1 January 2013.

As of 1 January 2018, the Group has adopted the following new standards and amendments to standards:

New standard: IFRS 15 Revenue from contracts with customers

Consti Group Plc took the IFRS 15 'Revenue from contracts with customers' standard into use retrospectively adopting the IAS 8 standard from 1 January 2018 onwards. The reporting period 1 January–31 March 2018 was the first quarter during which the Group abided to regulation in the IFRS 15 standard.

IFRS 15 replaces all standards regarding revenue from contracts with customers, IAS 11 'Construction contracts', and IAS 18 'Revenue and related interpretations'. IFRS 15 establishes a 5-step model on how to account for revenue from contracts with customers. The standard is applied to all contracts made with customers that have commercial value and in which parties involved have performance obligations. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers, and the recognised revenue reflects the compensation that the entity expects to be entitled to in exchange for those goods or services.

The retrospective application of the standard does not have an impact on the Group's reported figures. The Group has not applied practical expedients allowed in implementing the IFRS standard.

1. Project deliveries

Project deliveries form a significant part of Consti's net sales. Project deliveries include building technology, pipeline renovations, renovation contracting, facade renovations, and other demanding renovation contracts and service contracts, which Consti has determined as significant based on both value and duration.

Identifying contracts

IFRS 15 includes criteria for assessing both contract identification and combination. If two or more simultaneous contracts have been made with the same customer or a related party of the customer relating to the same entity, the contracts are combined and handled as if they were one contract.

Combinable contracts have been identified particularly in total building technology deliveries, such as heating, water, ventilation, electricity, and automation instalments. In such cases the contracts are combined either because they are negotiated as one entity with one commercial purpose, or because the services outlined in the contract form one performance obligation.

Contract changes

Changes made in customer contracts do not typically fulfil the IFRS 15 standard's requirements for handling the change as a separate contract. The contract changes are thus handled as part of the total work. The contract changes are combined because the services related to the contract change cannot be separated from the original performance obligation.

Transition to the IFRS 15 standard does not change the manner in which Consti identifies a contract and the way in which contract changes are handled.

Identifying performance obligations

When the contract is made the promised services included in the contract are assessed and the performance obligations to the customer are identified. In Consti's project deliveries, work and material shares cannot be separated. In projects including design responsibility, the design and building phases of the project can be divided into their own performance obligations. In addition, in Consti's total deliveries, it is possible to divide work into performance obligations based on for example separate parts of construction work and building technology.

Transition to the IFRS 15 standard does not change the manner in which Consti identifies performance obligations in customer contracts.

Determining transaction price for performance obligations

The transaction price is the compensation that the Group expects to be entitled to for the provided services. In customer contracts the promised compensation can include fixed or variable monetary compensation or both. The Group's project deliveries are typically priced either as fixed price contracts, target price contracts or as cost + fee contracts.

For variable consideration the Group estimates the compensation to which it is entitled to for delivering the promised services to the customer. In estimating the variable consideration, it is essential that the amount of revenue recognised is limited to an amount in which it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when uncertainty associated with the variable consideration is subsequently resolved.

Transaction price is allocated to each performance obligation based on the compensation that the Group expects to be entitled to in exchange for transferring the promised services to the customer.

Transition to the IFRS 15 standard does not change the manner in which Consti determines transaction price or allocates transaction price to each performance obligation. The amount of revenue recognised has included management estimates, and recognition has been based on the management's best estimate on the compensation the Group expects to be entitled.

Revenue recognition

The Group recognises revenue when it fulfils its performance obligation by handing over the promised service to the customer. Consti has analysed that its project deliveries still fulfil requirements for recognising revenue over time. In project deliveries Consti's business is based on work conducted on an asset owned by the customer, in which the customer gains control of the created asset as soon as Consti's performance creates the asset. Revenue recognition occurs gradually as the project advances and the customer gains control of the promised asset.

Transition to the IFRS 15 standard does not change the manner in which Consti recognises revenue or the timing of revenue recognition.

2. Other cost + fee projects and service contracts

Other cost + fee projects and service contracts include small cost + fee-based building technology, pipeline renovation, renovation contracting, facade renovations, and other worksite renovation contracts and service contracts. This category also includes technical repair and maintenance services for contract customers.

In other cost + fee projects and service contracts, revenue is recognised when Consti's performance creates an asset and the customer receives and consumes benefits acquired from the performance as the service is delivered.

New standard: IFRS 9 Financial instruments

IFRS 9 includes requirements regarding the classification and valuation of financial assets, new guidelines for hedge accounting, and a new model for estimating impairment of financial assets which is based on expected credit loss. Consti has not thus far applied hedge accounting and has not yet decided upon starting hedge accounting based on IFRS 9. The main impact of IFRS 9 application is limited to the new expected credit loss model applied to assessing impairment loss for the doubtful accounts receivable. Applying this standard does not, however, have a significant impact on credit loss recognition, because historically impairment of trade receivables at Consti has remained at a low level. Transition to the IFRS 9 standard does not have an impact on Consti's opening balance 2018 figures.

Amendment: IFRS 2 Share-based payments

Amendments to IFRS 2 mean that share-based payments that are settled net in shares after withholding taxes, and in which the company pays in cash the taxes related to the rewards on behalf of the participants, are accounted for in full as equity-settled arrangements. Consti Group's financial statements 2017 included EUR 0.1 million as short-term liability related to the share paid in cash. Following amendments to the standard this share paid in cash has been adjusted in the opening balance from short-term liabilities to retained earnings.

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 2018 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 15 ("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 liabilites 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, 2017 and 2018 into shares. The plan's possible bonus will be paid to participants after a two-year engagement period during years 2019, 2020 and 2021, in part as company shares and in part as cash. As of 31 December 2018, the plan included 52 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 contracts with customers, measured at fair value and adjusted for indirect taxes and rebates, is presented as revenue.

Project deliveries

Project deliveries form a significant part of Consti's net sales. Project deliveries include building technology, pipeline renovations, renovation contracting, facade renovations, and other demanding renovation contracts and service contracts, which Consti has determined as significant based on both value and duration.

Identifying contracts

IFRS 15 includes criteria for assessing both contract identification and combination. If two or more simultaneous contracts have been made with the same customer or a related party of the customer relating to the same entity, the contracts are combined and handled as if they were one contract.

Combinable contracts have been identified particularly in total building technology deliveries, such as heating, water, ventilation, electricity, and automation instalments. In such cases the contracts are combined either because they are negotiated as one entity with one commercial purpose, or because the services outlined in the contract form one performance obligation.

Contract changes

Changes made in customer contracts do not typically fulfil the IFRS 15 standard's requirements for handling the change as a separate contract. The contract changes are thus handled as part of the total work. The contract changes are combined because the services related to the contract change cannot be separated from the original performance obligation.

Identifying performance obligations

When the contract is made the promised services included in the contract are assessed and the performance obligations to the customer are identified. In Consti's project deliveries, work and material shares cannot be separated. In projects including design responsibility, the design and building phases of the project can be divided into their own performance obligations. In addition, in Consti's total deliveries, it is possible to divide work into performance obligations based on for example separate parts of construction work and building technology.

Determining transaction price for performance obligations

The transaction price is the compensation that the Group expects to be entitled to for the provided services. In customer contracts the promised compensation can include fixed or variable monetary compensation or both. The Group's project deliveries are typically priced either as fixed price contracts, target price contracts or as cost + fee contracts.

For variable consideration the Group estimates the compensation to which it is entitled to for delivering the promised services to the customer. In estimating the variable consideration, it is essential that the amount of revenue recognised is limited to an amount in which it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when uncertainty associated with the variable consideration is subsequently resolved.

Transaction price is allocated to each performance obligation based on the compensation that the Group expects to be entitled to in exchange for transferring the promised services to the customer.

The amount of revenue recognised has included management estimates, and recognition has been based on the management's best estimate on the compensation the Group expects to be entitled.

Revenue recognition

The Group recognises revenue when it fulfils its performance obligation by handing over the promised service to the customer. In project deliveries Consti's business is based on work conducted on an asset owned by the customer, in which the customer gains control of the created asset as soon as Consti's performance creates the asset. Revenue recognition occurs gradually as the project advances and the customer gains control of the promised asset.

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.

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".

Other cost + fee projects and service contracts

Other cost + fee projects and service contracts include small cost + fee-based building technology, pipeline renovation, renovation contracting, facade renovations, and other worksite renovation contracts and service contracts. This category also includes technical repair and maintenance services for contract customers.

In other cost + fee projects and service contracts, revenue is recognised when Consti's performance creates an asset and the customer receives and consumes benefits acquired from the performance as the service is delivered.

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 measured at amortized cost, financial assets recognised at fair value through profit or loss and financial assets recognised at fair value through other comprehensive income.

Financial assets are classified at their initial recognition, based on the objective of the business model and the characteristics of contractual cash flows of the investment, 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 measured at amortized cost are 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 financial assets recognised at fair value through profit or loss at their initial recognition. With regard to the Group, this item includes trade receivables. 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 recognised at fair value through other comprehensive income include those financial assets that are held with the objective of both collecting contractual cash flows and eventually selling the financial asset. 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. Changes in fair value of financial assets in this category 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 sells a financial asset or when impairment must be recognised.

Financial assets recognised at fair value through profit or loss include items that do not meet the criteria of other groups. With regard to the Group, this item includes unlisted shares. This category also includes financial assets or derivatives that are not subject to hedge accounting in accordance with IFRS 9. 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".

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 three 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 measured at amortized cost and financial liabilities recognised at fair value through profit and loss.

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 amortized cost 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.

Financial liabilities recognised at fair value through profit or loss include operating and financing interest rate swaps which do not fulfil the hedge accounting requirements under IFRS 9. 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.

Derivative contracts and hedge accounting

Derivative contracts are treated in accordance with IFRS 9 Financial Instruments -standard. The Group has classified all of its derivatives as held-for-trading, as it does not apply hedge accounting in accordance with the IFRS 9 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 2018 (31 December 2017).

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 15. 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 contracts with customers

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 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

The bad debt provision for the accounts receivable is recognized on the basis of credit quality evaluation and using the expected credit loss model. 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 new standard which the Group has not yet applied: IFRS 16, Leases. The European Union has endorsed IFRS 16 standard and it is to be applied as of 1 January 2019.

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 which Consti plans to utilise. Consti plans to adopt IFRS 16 using the modified retrospective approach by recognising the cumulative effect of initially applying the standard in the opening balance sheet as at 1 January 2019, thus comparative information will not be restated.

Consti has performed a preliminary analysis of the impacts of IFRS 16 on its consolidated financial statements. The impacts of preliminary analysis are subject to changes arising from a finalisation of the analysis. 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. The adoption of new standard will also have an impact on the presentation of the consolidated statement of cash flows as realised rent payments are allocated to cash flow from financing activities for the portion corresponding to part payment of debt and to cash flow from operating activities for the portion corresponding to finance costs.

Based on the preliminary analysis Consti expects to recognise right-of-use assets and respective lease liabilities of approximately EUR 4 million as of 1 January 2019. Based on the calculation performed on the contracts that were identified at the adoption date, the adoption of the standard is not expected to have significant effect on EBIT but EBITDA is expected to increase by approximately EUR 2 million. In addition, as a result of the adoption of the standard, the cash flow from operating activities is expected to increase and cash flow from financing activities is expected to decrease respectively, approximately EUR 2 million. The analysis of the impacts of IFRS 16 will be finalised during the first quarter of 2019.

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	2018	2017
Net sales		
Technical Building Services	108,944	116,106
Renovation Contracting	91,396	80,850
Building Facades	131,471	113,921
Parent company and eliminations	–16,050	–10,675
Total	315,762	300,203
Order backlog		
Technical Building Services	56,677	72,500
Renovation Contracting	76,380	78,233
Building Facades	92,025	74,988
Total	225,082	225,721
Order intake		
Technical Building Services	60,935	97,180
Renovation Contracting	60,284	97,827
Building Facades	122,954	94,901
Parent company and eliminations	–15,648	–11,832
Total	228,525	278,077

Information on key customers
In the 1 January–31 December 2018 and 1 January–31 December 2017 financial years, the Consti Group had a large number of customers. During fiscal year 1 January-31 December 2018 Consti Group's net sales from one Renovation Contracting and Building Facades customer amounted to approximately 43 million euro, which was 13% of the Group's total net sales. During 1 January–31 December 2017 no individual customer accounting for a significant proportion of the Consti Group's net sales.

3. Business combinations

Business combinations in 2018

No acquisitions in financial year 2018.

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 Dec 2016–7 Mar 2017 it was approximately EUR 110 thousand, in the period of 30 Mar 2017–29 Jun 2017 it was approximately EUR 200 thousand and in the period of 15 Sep 2017–25 Sep 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.

4. Revenue from contracts with customers EUR 1,000

	2018	2017
Net sales classification according to IFRS 15		
Project deliveries		
Technical Building Services	98,890	103,514
Renovation Contracting	83,777	71,104
Building Facades	128,631	111,398
Parent company and eliminations	–16,050	–10,675
Total project deliveries	**295,248**	**275,340**
Other cost + fee projects and service contracts		
Technical Building Services	10,054	12,592
Renovation Contracting	7,619	9,747
Building Facades	2,840	2,524
Parent company and eliminations	0	0
Total other cost + fee projects and service contracts	**20,514**	**24,863**
Total net sales	**315,762**	**300,203**
Accounts receivable and contract assets and liabilities		
Trade receivables	36,757	22,688
Receivables from project deliveries and cost + fee accruals	13,356	10,916
Advances received from project deliveries and cost + fee accruals	19,020	12,531

Receivables from project deliveries and cost + fee accruals relate to conditional right to consideration for performance obligations satisfied over time in Consti's project delivery contracts and cost + fee contracts. It is recognised when the recognised revenue exceeds the amounts billed to the customer and is contingent due to factors other than the passage of time. Receivables from project deliveries and cost + fee accruals are stated at the net realisable value, classified as contract assets, and reported as a part of the separate balance sheet line item Trade and other receivables. An impairment loss for contract assets, if needed, is estimated based on expected credit loss model and individual analysis.

Advances received from project deliveries and cost + fee accruals relate to payments received from project delivery contracts and cost + fee contracts prior to fulfilling performance obligations, or when the customer invoicing exceeds the recognised amount of sales. Advances received from project deliveries and cost + fee accruals are recognised as revenue when Consti has fulfilled its performance obligations and are classified as contract liabilities and reported as a part of the separate balance sheet line item Trade and other payables.

The transaction price allocated to the remaining performance obligations as at 31 Dec:	2018	2017
Within one year	202,354	186,228
More than one year	22,728	39,493
Total order backlog	225,082	225,721

Changes in receivables from project deliveries and cost + fee accruals and advances received from project deliveries and cost + fee accruals are following the growth of business. Trade receivables and receivables from project deliveries are also increased in part by the Hotel St. George renovation project. Consti Group Plc's subsidiary Consti Korjausurakointi Oy started an arbitration process against Kiinteistö Oy Yrjönkatu 13 on 17 August 2018, to resolve the dispute according to rules set by the Arbitration Institute of the Finland Chamber of Commerce. No material amounts of revenue were recognised during the reporting period due to changes in transaction prices or estimates for performance obligations partially or fully satisfied in previous years. There were no significant impairment charges recognised during the reporting period from the contract assets.

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5. Other operating income EUR 1,000

	2018	2017
Capital gains from the sale of property, plant and equipment	237	246
Insurance indemnities received	365	446
Other income items	129	159
Total	**731**	**850**

6. Materials and services EUR 1,000

	2018	2017
Purchases of materials, supplies and goods	63,786	62,216
Increase (–) or decrease (+) in inventories	–99	15
External services	169,494	156,093
Total	**233,181**	**218,324**

7. Employee benefit expenses EUR 1,000

	2018	2017
Salaries	50,446	48,623
Pension expenses	9,501	9,047
Share-based payments	351	271
Other social security expenses	1,873	2,241
Total	**62,170**	**60,181**

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

	2018	2017
White collar	472	452
Blue collar	620	637
Total	**1,093**	**1,088**

Information on the management's employee benefits and loans is presented in note 26. Related party transactions.

8. Other operating expenses EUR 1,000

	2018	2017
Capital losses on and scrapping of property, plant and equipment	3	7
Production operating and maintenance expenses	7,648	6,542
Costs of facilities	1,976	1,804
Voluntary social security expenses	1,913	2,114
Travel expenses	3,125	3,036
Vehicle costs	1,684	1,507
Other fixed expenses	5,257	5,825
Total	**21,606**	**20,834**
Auditor's fees		
Audit	215	172
Other assignments and statements of the auditor	17	0
Total	**233**	**172**

9. Depreciation and amortisation EUR 1,000

Depreciation by asset type		
Intangible assets		
Allocation of acquisitions	0	358
Other intangible assets	143	149
Property, plant and equipment		
Buildings and structures	174	144
Machinery and equipment	1,290	1,378
Machinery and equipment, finance leasing	55	60
Total depreciation and amortisation	**1,662**	**2,089**

10. Financial income and expenses EUR 1,000

Financial income		
Interest income and other financial income	23	22
Total financial income	**23**	**22**
Financial expenses		
Interest expenses on loans recognised at amortised cost	257	294
Interest expenses on finance lease agreements	13	13
Other financial expenses	464	544
Total financial expenses	**734**	**851**
Net financial expenses	**711**	**829**

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11. Income taxes EUR 1,000

The key components of income taxes in the financial periods ending on 31 December 2018 and 31 December 2017 are as follows:

	2018	2017
Consolidated statement of comprehensive income		
Current income taxes	36	680
Taxes for the previous financial periods	5	–15
Deferred taxes		
Origination and reversal of temporary differences	–548	–794
Total	**–507**	**–130**
Taxes recognised directly under equity	–	–

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

	2018	2017
Earnings before taxes	**–2,837**	**–1,204**
Taxes calculated on the basis of the Finnish tax rate of 20% (20% 2017)	–567	–241
Income not subject to tax	0	0
Non-deductible expenses	55	127
Taxes for prior financial periods	5	–15
Income taxes in the income statement	**–507**	**–130**

Deferred taxes

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

Reconciliation of deferred tax assets	Consolidated balance sheet		Consolidated income statement	
	2018	2017	2018	2017
Depreciation not deducted in taxation	120	89	31	18
Deductible goodwill depreciation	–92	–80	–12	–12
Capitalisation of tangible and intangible assets	–4	–10	6	112
Losses confirmed in taxation	494	0	494	0
Provisions	322	124	198	101
Other items[1]	516	685	–169	575
Deferred tax assets (/-liabilities), net	**1,356**	**808**		
Deferred tax expenses (/income)			**548**	**794**

[1] The other items mainly refer to deferred tax assets for losses for fiscal period 2018. As at 31 Dec 2018, the Group has deductible intra-group interests of EUR 399 thousand (EUR 399 thousand in 2017).

	Consolidated balance sheet	
The balance sheet includes the following items:	2018	2017
Deferred tax assets	1,460	907
Deferred tax liabilities	–104	–99
Deferred tax assets (/liabilities), net	**1,356**	**808**

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.

Reconciliation of deferred (net) tax asset		
Deferred tax assets at the beginning of the period	**808**	**77**
Deferred tax income(/expenses) in the consolidated statement of comprehensive income	548	794
Deferred taxes transferred in the combination of business operations	0	–63
Deferred tax assets at the end of the period	**1,356**	**808**

As at 31 Dec 2018, the Group had tax losses amounting to 2,474 thousand euro (0 euro on 31 December 2017). The losses can be utilised until year 2027.

12. 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	2018	2017
Profit for the period attributable to the shareholders of the parent (EUR 1,000)	–2,330	–1,074
Weighted average number of shares during the period	7,662,216	7,660,253
Earnings per share, undiluted (€)	–0,30	–0,14

Earnings per share, diluted	2018	2017
Profit for the period attributable to the shareholders of the parent (EUR 1,000)	–2,330	–1,074
Diluted profit for the period (EUR 1,000)	–2,330	–1,074
Weighted average number of shares during the period	7,662,216	7,660,253
Weighted average number of diluted shares during the period	7,685,236	7,663,470
Earnings per share, diluted (€)	–0,30	–0,14

13. 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 2018	**565**	**1,763**	**11,831**	**4**	**14,162**
Additions	–	1	1,189	–	1,190
Business combinations	–	–	–	–	–
Disposals	–	–	–1,085	–	–1,085
Acquisition cost 31 Dec 2018	**565**	**1,764**	**11,935**	**4**	**14,268**
Depreciation and impairment 1 Jan 2018	**–**	**1,115**	**8,519**	**–**	**9,635**
Depreciation for the period	–	174	1,345	–	1,519
Disposals	–	–	–794	–	–794
Depreciation and impairment 31 Dec 2018	**–**	**1,289**	**9,070**	**–**	**10,359**
Carrying amount 31 Dec 2018	**565**	**475**	**2,865**	**4**	**3,908**
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**

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 2018	**170**
Acquisition cost	311
Accumulated depreciation	135
Carrying amount 31 Dec 2017	**175**

Additions to the acquisition costs of property, plant and equipment include assets leased under finance lease agreements totalling EUR 55 thousand in 2018 (EUR 55 thousand in 2017).

Impairment
No impairment losses were recognised on the Group's production machinery in 2018.

Grants
The Group did not receive any grants for the acquisition of property, plant or equipment in 2018.

14. Intangible assets EUR 1,000

	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2018	**48,604**	**5,507**	**54,112**
Additions	–	135	135
Business combinations	–	–	–
Acquisition cost 31 Dec 2018	**48,604**	**5,643**	**54,247**
Depreciation and impairment 1 Jan 2018	**–**	**5,245**	**5,245**
Depreciation for the period	–	144	144
Depreciation and impairment 31 Dec 2018	**–**	**5,389**	**5,389**
Carrying amount 31 Dec 2018	**48,604**	**254**	**48,858**
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**

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

15. Impairment testing on goodwill and assets with an indefinite useful life EUR 1,000

Carrying amount of goodwill allocated to cash-generating units

	2018	2017
Technical Building Services	21,056	21,056
Building Facades	14,717	14,717
Renovation Contracting	12,831	12,831
Total	48,604	48,604

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 2018, 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 13.00% and 13.20% (9.96–10.26% in 2017) 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.

16. Financial assets and liabilities EUR 1,000

	2018	2017		
Financial assets	Carrying amount and fair value	Carrying amount and fair value	Fair value hierarchy	Note
Financial assets recognised at fair value through profit or loss				
Non-current financial assets				
Shares and other non-current financial assets	17	17		
Total financial assets recognised at fair value through profit or loss	**17**	**17**		
Financial assets measured at amortised cost				
Current financial assets				
Trade receivables	36,757	22,688		19
Total financial assets measured at amortised cost	**36,757**	**22,688**		
Cash and cash equivalents	3,203	9,652		20
Total current financial assets	**39,961**	**32,340**		
Total financial assets	**39,978**	**32,357**		

EUR 1,000	2018	2017		
Financial liabilities	Carrying amount and fair value	Carrying amount and fair value	Fair value hierarchy	Note
Financial liabilities measured at amortised cost				
Non-current financial liabilities				
Loans from financial institutions	18,465	19,455		23
Non-current hire purchase debt	627	589		23
Finance leasing liabilities	94	94		23
Current financial liabilities				
Loans from financial institutions	3,000	1,000		
Current hire purchase debt	524	508		23
Finance leasing liabilities	76	76		23
Trade payables	24,991	21,118		24
Total financial liabilities measured at amortised cost	**47,776**	**42,840**		
Financial liabilities recognised at fair value through profit or loss				
Current financial liabilities				
Derivatives (not under hedge accounting)	0	0	2	
Total financial liabilities recognised at fair value through profit or loss	**0**	**0**		
Total non-current financial liabilities	**19,186**	**20,138**		
Total current financial liabilities	**28,591**	**22,702**		
Total financial liabilities	**47,776**	**42,840**		

Notes on measuring at fair value
Shares and other non-current financial assets 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.

17. 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 220 thousand (EUR 199 thousand in 2017) in the result before taxes.

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 35 thousand (EUR 34 thousand in 2017).

The age breakdown of the trade receivables has been presented in note 19. 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 2018, 16% of the Group's interest bearing debts are due within the following year (31 December 2017 7%), based on the book value presented in the financial statements.

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

EUR 1,000	31 Dec 2018	31 Dec 2017
Undrawn loans	3,000	5,000
Cash and cash equivalents	3,203	9,652
Total	**6,203**	**14,652**

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. Consti Group made an agreement with its financing bank in December 2018 regarding contract changes to the EBITDA calculation principles related to the Group's financial covenant at the balance sheet date. At the balance sheet date, the Group's interest-bearing net debt to adjusted EBITDA ratio was under the covenant's maximum level according to the confirmed calculation principles.

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 2018 (31 December 2017).

EUR 1,000

31 Dec 2018	2019	2020	2021	2022	2023	2024–	Total
Bank loans	3,558	1,520	1,492	16,749	0	0	23,319
Finance leasing liabilities	83	51	48	0	0	0	182
Other interest bearing liabilities	526	304	199	62	0	0	1,090
Trade payables	24,991	0	0	0	0	0	24,991
	29,158	**1,875**	**1,739**	**16,811**	**0**	**0**	**49,582**

31 Dec 2017	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**

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.

18. Inventories EUR 1,000

	2018	2017
Materials and supplies (measured at acquisition cost)	650	550
Total	**650**	**550**

No write-downs of inventories were made in the financial years 2018 or 2017.

19. Trade and other receivables EUR 1,000

	2018	2017
Trade receivables	36,757	22,688
Receivables from project deliveries and cost + fee accruals	13,356	10,916
Accrued income	2,708	2,722
Other receivables	227	63
Total	**53,049**	**36,389**

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 35 thousand (EUR 34 thousand in 2017) 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:

	2018	2017
Undue	22,023	20,259
Fallen due		
< 30 days	2,500	1,972
30–60 days	266	213
61–90 days	89	169
> 90 days	11,879	74
Total	**36,757**	**22,688**

The majority of trade receivables that expired over 90 days ago relate to the Hotel St. George construction project. Consti Group Plc's subsidiary Consti Korjausurakointi Oy started an arbitration process against Kiinteistö Oy Yrjönkatu 13 on 17 August 2018, to resolve the dispute according to rules set by the Arbitration Institute of the Finland Chamber of Commerce.

Note 17. 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.

20. Cash and cash equivalents EUR 1,000

	2018	2017
Cash in hand and at banks	3,203	9,652
Total	**3,203**	**9,652**

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 2018 were EUR 3,000 thousand (EUR 5,000 thousand in 2017).
Cash and cash equivalents according to the cash flow statement are formed as follows:

Cash in hand and at banks	3,203	9,652
Cash and cash equivalents	**3,203**	**9,652**

21. 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 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
1 Jan 2018	7,662,216	80	196,051	7,858,267
31 Dec 2018	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 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**
1 Jan 2018	**7,662,216**	**80**	**28,252**	**–601**	**27,731**
31 Dec 2018	**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 2018.

22. Provisions EUR 1,000

	Warranty provisions	Onerous contracts	Litigation provisions	Total
1 Jan 2018	1,146	804	0	1,951
Arising during the year	1,007	1,404	29	2,440
Utilised provision	–711	–485	0	–1,196
Unused amounts reversed	0	0	0	0
31 Dec 2018	**1,443**	**1,723**	**29**	**3,195**
Current provisions	1,443	1,723	29	3,195
Total	**1,443**	**1,723**	**29**	**3,195**
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**

Warranty provisions
Warranty provisions for contracts are determined with information based on experience of the materialisation of liability. At the end of 2018 warranty provision amounted to EUR 1,443 thousand (EUR 1,146 thousand in 2017). 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.

23. Financial liabilities EUR 1,000

	2018	2017
Non-current financial liabilities		
Loans from financial institutions	18,465	19,455
Non-current hire purchase debt	627	589
Finance leasing liabilities	94	94
Total non-current financial liabilities	19,186	20,138
Current financial liabilities		
Loans from financial institutions	3,000	1,000
Hire purchase debts	524	508
Finance leasing liabilities	76	76
Total current financial liabilities	3,600	1,584

Net changes to non-current and current financial liabilities amount to EUR 1,063 thousand and are cash flow based. The table includes all except trade and other payables according to note 24.

	2018	2017
Finance leasing liabilities		
Finance leasing liabilities will mature as follows:		
Minimum leases		
In less than a year	83	86
In 1 to 5 years	70	84
Minimum leases, total	153	170
Finance leasing liabilities will mature as follows:		
Present value of minimum leases		
In less than a year	76	76
In 1 to 5 years	94	94
Minimum leases, total	170	170
Unaccrued financial expenses	–17	0
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.

24. Trade and other payables EUR 1,000

	2018	2017
Trade payable	24,991	21,118
Advances received from project deliveries and cost + fee accruals	19,020	12,531
Other payables	8,912	8,349
Liabilities based on derivatives contracts	0	0
Accrued expenses	8,719	9,859
Total	**61,642**	**51,856**

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 prosess has been described in note 17. Financial risk management.

25. Commitments and contingent liabilities EUR 1,000

Other lease agreements – Group as lessee

Minimum lease payment under non-cancellable other leases:

	2018	2017
Within 1 year	1,633	1,621
In 1 to 5 years	2,300	3,087
In more than 5 years	2	0
Total	3,935	4,708

The income statement includes EUR 1,856 thousand (EUR 1,465 thousand in 2017) of leases paid in the 2018 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 5 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.

Hotel St. George construction project

Consti Group Plc's subsidiary Consti Korjausurakointi Oy has initiated on 17 August 2018 arbitration proceedings in accordance with the Arbitration Rules of the Finland Chamber of Commerce against Kiinteistö Oy Yrjönkatu 13, which relates to the construction project for Hotel St. George. This disagreement has arisen between Consti Korjausurakointi Oy and Kiinteistö Oy Yrjönkatu 13 relating to the project management agreement signed on 21 December 2015, which concerns the construction project for Hotel St. George. In addition, the disagreement relates to a so-called rush contract signed on 1 December 2017. The construction project for Hotel St. George has been completed and handed over to the client.

Consti Korjausurakointi Oy demands payments from Kiinteistö Oy Yrjönkatu 13 based on the above-mentioned contracts. According to the current estimate, the amount of capital of Consti's settlement requirement would be approximately EUR 15 million. Consti Korjausurakointi Oy has received a response from Kiinteistö Oy Yrjönkatu 13 with respect to Consti Korjausurakointi Oy's request for the initiation of arbitration proceedings dated 17 August 2018. In its response to the Arbitration Institute of the Finland Chamber of Commerce, Kiinteistö Oy Yrjönkatu 13 has denied claims stated by Consti Korjausurakointi Oy in its request for the initiation of arbitration proceedings, and announced to file a counterclaim against Consti Korjausurakointi Oy in the upcoming arbitration proceedings. Kiinteistö Oy Yrjönkatu 13 has tentatively notified to present claims against Consti Korjausurakointi Oy for the amount of capital approximately up to EUR 20 million. The amount does not include VAT. In addition, Kiinteistö Oy Yrjönkatu 13 claims interest payments and compensation for legal expenses from Consti Korjausurakointi Oy. Consti Korjausurakointi Oy considers the claims of Kiinteistö Oy Yrjönkatu 13 to be unfounded.

To the best of its ability, Consti has taken the disagreement into consideration in its financial reporting. In the future, Consti will disclose information on this matter, on the final claims presented and on the relevance of this matter to the company's financial position as necessary in connection with interim reports and by separate releases, as necessary.

Other liabilities	2018	2017
Carrying amount of pledged shares	0	0

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.

	2018	2017
Bank guarantees and guarantee insurance commitments for the duration of work and warranty periods and rental deposits	47,633	43,949
Total	47,633	43,949

26. Related party transactions

Information about subsidiaries

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

			Ownership %	
Company name	Primary business	Country	2018	2017
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%	0%

[1)] Lumicon Oy has been acquired through a share deal on 2 October 2017 and has been merged into Consti Korjausurakointi Oy on 31 May 2018.

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 2018 and 31 December 2017, 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	2018	49	0	7	0
	2017	194	0	1	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	2018	2017
Employee benefits of management members		
Salaries and other short-term employee benefits	1,583	1,561
Share based payments	147	115
Termination compensation	0	297
Total	**1,730**	**1,974**

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	271	66
Marko Holopainen, CEO until 26 September 2017	0	268
Total	**271**	**334**

* As stipulated in contract, the Group continued severance pay to its previous CEO Marko Holopainen until March 2018. In accordance to the contract, the severance pay to Holopainen amounted to 247 thousand euro during 2018.

Board members and deputy members		
Tapio Hakakari, Chairman	36	35
Antti Korkeela	24	22
Erkki Norvio	24	22
Petri Rignell	24	22
Pekka Salokangas	24	22
Niina Rajakoski	24	22
Janne Näränen, member until 4 April 2017	–	4
Total	**156**	**147**

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 51 thousand in 2018 (EUR 62 thousand in 2017).

No pension insurance under the Employees' Pensions Act (TyEL) has been taken out for members of the Board on their attendance fees.

27. 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.

Consti Group Plc's Board decided on 15 February 2018 to continue the share-based incentive plan that was set up to engage the Group's key people in 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 2018 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 possible bonus for earnings period 2018 will be paid to participants after a two-year engagement period during 2021, in part as company shares and in part as cash. During earnings period 2018, the plan will include a maximum of approximately 70 key people including the Management Team. For the earning period 2018, the bonuses paid will amount to a maximum of approximately 250 000 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 2018 include cost from the share-based incentive plan amounting to EUR 351 thousand (EUR 271 thousand in 2017). At the end of financial year 2017, the accrued liabilities related to the incentive plan amounted to EUR 116 thousand. Following amendments to IFRS 2 standard, the accrued amount EUR 116 thousand has been adjusted in the opening balance from short-term liabilities to retained earnings.

28. Events after the reporting period

Consti Group Plc lowered its guidance for 2018 with a stock exchange release on 14 January 2019 in which the company estimated that its operating result for 2018 will decline compared to 2017. The company previously estimated that "its operating result for 2018 will grow compared to 2017".

Consti announced 7 February 2019, that Consti Group Plc's Board of Directors decided to launch a program to improve the company's profitability and competitiveness. The essence of the program is to create a customer-oriented organisation structure, which moves leadership closer to production at the work sites and fosters the efficient organising of internal support services. In addition to clarifying the service offering, the program also enables improving risk management and the organisation's ability to react. The planned actions include structural changes and also developing common processes and operational models. The new organisation will be effective as of 18 February 2019.

The program aims at achieving an approximately 2 million euro annual cost savings. The sum includes targeted cost savings from actions carried out in the fourth quarter of 2018 to restore the performance of low-profitability units. The cost savings are expected to take effect fully from the beginning of 2020 onwards.

The impact of the program will be communicated in more detail as plans are specified. The program's costs are estimated to amount to approximately 0.5 million euro and estimated to be fully expended during 2019.

Consti's new organisational structure has four business areas:
1. Renovation services for housing corporations,
2. Renovation services for corporations and real estate investors,
3. Renovation services for the public sector; and
4. Building technology contracting and maintenance

Consti is altering its segment reporting due to the change in its organisational structure. In future, its operational segments are the four aforementioned business areas, which will be combined into one reportable segment. Consti will publish information on its net sales based on the new segment reporting for the fiscal year that ended on 31 December 2018 before publishing the first interim report for 2019.

PARENT COMPANY

INCOME STATEMENT OF THE PARENT COMPANY (FAS)

EUR 1,000	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Net sales	1	**1,965**	**1,788**
Other operating income	2	376	429
Employee benefit expenses	3	–1,285	–1,372
Depreciation and amortisation	5	–204	–193
Other operating expenses	4	–1,760	–2,190
		–3,249	–3,755
Operating profit/loss		**–908**	**–1,538**
Financial income and expenses	6	–786	1,394
Profit (loss) before appropriations and taxes		**–1,694**	**–144**
Appropriations	7	500	550
Profit (loss) before taxes		**–1,194**	**406**
Total taxes	8	0	21
Profit (loss) for the period		**–1,194**	**427**

BALANCE SHEET OF THE PARENT COMPANY (FAS)

Assets EUR 1,000	Note	31 Dec 2018	31 Dec 2017
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		37	44
Other long-term expenditure		135	152
		172	**196**
Tangible assets	9		
Buildings and structures		17	25
Machinery and equipment		134	190
		151	**216**
Investments	10		
Shares in Group companies		94,138	91,038
Other shares		254	254
		94,392	**91,292**
Total non-current assets		**94,715**	**91,704**
CURRENT ASSETS			
Short-term receivables	11		
Trade receivables		0	0
Intra-group receivables		2,852	2,094
Prepaid expenses and accrued income		58	841
		2,910	2,935
Cash and cash equivalents		0	0
Total current assets		**2,910**	**2,935**
ASSETS		**97,625**	**94,639**

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Equity and liabilities EUR 1,000	Note	31 Dec 2018	31 Dec 2017
EQUITY	12		
Share capital		80	80
Reserve for invested non-restricted equity		28,053	28,053
Treasury shares		–343	–343
Retained earnings		23,221	22,794
Profit (loss) for the period		–1,194	427
Total equity		**49,818**	**51,011**
LIABILITIES			
Non-current liabilities	13		
Loans from financial institutions		18,500	19,500
Non-current hire purchase debts		18	9
		18,518	**19,509**
Current liabilities	13		
Loans from financial institutions		13,104	10,061
Trade payables		202	320
Current hire purchase debts		12	18
Intra-group liabilities		15,315	12,756
Other current liabilities		446	223
Accrued expenses		209	741
		29,289	**24,119**
Total liabilities		**47,807**	**43,628**
EQUITY AND LIABILITIES		**97,625**	**94,639**

CASH FLOW STATEMENT OF THE PARENT COMPANY (FAS)

Cash flow statement of the parent company (EUR 1,000)	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cash flow from operating activities		
Operating profit/loss	–908	–1,538
Adjustments:		
Depreciation	204	193
Other adjustments	–21	0
Change in working capital	–442	–463
Operating cash flow before financial and tax items	–1,166	–1,808
Financial income and expenses (+/–)	–786	1,394
Taxes paid	0	–552
Net cash flow from operating activities (A)	**–1,952**	**–966**
Cash flow from investing activities		
Investments in other shares	0	–7,477
Investments in tangible and intangible assets	–160	–137
Proceeds from sale of property, plant and equipment	66	0
Net cash flow from investing activities (B)	**–94**	**–7,613**
Cash flow from financing activities		
Proceeds from long-term liabilities	0	21,000
Payments of long-term liabilities	–1,000	–20,500
Change in interest-bearing liabilities	3,046	9,043
Group contribution received	0	2,500
Dividend distribution	0	–4,135
Net cash flow from financing activities (C)	**2,046**	**7,908**
Change in cash and cash equivalents (A+B+C)	**0**	**–671**
Cash and cash equivalents at period start	0	671
Cash and cash equivalents at period end	**0**	**0**

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 2018.

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 and intangible assets are measured at cost less accumulated depreciation. Investments have been measured at cost.

The depreciation periods for the asset 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
Intangible rights	3–5	years
Other long-term expenditure	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 contributions.

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

1. Net sales EUR 1,000

	2018	2017
Income from services	1,965	1,788
Total	**1,965**	**1,788**

2. Other operating income EUR 1,000

Gain on sale of tangible and intangible assets	22	0
Other income	354	429
Total	**376**	**429**

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

Salaries	1,092	1,165
Pension expenses	195	221
Other social security expenses	–3	–15
Total	**1,285**	**1,372**
Average number of employees during the financial year:	10	8
Management remuneration		
CEO	271	334
Members of Board of Directors	156	147
Total	**427**	**481**

4. Other operating expenses EUR 1,000

Auditor fees		
Ernst & Young Ltd		
Audit fees	109	104
Other services	10	0
Total	**119**	**104**

5. Depreciation, amortisation and impairment EUR 1,000

	2018	2017
Depreciation and amortisation by asset type		
Intangible rights	24	28
Other long-term expenditure	82	59
Buildings and structures	8	8
Machinery and equipment	91	98
Total	**204**	**193**

6. Financial income and expenses EUR 1,000

Dividends		
From group companies	0	2,300
Other interest and financial income		
From group companies	17	0
Total	**17**	**0**
Interest and other financial expenses		
To group companies	433	474
Interest expenses to others	370	432
Total	**803**	**906**
Total financial income and expenses	**–786**	**1,394**

7. Appropriations EUR 1,000

Group contributions received	500	550

8. Taxes EUR 1,000

Taxes from ordinary business	0	21

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

	2018	2017
TANGIBLE AND INTANGIBLE ASSETS		
Intangible rights		
Carrying amount at period start	44	72
Additions	16	0
Amortisation	24	28
Carrying amount at period end	37	44
Other long-term expenditure		
Carrying amount at period start	152	118
Additions	65	92
Amortisation	82	59
Carrying amount at period end	135	152
Buildings and structures		
Carrying amount at period start	25	34
Additions	0	0
Depreciation	8	8
Carrying amount at period end	17	25
Machinery and equipment		
Carrying amount at period start	190	244
Additions	79	44
Disposals	45	0
Depreciation	91	98
Carrying amount at period end	134	190

10. Investments EUR 1,000

	2018	2017
Shares in Group companies		
Acquisition cost 1 Jan	91,038	82,611
Additions	3,100	8,427
Acquisition cost 31 Dec	94,138	91,038
Other shares		
Acquisition cost 1 Jan	254	254
Acquisition cost 31 Dec	254	254
Total investments	**94,392**	**91,292**

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11. Receivables EUR 1,000

	2018	2017
Current receivables		
Intra-group receivables		
Trade receivables	2,852	2,094
Group contribution receivables	0	0
Total	**2,852**	**2,094**
Material external items in accrued income and prepaid expenses		
Tax assets	0	740
Other items	58	101
Total	**58**	**841**

12. Equity EUR 1,000

	2018	2017
Share capital 1 Jan	80	80
Additions	–	–
Share capital 31 Dec	**80**	**80**
Reserve for invested non-restricted equity 1 Jan	28,053	27,206
Additions	–	847
Reserve for invested non-restricted equity 31 Dec	**28,053**	**28,053**
Retained earnings 1 Jan	22,878	26,483
Purchase/conveyance of treasury shares	–	103
Dividend distribution	–	–4,135
Retained earnings 31 Dec	**22,878**	**22,451**
Profit/loss for the period	**–1,194**	**427**
Total	**21,685**	**22,878**
Equity	**49,818**	**51,011**
Distributable funds 31 Dec		
Reserve for invested non-restricted equity	28,053	28,053
Retained earnings	22,878	22,451
Profit for the period	–1,194	427
Total distributable funds	**49,738**	**50,931**

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

	2018	2017
Non-current liabilities		
Liabilities to others		
Loans from financial institutions	18,518	19,509
Total non-current liabilities	**18,518**	**19,509**
Current liabilities		
Intra-group liabilities		
Trade payables	16	34
Other liabilities	15,299	12,722
Liabilities to others		
Trade payables	202	320
Loans from financial institutions	13,117	10,080
Accrued expenses	209	741
Other liabilities	446	223
Total current liabilities	**29,289**	**24,119**
Material items included in accrued expenses		
External		
Accruals related to employee benefit expenses	196	237
Other accruals	12	504
	209	**741**

14. Commitments EUR 1,000

	2018	2017
Carrying amount of pledged shares	0	0
Rental liabilities		
To be paid during the on-going financial year	211	199
To be paid in later years	78	181
Total	**290**	**380**
Other liabilities		
Account limit, amount in use	2,000	0
Account limit, unused amount	3,000	5,000
Total	**5,000**	**5,000**
Guarantees		
Rental deposits	15	60
On behalf of intra-group companies	47,619	43,889

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.

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 covering the earning periods 2016 and 2017. In the beginning of the year 2018, the Board decided to continue the share-based incentive plan to cover earnings period 2018. The aim of the 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 2018 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 2019
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 2020 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 2018

EUR	Compensation 2018	Compensation 2017
Tapio Hakakari *	36,000	34,500
Antti Korkeela	24,000	21,750
Erkki Norvio *	24,000	21,750
Niina Rajakoski	24,000	21,750
Petri Rignell *	24,000	21,750
Pekka Salokangas *	24,000	21,750
Janne Näränen [1)]	–	3,750

1) Janne Näränen has been 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. Erkki Norvio has been a Member of the Nomination and Compensation Committee since 4 April 2017. Tapio Hakakari was a Member of the Nomination and Compensation Committee until 4 April 2017 and has been a member again since 4 April 2018.

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.

Consti Group Plc's Board decided on 15 February 2018 to continue the share-based incentive plan that was set up to engage the Group's key people in 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 2018 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 possible bonus for earnings period 2018 will be paid to participants after a two-year engagement period during 2021, in part as company shares and in part as cash. During earnings period 2018, the plan will include a maximum of approximately 70 key people including the Management Team. For the earning period 2018, the bonuses paid will amount to a maximum of approximately 250 000 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 2018 CEO Esa Korkeela was paid a salary of EUR 271 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 senior 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 2018 are (EUR):

Retained earnings	22,878,385,08
Profit/loss for the period	–1,193,735,78
Total retained earnings	21,684,649,30
Reserve for invested non-restricted equity	28,053,072,43
Total distributable funds	49,737,721,73

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 2018.

SIGNATURES TO THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki, 6 February 2019

Tapio Hakakari
Chairman of the Board of Directors

Erkki Norvio
Member of the Board of Directors

Petri Rignell
Member of the Board of Directors

Pekka Salokangas
Member of the Board of Directors

Antti Korkeela
Member of the Board of Directors

Niina Rajakoski
Member of the Board of Directors

Esa Korkeela
CEO

Auditor's note

An auditor's report has been issued today.

Helsinki, 6 February 2019

Ernst & Young Oy
Authorised Public Accountants

Mikko Rytilahti
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, 2018. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, 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. Non-audit services to the parent company or the subsidiaries are disclosed in the note 8 of the financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of project deliveries Refer to the Group's accounting principles 1. and the note 4. Revenue from contracts with customers 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 project deliveries 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 related change orders. In year 2018, approximately 93% of the net sales of 316 million euro were recognized under the stage of completion method. We identified revenue recognition of project deliveries as a significant risk as revenue recognition contains significant management judgment. 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).	Our audit procedures to address the risk of material misstatement in respect of the project deliveries included: • Assessing of the Group's accounting policies over revenue recognition of long-term project deliveries. • 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, - 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.
Valuation of goodwill Refer to Note 1. Accounting principles and Note 15. 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, 2018, the value of goodwill amounted to 49 million euro representing 44% of the total assets and 208% 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).	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 15. Impairment testing on goodwill and assets with an indefinite useful life the most important assumptions related to testing have been disclosed. We evaluate the adequacy of these accounting principles.

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 11 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 6 February 2019

Ernst & Young Oy
Authorised Public Accountant Firm

Mikko Rytilahti
Authorised Public Accountant

KEY FIGURES AND INFORMATION FOR SHAREHOLDERS

KEY FIGURES

Income statement, 1 Jan to 31 Dec (EUR 1,000)	2018 IFRS	2017 IFRS	2016 IFRS
Net sales	315,762	300,203	261,558
Adjusted EBITDA	–464	1,714	13,142
Adjusted EBITDA margin, %	–0.1%	0.6%	5.0%
EBITDA	–464	1,714	13,120
EBITDA margin, %	–0.1%	0.6%	5.0%
Adjusted operating profit/-loss (EBIT)	–2,126	–375	11,004
Adjusted operating profit/-loss (EBIT) margin, %	–0.7%	–0.1%	4.2%
Operating profit/-loss	–2,126	–375	10,982
Operating profit/-loss margin, %	–0.7%	–0.1%	4.2%
Profit before taxes (EBT)	–2,837	–1,204	10,067
as % of net sales	–0.9%	–0.4%	3.8%
Profit for the year	–2,330	–1,074	7,978
as % of net sales	–0.7%	–0.4%	3.1%

Balance sheet (EUR 1,000)			
Balance sheet total	111,041	100,810	98,078
Net interest bearing debt	19,582	12,070	12,097
Equity ratio, %	25.4%	28.6%	34.5%
Gearing, %	83.6%	47.7%	40.8%

Other key figures			
Free cash flow (EUR 1,000)	–7,140	8,936	10,865
Cash conversion, %	n/a	521.4%	82.8%
Order backlog (EUR 1,000)	225,082	225,721	190,806
Order intake (EUR 1,000)	228,525	278,077	223,055
Average number of personnel	1,093	1,088	933
Number of personnel at period end	1,046	1,079	935
Earnings per share, undiluted (EUR)	–0.30	–0.14	1.05
Earnings per share, diluted (EUR)	–0.30	–0.14	1.05
Shareholders' equity per share (EUR)	3.06	3.30	3.89
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	7,662,216	7,620,931
Average number of outstanding shares	7,662,216	7,660,253	7,615,373

CONSTI GROUP PLC \ KEY FIGURES AND INFORMATION FOR SHAREHOLDERS

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 (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 project deliveries, long-term service agreements and the part which has not been invoiced in ordered invoice based projects
Order intake	=	Orders of project deliveries, long-term service agreements and invoice-based projects during the period

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 Finland Oy. 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 2018, the total number of shares was 7,858,267 and the share capital amounted to EUR 80,000.

Share information

- Listed on Nasdaq OMX Helsinki Oy
- List: Nordic Small Cap
- Trading code: CONSTI
- ISIN code: FI4000178256
- Sector: Industrials
- Industry: Industrial Goods & Services
- Number of shares 31 Dec 2018: 7,858,267
- Listing date: 11 December 2015

Shareholders

At the end of December 2018, Consti Group Plc had 3,236 shareholders in the share register. Distribution of shareholders is shown in the table and graphs presented on the next page. At the end of December 2018, non-Finnish shareholders held approximately 14.7 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 Tuesday 2 April 2019 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 2019 in the company's shareholders' register held by Euroclear Finland Oy. Shareholders must also give prior notice of their attendance to the company by 25 March 2019 at 4.00 pm. 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 2018.

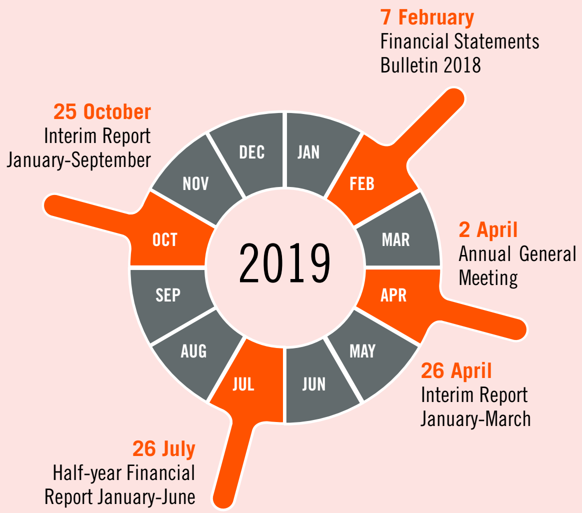
Financial calendar in 2019

Consti shall publish three interim reports during 2019:

- Interim report 1–3/2019 will be published on 26 April 2019
- Half-year financial report 1–6/2019 will be published on 26 July 2019
- Interim report 1–9/2019 will be published on 25 October 2019

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

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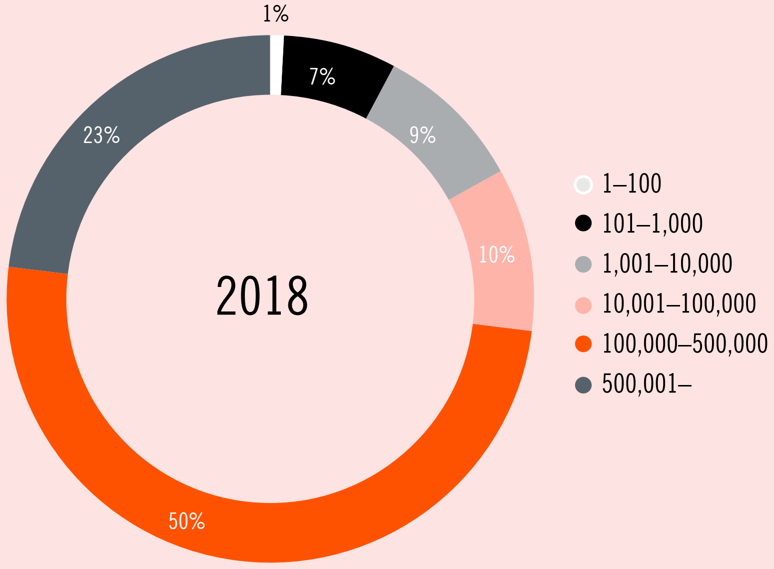
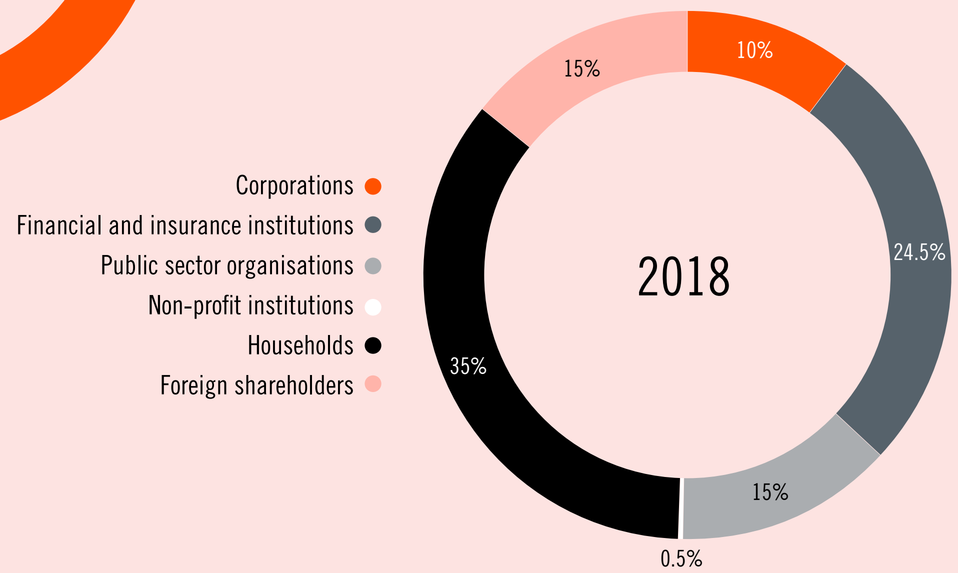
Financial documents can be obtained from:
Consti Group Plc
Hopeatie 2, FI-00440 Helsinki, Finland
Tel. +358 10 288 6000
IR@consti.fi

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

Distribution of shareholding by size range
31 December 2018



Distribution of shareholding by sector
31 December 2018



Major shareholders 31 December 2018	Number of shares	%
Ilmarinen Mutual Pension Insurance Company	780,451	9.93
Evli Suomi Pienyhtiöt Fund	490,000	6.24
Danske Invest Suomi Yhteisöosake Fund	425,818	5.42
Esa Sakari Korkeela	411,600	5.24
Risto Juhani Kivi	375,300	4.78
OP-Suomi Pienyhtiöt Fund	307,977	3.92
Markku Kalevo	297,900	3.79
Antti Petteri Korkeela	276,894	3.52
Aktia Capital Fund	185,850	2.37
eQ Pohjoismaat Pienyhtiö Fund	181,624	2.31
Danske Invest Suomen Parhaat Fund	181,229	2.31
Consti Group Plc	173,031	2.20
Varma Mutual Pension Insurance Company	172,000	2.19
Danske Invest Suomi Osake Fund	132,890	1.69
Church Pension Fund	118,937	1.51
Säästöpankki Pienyhtiöt Fund	112,038	1.43
Norvier Oy	106,463	1.35
Nordea Pro Suomi Fund	79,432	1.01
Fortum's Pension Fund	75,775	0.96
OP-Suomi Mikroyhtiöt Fund	75,316	0.96
20 largest owners, total	**4,960,525**	**63.12**
Nominee registered	1,141,144	14.52
Others	1,756,598	22.35
Total	**7,858,267**	**100.00**

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