CONSTI

CONSTI GROUP PLC ANNUAL REPORT

2019

CLOSER TO THE CUSTOMER

CONSTI

Photo: Pasi Salminen

Cover Photo: Harri Tarvainen

Contents

CONSTI IN BRIEF

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

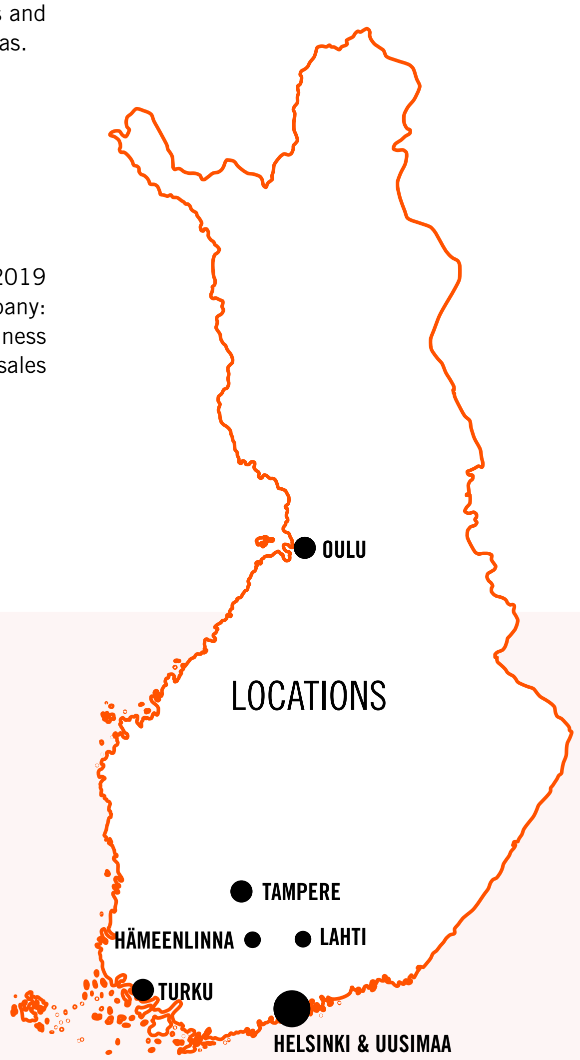
Consti offers comprehensive services in building technology, pipeline and facade renovations, modifications of the use of buildings, and other repair and construction work to housing companies, corporations, and the public sector. Our services also include service contracts and maintenance. Our operations concentrate to Finland's growth areas.

Consti has four business areas:

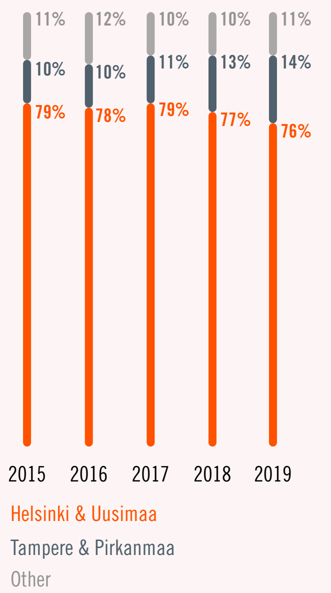
- Housing Companies
- Corporations
- Public Sector
- Building Technology

The group's parent company is Consti Group Plc. At the end of 2019 the group had two subsidiaries fully owned by the parent company: Consti Korjausrakentaminen Oy and Consti Talotekniikka Oy. Business areas are reported in one segment. In addition, Consti reports net sales for each business area.

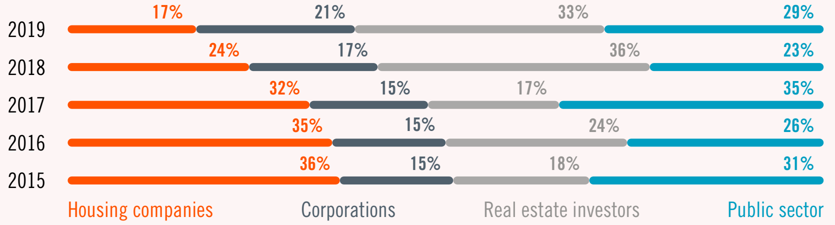
LOCATIONS



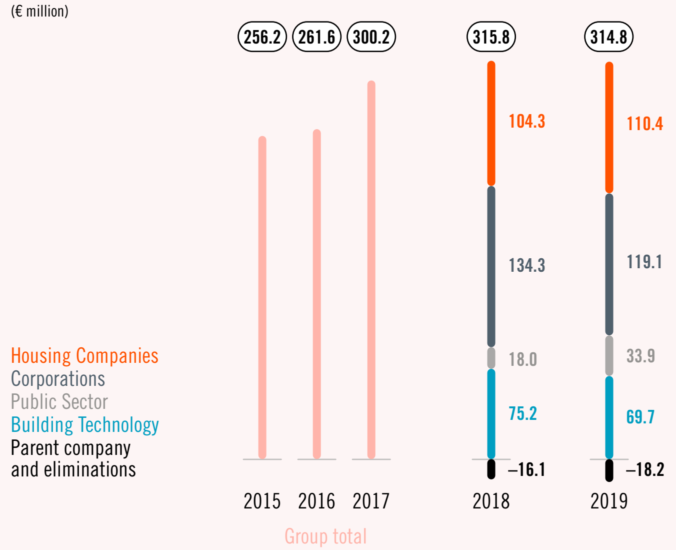
NET SALES
BY GEOGRAPHICAL AREA



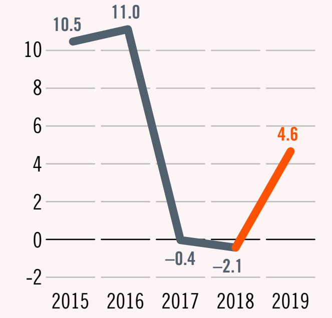
NET SALES BY CUSTOMER GROUP



NET SALES
(€ million)

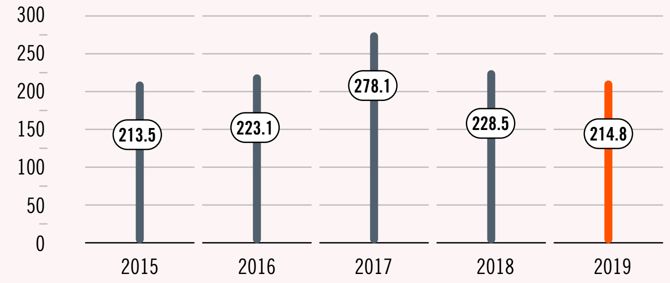


EBIT (€ million)*

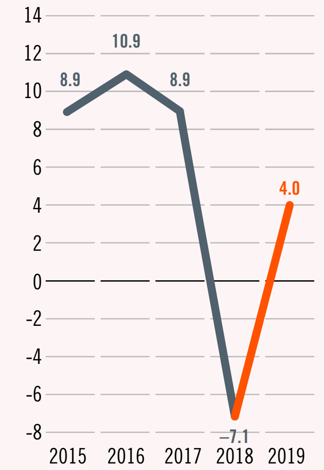


* Adjusted EBIT before items affecting comparability

ORDER INTAKE (€ million)

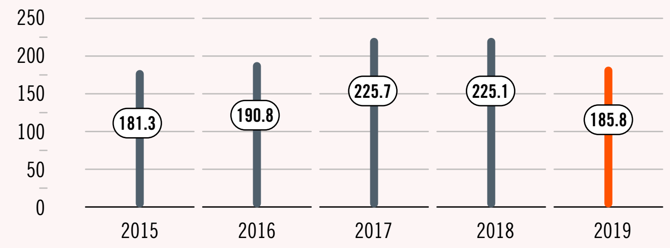


FREE CASH FLOW (€ million)*



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

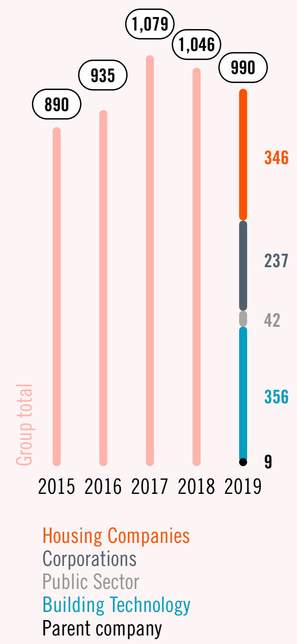
ORDER BACKLOG (€ million)



NET SALES
315
€ MILLION

AVERAGE NUMBER OF EMPLOYEES
1,037

NUMBER OF PERSONNEL AT YEAR END



2019


Photo: Ville Vappula

CEO'S REVIEW
A YEAR OF CHANGES

2019 was a year of positive changes for Consti. Our turnaround programme and renewing of our organisation as a part of it improved our performance and profitability as planned. Our operating result improved quarter by quarter towards the end of the year and was profitable.

Our operating result for the whole year amounted to 4.6 million euro, which is 1.5 percent of net sales. All four of our business areas were profitable in 2019. Our net sales totalled 315 million euro, which is on par with the previous year's level.

During the past year, we focused on implementing our turnaround programme to improve profitability and competitiveness. We were able to improve our organisation's customer orientation, risk management and agility. We succeeded in moving business leadership closer to production at our worksites, which accelerates for example problem solving.

The organisational renewal carried out in February 2019 had many goals. Dividing business areas according to customer groups simplified purchasing services and sales, and thus made it easier for customers to do business with Consti. For the personnel, the new organisation means improved possibilities to concentrate on developing their own special expertise. Unified and centralised support functions support business and supervisor work. Joint development of operational models and processes has also streamlined our operation, and work is still ongoing. Our way of working was communicated in writing and was named The Consti Way.

We also achieved the two-million-euro cost savings goal established in our turnaround programme.

Our market environment remained mainly good. During the year Consti had approximately 800 projects ongoing. Our order intake during the year amounted to 215 million euro, which is six percent less than in the comparison period. Our order backlog at the end of the year was 186 million euro. Despite the strong order intake development during the last quarter, our order backlog at the end of the year was 17 percent less than a year earlier.

The order intake and order backlog development reflect our more disciplined bidding procedures. Ongoing comprehensive renovation projects also tied up our resources into late autumn. More disciplined bidding procedures mean more detailed risk calculations already at the bidding stage, and in some operations, it means a smaller average project size. In addition, the method of delivering the project must be in line with the risks and potential returns. Throughout the fiscal period, the quality of our order backlog and the suitability of projects for Consti improved.

Our new organisation creates a strong foundation for improving profitability and achieving our growth strategy.

My current view is that the demand for renovation and building technology services will remain at a moderate level in 2020 as well. As the strong growth in new construction declines, the general expectation is that recruiting the best talent in renovation and building technology will become easier as a whole. Even if competition would intensify in some area of construction, I believe that the levelling out of market growth will have a positive impact on the quality of the entire construction supply chain.

I expect that our turnaround programme and the improved quality of our order backlog will improve our performance in 2020. Our new organisation creates a strong foundation for improving profitability and achieving our growth strategy in the long term as well.

A warm thank you for the past year to our personnel, all our customers, our partners and owners.

Esa Korkeela


Photo: Shutterstock

CONSTI GROUP PLC BUSINESS STRATEGY

CONSTI'S GOAL IS TO BE NO. 1 IN RENOVATIONS IN FINLAND

Consti's mission is to improve the value of the building stock and people's quality of life. Consti's goal is to grow faster than the market.

Consti is Finland's leading company focused on renovation contracting. The company's market position is especially strong in selected growth centres: the greater Helsinki area, Pirkanmaa, Turku and Oulu. 76 percent of the group's net sales in 2019 came from the greater Helsinki area, 14 percent from Pirkanmaa, and 11 percent from Turku, Oulu and elsewhere in Finland.

Versatile building technology and renovation services are offered to a broad range of customers. The business is divided into four business areas, which are Consti Housing Companies, Consti Corporations, Consti Public Sector, and Consti Building Technology. Outside the greater Helsinki area, not all business areas are represented in each Consti office. All of the business areas also offer maintenance services. Net sales of maintenance services grew somewhat in 2019 and made up 14 percent of the group's net sales.

The broad customer base, versatile offering and expertise in projects of different sizes are Consti's strengths and part of its risk management.

Consti's vision is to be number one in renovations in Finland. Consti has defined strategic initiatives to reach this vision: profitable and competitive operations, the best professionals, excellent services and solutions, the best customer experience, and renewal and growth. Improving profitability was emphasised in strategy implementation during 2018 and 2019.

In the beginning of 2020, Consti's Board of Directors assessed the company's current strategy and financial targets in light of the changes that have occurred in the market and competitive environment, as well as the development of Consti's operations. The old growth target of growing over 10 percent annually was replaced with a target of growing faster than the market. The more moderate growth objective better reflects Consti's aspiration to build a foundation for sustainable profitability.

Other financial targets (EBIT margin exceeding 5 percent, cash conversion ratio exceeding 90 percent, net debt to adjusted EBITDA ratio of less than 2.5x) remained unchanged.

To achieve the strategy, Consti's businesses and resources were reorganised in 2019 to be more customer oriented. The new organisational model enables moving business leadership closer to production at worksites and promotes the efficient organisation of internal services that support the business.

Consti's strengths are a broad customer base, versatile offering and expertise in projects of different sizes.

Strategic initiatives

Profitable and competitive operations

Consti's goal is to have the industries best lead time and profitability, a streamlined and appropriate organisation structure and continuous improvement of operations. During 2019 shared rules were determined for instance for bidding, and risk management at the bidding stage was improved. All these are supported by the shared project management system and the ongoing project information digitalisation. The flow-based production model, which has been successfully used especially in apartment renovations, is also an essential part of improving profitability.

The best professionals

The best professionals means attractive work opportunities, career paths, support from the employer for the continuous development of the employees' competence, and efficient HR processes. This development has been supported with a new organisational structure and for instance by unifying career life cycles.

In 2019 work safety training and the work safety organisation were also renewed.

Excellent services and solutions

Productising services makes decision making easier for customers. During the past years productising has advanced well in balcony renovations for element apartment buildings and amenity renovations for apartments.

Consti Kodikas concept is developed for housing companies, in which customers can benefit from Consti's broad-scale competence already during the renovation's planning phase.

The best customer experience

The goal is to create solutions and added value for customers through Consti's services. To achieve the best customer experience, the customer feedback system and negotiation skills used in different kinds of encounters were improved during 2019.

The customer-oriented organisational model that was taken into use in 2019 also eases purchasing of services.

Renewal and growth

Consti seeks growth primarily in its current business and market areas. Growth opportunities are also sought by developing new operational models such as joint project models in which partners work together already in the planning stage. Consti is participating in for example the industry's joint Rain2 endeavour. Opportunities for expanding the company's offering to the entire life cycle of buildings have been identified in maintenance and building technology. Renewal and growth are also supported by embracing the opportunities of digitalisation.

CONSTI GROUP PLC BUSINESS STRATEGY

STRATEGY

Long-term strategic goals

Growth:
Net sales growing faster than the market

Profitability:
EBIT margin exceeding
5%

Cash flow:
Cash conversion ratio exceeding*
90%

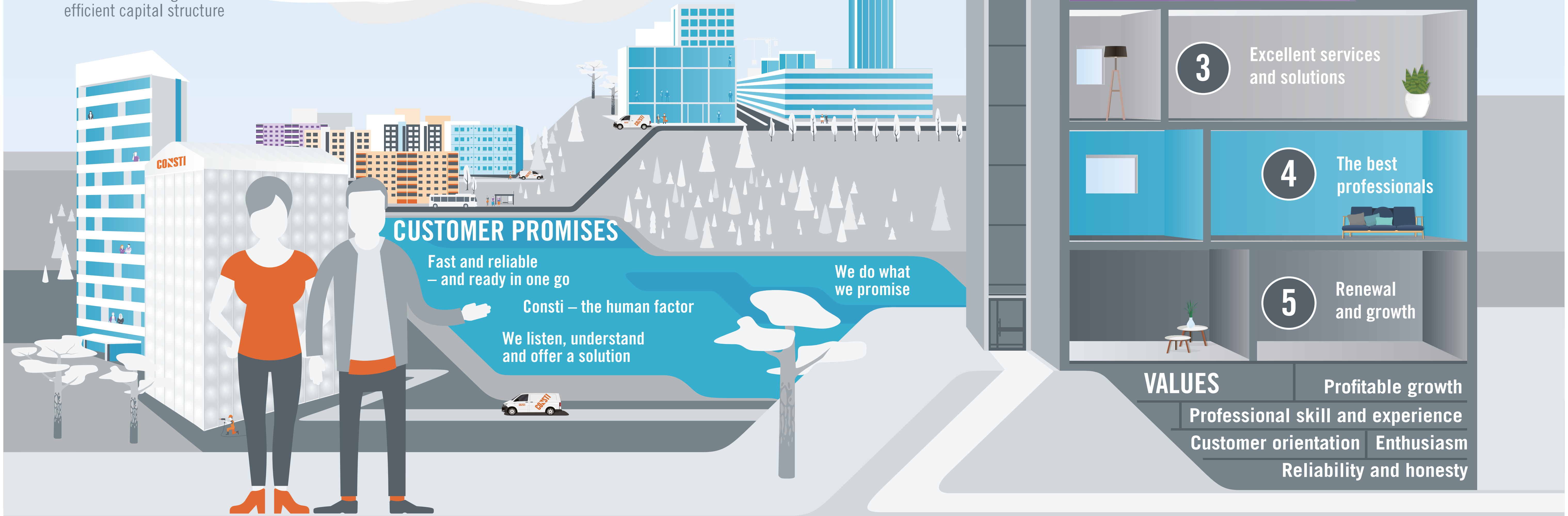
Capital structure:
Net debt to adjusted EBITDA ratio of less than
2.5 x
while maintaining an efficient capital structure

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.



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

STRATEGIC INITIATIVES

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

VALUES

- Profitable growth
- Professional skill and experience
- Customer orientation
- Enthusiasm
- Reliability and honesty

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

RENOVATION IS DRIVEN BY NEED

The steady growth of renovation is sustained by the age of the building stock and global megatrends.

Professional renovation has grown nearly continuously in Finland for the last 20 years and at its best, its value has surpassed that of new construction. In 2019 renovation's share of all construction is estimated to have been approximately 48 percent.

The renovation market's growth is estimated to have been about 1–2 percent in 2019. The Confederation of Finnish Construction Industries (CFCI) estimates that renovation grew nearly two percent in 2019 and Euroconstruct estimates it grew 0.9 percent. According to Euroconstruct, the house building market as a whole declined approximately 1.5 percent.

The importance of renovation is emphasised as new construction declines.

New construction decreased about 3.6 percent in 2019 according to Euroconstruct. In new construction the emphasis was on public buildings such as schools and hospitals, and commercial buildings. Residential new construction decreased after growing rapidly during past years. CFCI estimates that residential new construction decreased 5.0 percent, while Euroconstruct's estimate is 7.6 percent. No significant changes occurred in the amount of other new construction.

Both renovation and new construction have concentrated to large cities in past years. As economic growth declines new construction is estimated to concentrate even more to growth centres.

Building technology most rapidly growing area of renovation

The value of professional renovation was slightly over 13 billion euro in 2019. Residential buildings made up 8 billion euro of this amount. The majority of renovations were conducted in apartment buildings and rowhouses.

Renovation is need driven and thus economic fluctuation has a lesser impact on it than it does on new construction.

The demand for renovation is increased by the age of the building stock in Finland. Residential construction was at its heights in the 1970s and the building technology, facades and structures from that time now require major renovations. The scale of construction in the 1970s is showcased by the fact that housing companies built in the 1970s have a total of about 60 million square meters of net floor area, while housing companies built in the 1960s only have about 35 million square meters. However, housing companies from the 1960s have still been renovated most when looking at the value of the renovations in proportion to the net floor area.

Pipeline renovations are the most rapidly growing area of renovation. In the past years building technology renovations have made up nearly half of all housing company renovations and approximately three quarters of these building technology renovations have been pipeline renovations. Structures and facades are the second largest object of renovation activity, making up nearly 40 percent of all renovations.

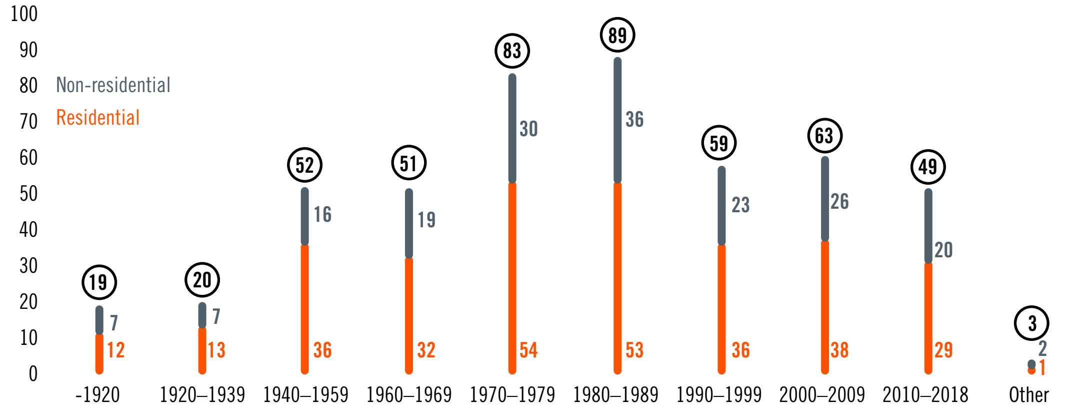
Measured by the value of renovations, building technology renovations in housing companies built in the 1960s are clearly the largest group. In proportion to net floor area, facades are also renovated most in housing companies from the 1960s, but the value of renovations is more evenly distributed across housing companies from different decades. Windows, external doors, foundations and structures are renovated most in older housing companies, while roof renovation value is largest in housing companies from the 1980s. Pipeline renovations are also increasing in housing companies from the 1980s.

Both renovation and new construction has increased for several years now in public buildings such as schools and hospitals. Especially new construction has increased considerably. Public building construction is, however, estimated to slow down in upcoming years, and this in turn is estimated to significantly impact the construction market as a whole.

Characteristics of renovation

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 surprising 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 specialisation.	Renovation is Consti's main business.

Finland's building stock according to building year (million m²)



Source: Statistics Finland, May 2019

Climate change is heightening energy efficiency requirements

The market for renovation is estimated to continue to grow relatively steadily, and faster than new construction.

The demand for renovation is due to the large building stock of residential buildings from the 1970s and also renovation needs in commercial and office buildings. In the 1980s commercial and office building construction was especially large-scale, and in the 1990s and early 2000s more commercial and office buildings were built than residential buildings. Commercial and service facilities do not necessarily meet present-day needs. New construction of commercial and office buildings is estimated to decrease in upcoming years.

Megatrends such as aging population, urbanisation and climate change also add to the need of renovation. Energy efficiency requirements for buildings, for example, aim to decrease carbon emissions by improving energy efficiency through comprehensive renovations and smart building technology. EU's directive requires that member states make long-term comprehensive renovation strategies to convert the building stock to be extremely energy efficient and low-carbon by 2050. Some of the requirements are already for 2020. Building technology such as ventilation, as well as various security systems are also growing more important as factors contributing to living comfort.

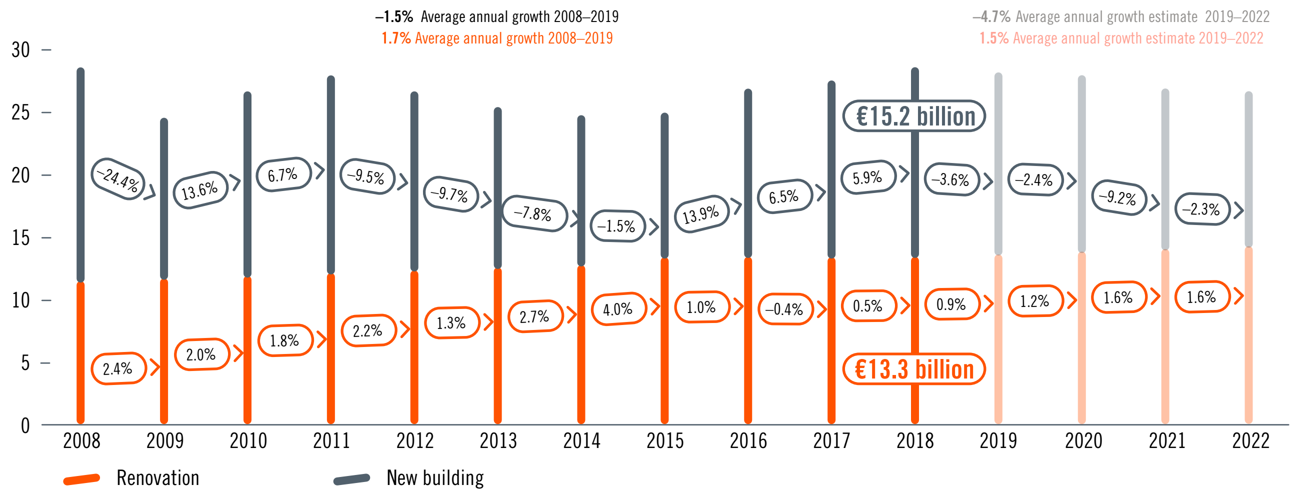
Hand in hand with urbanisation, both new construction and renovation are concentrated more and more to cities, because renovating buildings in areas that are losing population is not always economically viable. Urbanisation also adds to supplementary building in both centres of growth areas and suburbs. Modifications of building use are also conducted to renovate office buildings into apartments.

Euroconstruct estimates that building renovations will grow 1.2 percent in 2020 and that the annual growth will remain at approximately 1.6 percent during 2021 and 2022. Euroconstruct estimates that new construction will decrease 2.4 percent in 2020. The whole market for housebuilding is estimated to decrease about 0.7 percent.

The slowing down of new construction is expected to improve workforce availability, but it may simultaneously intensify competition especially for large renovation projects.

Sources: Euroconstruct 11/2019; The Confederation of Finnish Construction Industries RT's review 10/2019 and Statistics Finland (Tilastokeskus.fi).
The market forecasts are for residential and other buildings and do not include civil engineering.

The market growth of new construction and renovation (€ billion)



Source: Euroconstruct, November 2019

NEW FACADES AND BETTER BALCONIES

Housing companies now get all renovation services from under one roof.

Consti is one of Finland's largest renovators of residential buildings. Consti Housing Companies carries out pipeline renovations, facade renovations, and roof renovations for housing companies, as well as facade and roof renovations for other customer groups. Its services include the servicing and maintenance of the buildings. In 2019 the Housing Companies business area made up approximately one third of the group's net sales.

During the beginning of 2019 Consti reorganised its offering so that customers could get all the services they require easily from under one roof. This eases the workload of housing company property managers especially at the tendering phase, if they wish, for example, to renew ventilation systems alongside a window renovation. Likewise, it is customary for housing companies to renovate lobbies and other public spaces alongside pipeline renovations. Previously these services were offered by separate companies within Consti group. Housing companies have already started actively using the new shared customer service in tendering processes.

The new organisational model also aims to add efficiency: when the employer is the same, workers can move to where they are needed at a given time more flexibly.

Renovations are mostly conducted in housing companies from the 1970s

At present, the greatest value in renovation comes from housing companies built in the 1970s, and predominantly from pipeline renovations. Up until now most such renovations have been conducted in housing companies built in the 1960s. According to a recent survey conducted by Statistics Finland, pipeline renewals will remain the largest renovations for housing companies from the 1960s as well for the next three years, after which facade and roof renovations will be the most common large-scale renovations. In housing companies built in the 1980s the largest projects are roof renovations.

Consti has developed a service concept called Kodikas for housing companies. It provides housing companies with guidance and help for planning renovations and finding out costs already before the renovation begins. The service starts by identifying the housing company's needs, after which Consti as a renovation professional looks into different options and produces information that the housing company can use in decision making. As a part of Consti Kodikas, renovation related communication to residents has also been developed.

A demolition robot helped at the National Archives of Finland

Large-scale renovation projects finished in 2019 include for instance housing company Puistonportti in Lauttasaari, Helsinki, which won the housing company facade renovation competition arranged by facade association Julkisivuyhdistys ry, as well as a traditional pipeline renovation in Helsinki, in housing company Albertinkatu 16, which was built in 1962.

Most of the pipeline and facade renovations that Consti carries out are in the Greater Helsinki area. In addition to the Greater Helsinki area, Consti also conducts a great deal of pipeline and facade renovations in Tampere and Oulu.

The most significant facade renovation which was not for a housing company was the newer part of the National Archives of Finland, which was built in the 1970s. A precise demolition robot was used at the demanding site. The National Archives of Finland was operating all through the renovation, which was finished in December 2019.

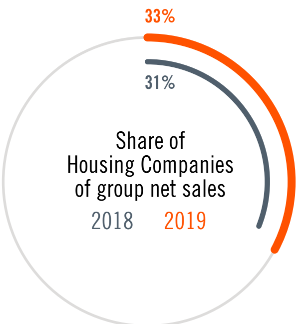
Demand for servicing has grown especially in joint sealing of prefabricated houses built in the 1960s and 1970s, which are tested by alternating freezing and melting during mild winters. In upcoming years balcony renovations are also expected to increase.

New projects started in the Greater Helsinki area include facade renovations at housing companies Halsuantie 5–7, Pellavapelto and Leppämajuri, and a pipeline renovation at housing company Vihertöyry. In Oulu the comprehensive renovation of the Radisson Blu hotel started in August. The renovation is expected to last approximately one year.

Net sales grew in facade renovations

The Housing Companies business area's net sales grew in 2019 and amounted to 110 (104) million euro, making up 33 (31) percent of the group's net sales. Growth was especially strong in facade renovations.

The Housing Companies business area had 346 employees at the end of the year.



CONSTI GROUP PLC HOUSING COMPANIES

Photo: Jukka Male

Improved living comfort through balcony renovations

Housing company Puistonportti's facade renovation was chosen as facade renovation of the year in 2019. The jury found the renovation particularly good and an encouraging example of how architecture from the 70s can be renewed while taking into consideration its original features. The renovation as a whole was carefully considered, paying attention to life-cycle thinking and long-term durability, thoroughly planned and carried out well.

In this exceptionally large comprehensive renovation, the old balconies were replaced with new larger balconies, and apartments that previously did not have balconies had them installed. The renovation also made the entrances to the building more accessible.

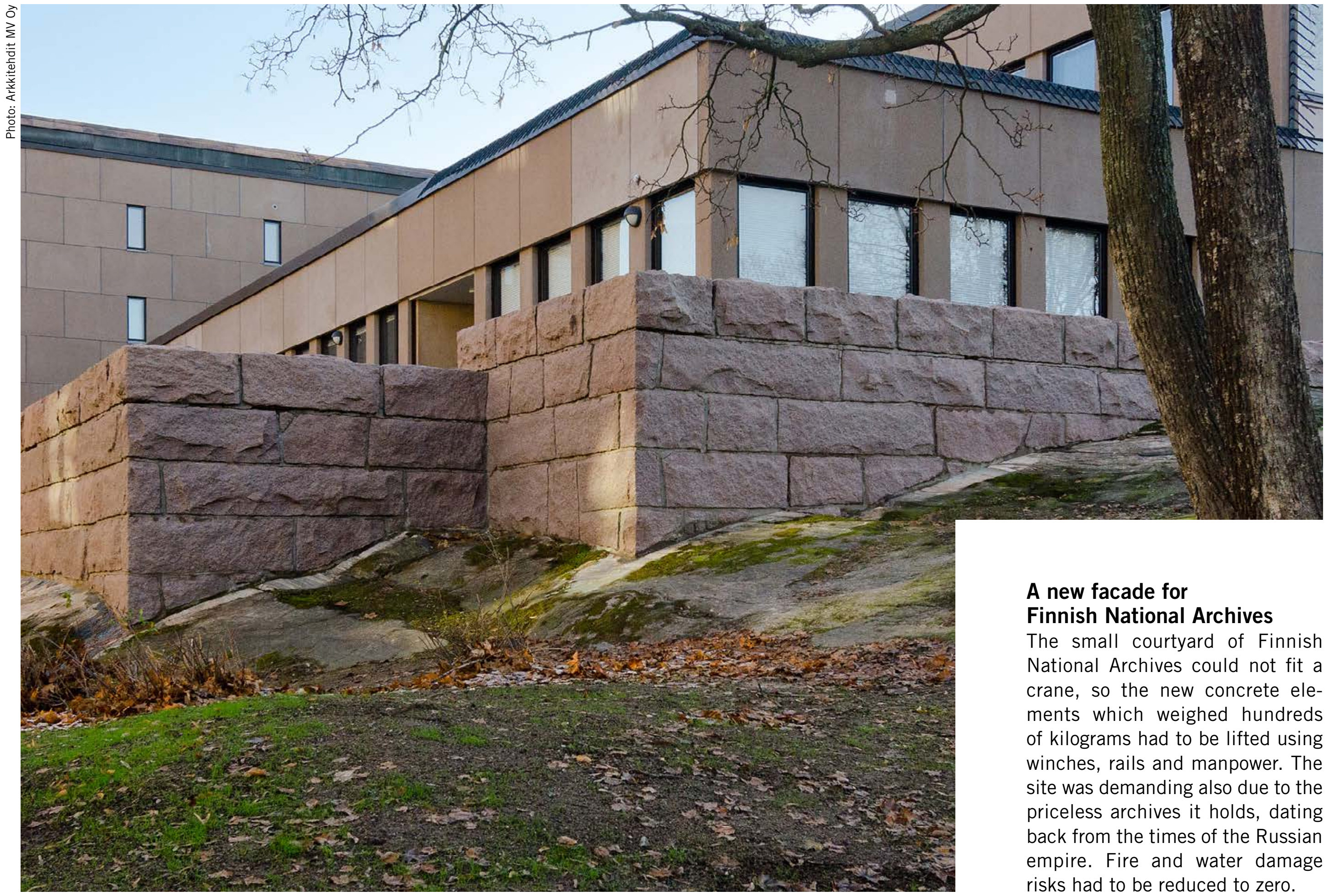


Photo: Arkkitehdit MY Oy

A new facade for Finnish National Archives

The small courtyard of Finnish National Archives could not fit a crane, so the new concrete elements which weighed hundreds of kilograms had to be lifted using winches, rails and manpower. The site was demanding also due to the priceless archives it holds, dating back from the times of the Russian empire. Fire and water damage risks had to be reduced to zero.

ROBUSTNESS AND AGILITY AS NEEDED

Project development and choosing the appropriate method of project delivery are emphasised in renovations for corporations.

Consti Corporations serves real estate investors and other corporations in projects of all sizes all the way from budgeting to execution. Its services include for instance renovations, comprehensive renovations, service contracting, project development and different kinds of maintenance services.

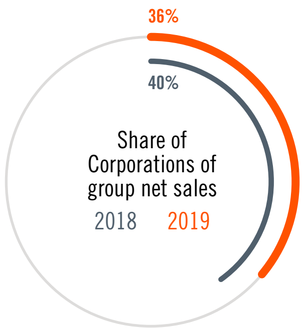
A project may entail renewing a hotel, office space or retail facility, or modifying the use of an entire building from an office space or industrial facility into apartments. Consti Corporations also carries out apartment building comprehensive renovations for example for student housing foundations and pension insurance companies.

Projects carried out by the Corporations business area made up more than one third of the group's net sales in 2019.

In addition to renovations, individual enterprise and project development work is emphasised in collaboration with corporations, to support real estate owners in growing profit throughout the real estate's life cycle. The projects can be delivered as total price contracts, cost and fee contracts, or target and maximum price contracts. Especially in building purpose modification projects choosing the appropriate project delivery method is emphasised to ensure that the responsibilities are balanced with the risk and profit potential of the project.

Understanding the customers better

Consti's new organisation in 2019 brought all of the services aimed at corporations and real estate investors under one roof as the Consti Corporations business area. The purpose was to ensure that the customers' special needs, decision making processes, and other procedures are known as well as possible already at the bidding phase. Internal boundaries were also removed. This adds flexibility as workers can be allocated to where they are needed at a given time more easily.



Better facilities for everyday life, celebration and travel

One of the most significant finished projects in 2019 was the comprehensive renovation of hotel Marski in Helsinki. During the comprehensive renovation, building technology was renewed and three new stories were built to the building's wing in the inner courtyard. In Espoo's Vuorimiehentie, Consti finished a comprehensive renovation of facilities for Aalto University. Both projects involved Consti Corporations and Consti Building Technology. In the summer, Consti finished the extension and comprehensive renovation of a valuable school building from the Art Nouveau era: Svenska Gården in Lahti.

Varma Mutual Pension Insurance Company commissioned the renovation of Oy Ässäkeskus Ab's facilities, which are used by SOK. This project was finished in early December. As the facility was in use all through the renovation, work was conducted even by night.

In April 2019, renewal work started in Helsinki-Vantaa airport's T2 terminal's non-Schengen area, where waiting spaces are being altered into commercial spaces. The first phase of the work was finished in 2019, and the new spaces will be taken into use gradually during 2020-2022. The new commercial space's net floor area totals 1,500 square meters.

The comprehensive renovation of student housing in Kitarakuja, owned by the Foundation for Student Housing in the Helsinki Region (Hoas), was completed at the beginning of 2020. The project used a flow-based production model and scheduling based on takt time, according to Lean principles. In it, work is divided into equally long packages that follow each other immediately, takt times. The method can be used at work sites where there are numerous similar work stages.

Smaller alterations such as renewing individual retail and office spaces are conducted by Consti Corporations' own unit that specialises in agile service contracts.

During the past year Consti started for example an alliance project of the large-scale comprehensive renovation and building technology renewal at Koy Helsinki's Uudenmaankatu 16–20, and agreed upon starting a HIMA project with the Foundation for Student Housing in the Helsinki Region (Hoas), in which a former office space is transferred into mini apartments for students.

Corporations is Consti's biggest business area

Consti Corporations business area's net sales in 2019 decreased somewhat from the previous year, when it had an extraordinarily large number of projects ongoing. The Corporations business area's net sales in 2019 amounted to 119 (134) million euro, which is 36 (40) percent of the group's net sales.

At the end of the year Consti Corporations employed 237 people.

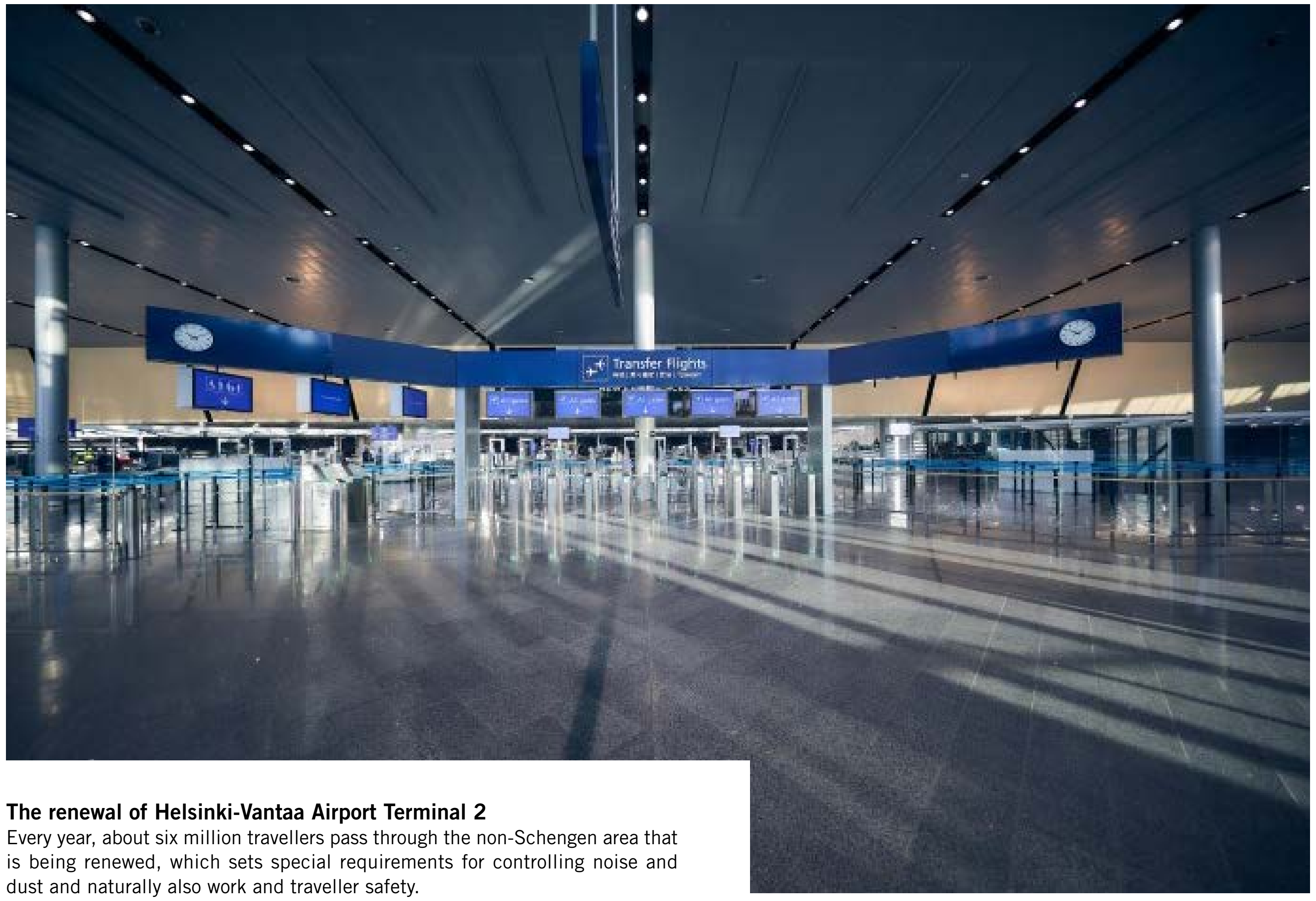


Photo: Pasi Salminen

The renewal of Helsinki-Vantaa Airport Terminal 2
Every year, about six million travellers pass through the non-Schengen area that is being renewed, which sets special requirements for controlling noise and dust and naturally also work and traveller safety.

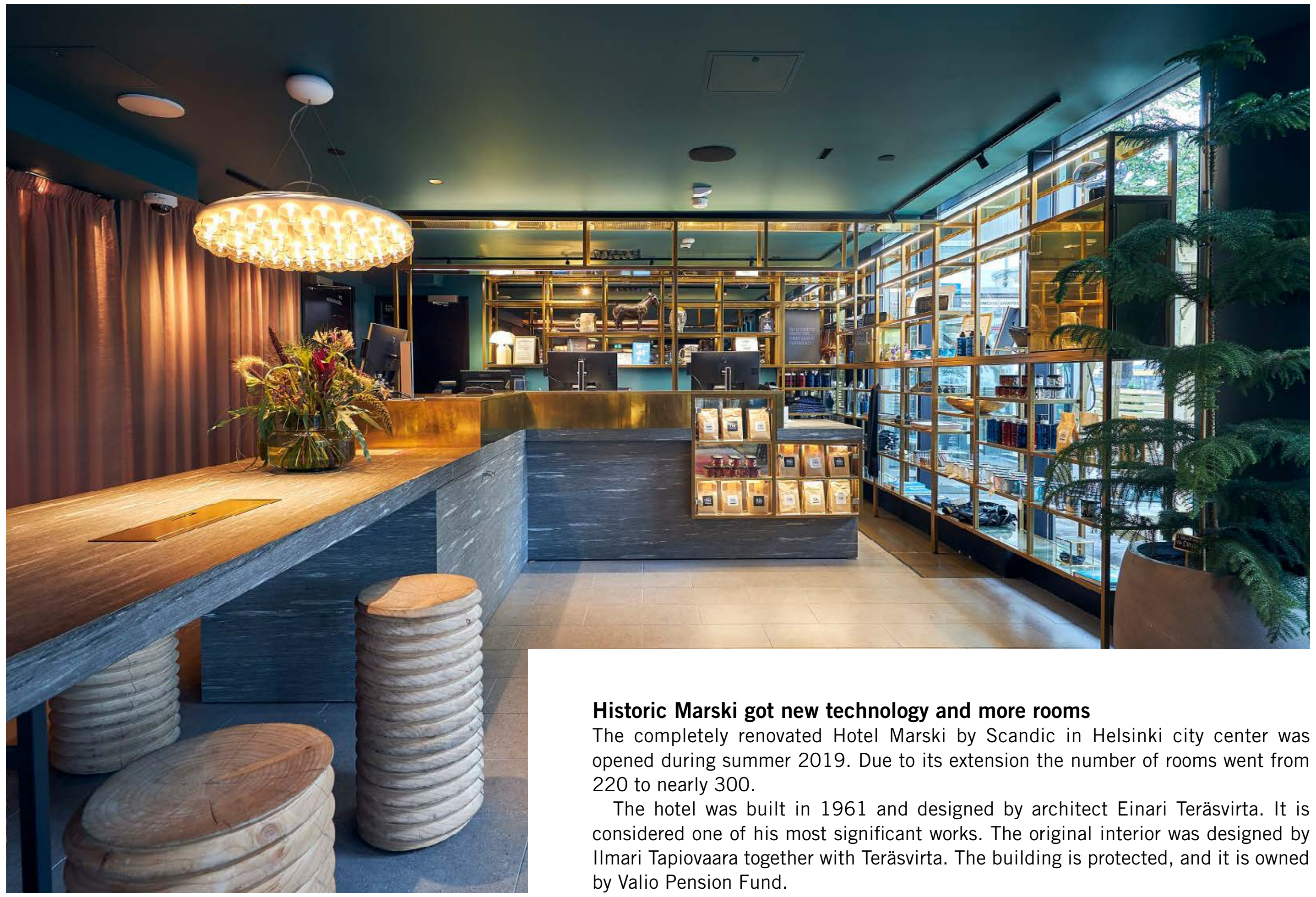


Photo: Pasi Salminen

Historic Marski got new technology and more rooms
The completely renovated Hotel Marski by Scandic in Helsinki city center was opened during summer 2019. Due to its extension the number of rooms went from 220 to nearly 300.

The hotel was built in 1961 and designed by architect Einari Teräsvirta. It is considered one of his most significant works. The original interior was designed by Ilmari Tapiovaara together with Teräsvirta. The building is protected, and it is owned by Valio Pension Fund.

CONSTI PUBLIC SECTOR RENOVATED HOMES AND SCHOOLS

Renovating public properties requires life cycle thinking and experience of large-scale projects.

Consti Public Sector focuses on renovating properties owned by public sector customers, such as the state, cities, municipalities, federations of municipalities, and parishes. The work sites include for instance schools, day care centres, hospitals, office spaces and city rental houses. The business area's net sales amounted to approximately ten percent of the group's net sales.

Special expertise is needed in renovating publicly-owned real estate such as rental houses, to provide efficient and high-quality renovations at large-scale work sites. Careful planning and project management is emphasised in projects that last several years. Life cycle thinking ensures that the investments are profitable in the long run.

Many publicly-owned buildings have exceptionally high standards for building technology as well, because for example indoor air quality must be safe for large numbers of users, while expenses must simultaneously be kept reasonable. The EU energy directive which entered force in 2018 emphasises the role of building automation particularly in advancing the energy efficiency of non-residential buildings.

Experience and versatilely skilled personnel are Consti's strengths in large-scale projects.

In the organisational structure implemented in 2019 Consti's services for public sector customers were centralised into one business area. Customers can now be provided with all the services they need from one unit which is as knowledgeable as possible of the public sector, its needs and procedures. Individual window, roof and facade renovations are carried out by the Housing Companies business area.

New lifts and more classrooms

In 2019 Consti finished for instance Haukilahti school's comprehensive renovation in Espoo and the comprehensive renovation and extension of Tolkis nya skolan in Porvoo. Haukilahti school's life cycle renovations included construction and landscaping work and the complete renewal of building technology. The comprehensive renovation of Tolkis nya skolan in Porvoo included an extension that doubled the school's facilities. Schools are often renovated due to indoor air quality problems but developing the learning environments is also essential.

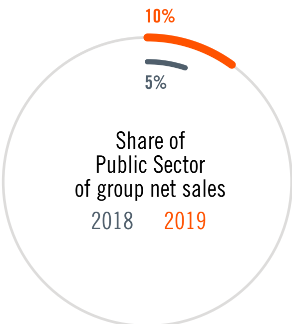
In addition to renewing building technology, the comprehensive renovations of residential buildings, too, nearly always include other renovations that improve comfort of living. The comprehensive renovation of 110 apartments owned by Helsinki City at Siilitie 5 included, for example, the retrofitting of 10 lifts.

Consti started two new projects for Helsinki City: the comprehensive renovation of Myllypuro service centre and the second phase of Siilitie 5, in which 140 apartments will be renovated. The Myllypuro service centre was originally built as a hospital in 1970 and the renovation area consists of 16,700 square meters.

Net sales grew

The Public Sector business area's net sales grew in 2019 and amounted to 34 (18) million euro which is 10 (5) percent of the group's net sales. Public sector projects are typically long-lasting.

Consti Public Sector business area employed 42 people at the end of the reporting period.



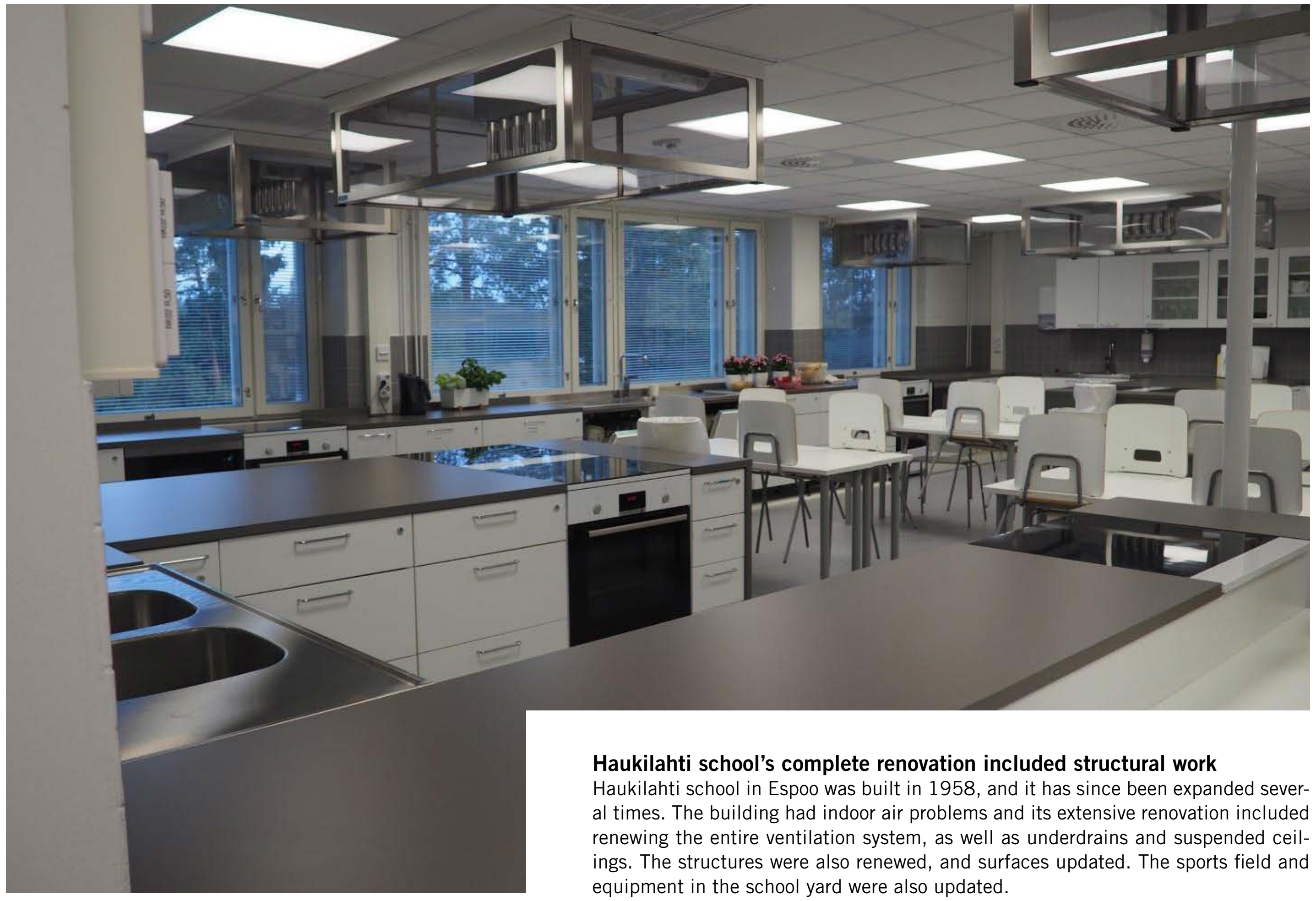


Photo: Anni Vapaniemi

Haukilahti school's complete renovation included structural work
Haukilahti school in Espoo was built in 1958, and it has since been expanded several times. The building had indoor air problems and its extensive renovation included renewing the entire ventilation system, as well as underdrains and suspended ceilings. The structures were also renewed, and surfaces updated. The sports field and equipment in the school yard were also updated.

Photo: Anni Vapaniemi

A new learning environment in Porvoo
In Porvoo's Tolkkinen both the Finnish and Swedish schools' premises were renovated. The large-scale renovation started with demolishing the old building and students started studies in their new school in autumn 2019.

THE IMPORTANCE OF BUILDING TECHNOLOGY INCREASING

Heightened energy efficiency requirements emphasise building technology expertise.

Consti Building Technology offers full-service building technology contracting ranging from planning and execution to maintenance services. Work sites include for instance residential buildings, schools, hospitals, business and commercial properties, as well as parking garages and other underground facilities. In renovations and new construction projects the main contractor can be the building's owner, a construction company or Consti Korjausrakentaminen Oy.

The new organisational structure implemented in 2019 streamlined Building Technology's offering, when traditional pipeline renovations were moved to the Consti Housing Companies business area. In 2019 Building Technology made up approximately one fifth of the group's net sales.

Building technology is increasingly important in both new construction and in renovations. It can add up to nearly half of the monetary value of a building's comprehensive renovation. Modern building technology offers many opportunities for decreasing energy use, improving indoor air quality and optimising the buildings' comfort. Heightened requirements for energy efficiency and carbon neutrality underline the importance of building technology.

The rapid development of building technology, automation and digitalisation have also made building technology instalments more demanding. At Consti this has been taken into consideration in both training employees and recruiting.

In December 2018 Consti Building Technology was awarded the national corporate safety acknowledgement, which shows that operations fulfil governmental requirements also in safety classified projects.

New services for temporary relocation

In 2019 building technology instalments were conducted in for example Hyvinkää hospital, the parking garage of the Mall of Tripla, Keilaniemi tunnel in Ring Road I, and Kesko's grocery stores in Helsinki's Käpylä and in Riihimäki.

As a new service Consti built temporary relocation facilities for Seinäjoki hospital and several schools in Uusimaa region. The service includes the building technology as turnkey projects.

Shared projects with other Consti business areas included the comprehensive renovation of building technology at Aalto University's facilities in Vuorimiehentie, Otaniemi; Haukilahti school in Espoo, the renovation of 96 apartments in Pelimannintie for Helsinki City's housing production office, and hotel Marski in Helsinki.

Considering building technology already in project planning

Various ways of executing projects together with other companies, such as the alliance model, have become more common in large-scale renovation projects, but building technology has rarely had an independent share of such projects.

During summer 2019 a comprehensive renovation and building technology renewal project was commenced as an alliance project at Kiinteistö Oy Uudenmaankatu 16–20. Consti is in charge of both structural engineering and building technology execution, and building technology is a part of the project already at the planning phase.

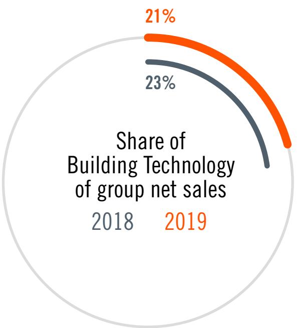
Consti Building Technology was also chosen as alliance partner in the building technology alliance of the extension and renovation work of the parking garage, Ring Rail Line Connection and terminal building carried out at Helsinki-Vantaa airport's terminal 2.

Disciplined project selection shows in net sales and profitability

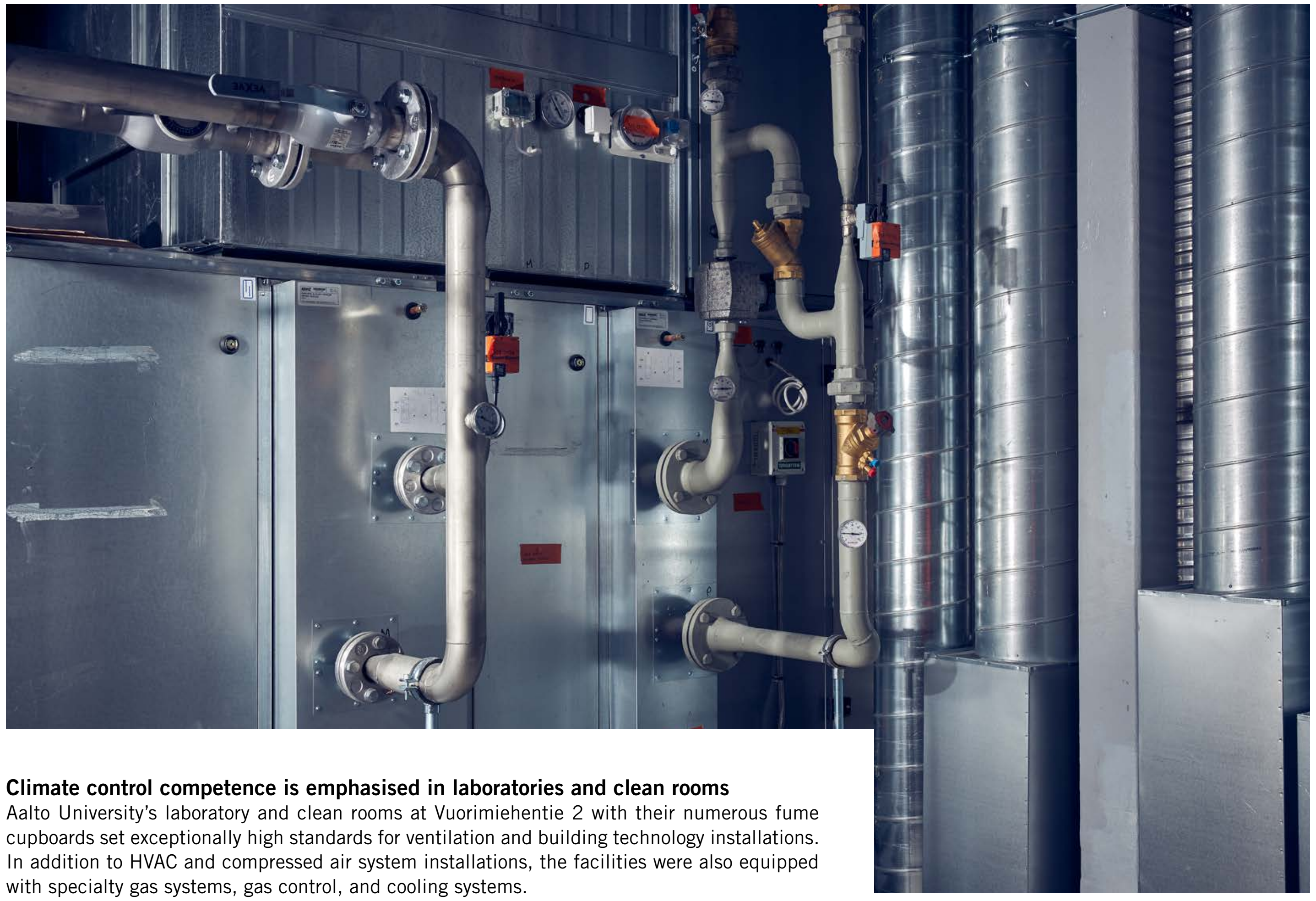
In 2019 Building Technology paid particular attention to project selection. Decreasing the average size of projects has reduced risks, and offering has been focused more strictly to projects that best match Consti's expertise. As expected, this resulted in smaller net sales and improved profitability.

The group-wide 'A step closer to the work site' guidance has resulted in supervisors more decisively visiting work sites, which accelerates problem solving in particular. The development of operating models and processes that started in autumn 2017 also made operations more efficient.

Consti Building Technology's net sales in 2019 amounted to 70 (75) million euro, which is 21 (23) percent of the group's net sales. Building Technology employed 356 people at the end of the year.



CONSTI GROUP PLC BUILDING TECHNOLOGY



Climate control competence is emphasised in laboratories and clean rooms
Aalto University's laboratory and clean rooms at Vuorimiehentie 2 with their numerous fume cupboards set exceptionally high standards for ventilation and building technology installations. In addition to HVAC and compressed air system installations, the facilities were also equipped with specialty gas systems, gas control, and cooling systems.

Photo: Pasi Salminen

Citymarket Riihimäki was updated
A large-scale building technology renovation was carried out at K-Citymarket Riihimäki's facilities, and the store's general look was simultaneously updated. The need for renewing building technology was generated by the refrigeration system that had reached the end of its life cycle. An extensive energy renovation was simultaneously conducted, in which heat recovery was developed and the energy efficiency of the lighting was improved. The ventilation and access control systems were also renewed.

Photo: Pasi Salminen

Photo: Harri Tarvainen

CONSTI GROUP PLC PERSONNEL

WE ARE AIMING AT THE SAME GOAL

Towards shared operating models through a new organisational structure

Consti employed 990 renovation and building technology professionals at the end of 2019, while a year earlier the number was 1,046. The average personnel count during the year was 1,037 (1,093).

The best professionals are pivotal to achieving Consti's growth targets. In addition to training and experience, we at Consti also value good collaboration skills, punctuality and initiative. Consti employees do what they promise. We conduct a personnel survey every two years. It shows that Consti employees have already for several years been more committed to their jobs and employer than the industry average.

Consti prefers permanent employment contracts. Consti is one of the few companies in our industry that has its own employees for nearly all services required for housing company renovations, for example. We have special expertise ranging from electrical and pipeline renovations to renewing facades and decorative plaster mouldings at prime properties.

At the end of the year 95.9 (96.7) percent of our personnel had permanent employment contracts and 4.1 (3.3) had fixed term contracts. Most of our fixed term employment contracts are for summer interns and workers in seasonal projects such as facade renovations.

During the year Consti again offered a summer job or internship position for one hundred students in the field. We aim to offer good summer employees and interns permanent employment contracts after they graduate.

VALUES

- Profitable growth
- Customer orientation
- Enthusiasm
- Reliability and honesty
- Professional skills and experience

At the end of 2019 Consti's personnel was 89 (88) percent male. A 11 percent female staff is above the industry average. On average women make up for about 9 percent of the staff in construction companies in Finland.

The Consti Way is our way of operating

The year 2019 was a year of unifying procedures at Consti. The work was accelerated by the new organisation that entered into force in February 2019. The core of what it means to work at Consti has been summarised as the Consti Way. It's based on our company values and we have communicated the Consti Way in introductions for new employees and different personnel events.

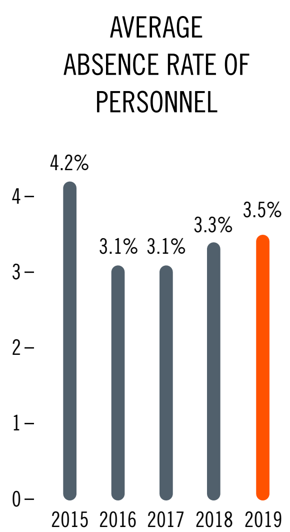
In the new organisation we have divided our operations into four customer-focused business areas. The organisational structure was simultaneously streamlined. Consti's subsidiaries were combined into two subsidiaries, which are fully owned by the parent company: Consti Korjausrakentaminen Oy and Consti Talotekniikka Oy. Removing organisational boundaries helps in, for example, creating centres of expertise.

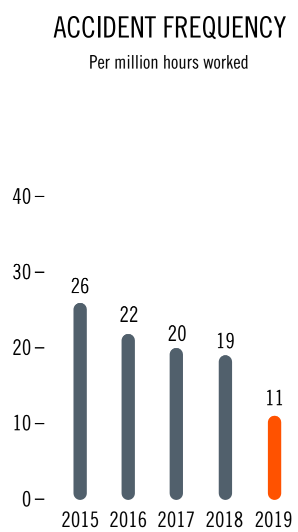
The different subsidiaries' finance and HR operations are combined into units serving our entire group. At the same time for instance processes relating to employment contract life cycles were renewed.

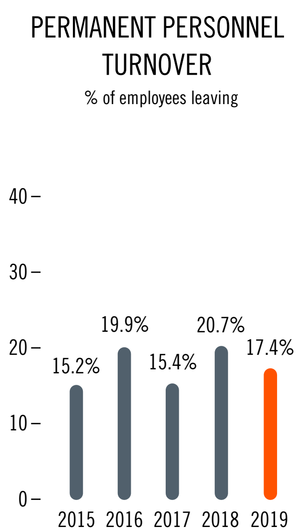
In our business, we have strived to find the best processes for our entire group, all the way from bidding to project handover.

By unifying our procedures, we are aspiring to gain better efficiency, as the same number of people achieve more. This also frees up supervisors' and management's time to meet with customers and monitor work sites more closely. The guideline we introduced last year 'A step closer to the work site' also encourages towards this way of working.

We have also harmonised our training. In our training schedule we are emphasising supervisor, safety and contract training. In addition to unified procedures, our supervisor training also emphasises maintaining working ability and early intervention if decreased working ability is detected.







Company-specific safety and first aid training

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

Sickness and accident related leaves amounted to 3.5 (3.3) percent of work hours, which is a good industry average level. Occupational accident frequency improved clearly from the previous year and was 11 (19) accidents per one million work hours.

To improve occupational safety, we renewed our occupational safety card and first aid training. We replaced the general occupational safety card training with a tailored training that concentrates especially on safety risks typical to Consti. The training required for the occupational safety card is now carried out at the Safety Park (Turvapuisto), which is a joint initiative by construction industry companies. Consti has already previously had its own occupational safety site at the park, which all Consti employees visit. All our employees participate in occupational safety card training.

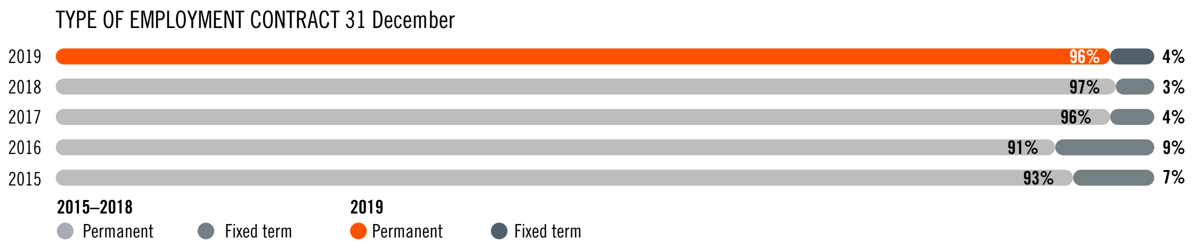
The one-day first aid training focuses on typical situations where first aid is needed on work sites and thus Consti, i.e. falls, stopping massive bleeding and first aid situations caused by electric shock. The training also taught participants how to guide first responders to the injured person as rapidly as possible. Each year approximately one fifth our work site personnel attends first aid training.

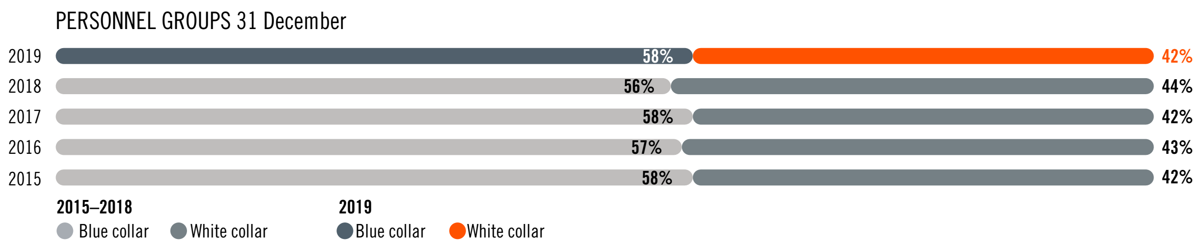
Good results are rewarded

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.

Consti also has a long-term share-based incentive plan, which offers the opportunity of altering half or all of performance-based bonuses into shares. The possible remuneration for individuals included in the plan for earnings period 2019 will be paid in 2022. At the end of 2019 the plan included 57 key people.

We award our best work sites annually in a competition. The award criteria are work site quality, safety, customer satisfaction, keeping up to schedule and finance.





OUR EMPLOYEE OF THE YEAR IS AN EVERYDAY HERO

Urpo Lackman keeps projects profitable.

What is your work like at Consti and what skills does it require?

I work in Consti Building Technology as a project manager for HVAC solutions. I make sure HVAC installation projects advance and are finished as they should. At the moment I'm working on a school in Tikkurila, which we are converting into a cultural facility. Previous projects I've worked on include for example the Keilaniemi tunnel of Ring Road 1.

Above all, my work calls for humaneness and innovativeness. I need the first for situations when folks start getting heated emotions and the latter when I need to find the key to unravelling obstacles in complex plans. Sometimes it means presenting the customer with a new plan.

I had to use both of these qualities in a recent large contractor meeting, when voice levels were starting to rise ominously. I had not taken that much part in the talking, but at that point I decided to suggest a group hug. This relaxed the atmosphere before anybody had to start shouting or hugging.

We have our own specialists for technical questions and I shamelessly ask for their help whenever I need it.

What is rewarding in your work?

My great work mates and matter-of-fact supervisors are the best part of my work. Our core group has been the same for the entire time I have worked at Consti. This spring I'll have worked here for 18 years.

The most rewarding thing is finishing work so that everybody is satisfied. It's also enjoyable sharing knowledge with younger people. At larger work sites we often have a trainee with us. The young are often knowledgeable in technical issues but working on a construction site is new to them.

How did you end up in the field?

When I was young, I was accepted to a railroad engine driver training programme, to Strömberg's engineering workshop in Helsinki, and also to a trade school in Joensuu. As I lived in Lieksa, I chose the construction draughtsman programme in Joensuu. I also got a degree from a technical school alongside work. I admit that I had some second thoughts later on. If I had opted to become a railroad engine driver, by now I would have been enjoying retirement for ten years already.

You were chosen Consti employee of the year in an internal vote. Do you recognise yourself from the description?

I'm genuine and honest and I do always strive to get projects finished profitably. But saying that I am an everyday hero and that I always succeed in projects… That was a bit over the top.

Do you do construction work in your free time?

Before we moved, I remodelled our old house for the sale. I redid the roof, walls, floors and doors. My favourite pastime after work is ice fishing and fishing.

Photo: Pasi Salminen

CORPORATE SOCIAL RESPONSIBILITY

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

Better built environment

Consti's mission is to improve the value of the building stock and the wellbeing of individuals. In addition to high-quality renovations, Consti strives to develop the entire construction industry together with stakeholders. Consti participates in developing numerous alliance models and new products, and Consti employees partake in various industry associations. Consti also continuously collaborates with educational institutes in the field.

Renouncing black market activities is a part of developing the entire construction industry's practises. Consti follows the Contractor's Obligations and Liability Act and belongs to Vastuu Group's Reliable Partner programme and monitors work hours at work sites according to legislation. Consti does not approve of corruption, bribery or attempting them in any form.

Minimising harm to the environment is key to work site planning

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 essential to minimise 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 – and handling harmful materials with great care and communicating any harms.

We create environmental plans for our work sites and take care of waste handling and disposal. Improving material and energy efficiency is an area that Consti is developing continuously.

Health and safety are the cornerstones of all operations

Consti wants 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 training and orientation.

Key indicators are absences from work and accident frequency. In 2019 sickness and accident related leaves amounted to 3.5 percent of work hours, which is a good industry average level. Occupational accident frequency decreased clearly and was 11 accidents per one million work hours. To improve occupational safety, we renewed our occupational safety card and first aid training in 2019.

Buildings are often renovated so that they are in use all through the renovation, for example as offices or commercial properties. Consti ensures the safety of the buildings' users and that the buildings are healthy environments also during renovations.

Occupational procedures improve both results and wellbeing at work

Renovation requires versatile competence and good teamwork skills. In 2019 Consti unified processes and supported supervisor work especially at work sites. The personnel's wellbeing is also supported with wide-ranging occupational health-care that covers more than legally required, and free time activities that promote working ability.

Consti prefers permanent employment contracts. At the end of the year approximately 96 percent of Consti's personnel had permanent employment contracts.

Shared ways of working based on Consti's values were communicated in 2019 as the Consti Way. The Consti Way is Consti peoples's way of working and leading. It guides the entire personnel towards shared goals. It is a part of every work site and every interaction. It means high quality and work wellbeing, respect and competitiveness, professional pride, openness and being a forerunner.

The annually published corporate social responsibility review crystallises Consti's joint procedures and portrays how we strive to ensure that our operations are responsible. The corporate social responsibility report for 2018 was published in June 2019 and the next report will be published during the second quarter of 2020.

Non-financial information from 2019 is also reported as a part of the Board of Directors report.

Photo: Pasi Salminen

Summary of 2019

Corporate social responsibility themes	Measured aspect	Measure	Measurement frequency	2015	2016	2017	2018	2019
Health and safety	Number of accidents	Accident frequency*	1 month	26	22	20	19	11
Health and safety	Number of sick leaves	Sick leave,%	1 month	3.9%	2.8%	2.8%	3.0%	3.3%
Health and safety	Occupational illnesses or other work-related illnesses	Number / year	1 month	2	1	0	0	0
Occupational procedures	Personnel turnover	% of employees leaving (monthly average)	1 month	15.2%	19.9%	15.4%	20.7%	17.4%
Occupational procedures	Employment contract disputes	Number / year	1 year	0	1	0	0	0
Occupational procedures	Fixed-term work contracts	% of fixed-term work contracts (annual average)	1 year	8.7%	9,0%	4.2%	3.3%	4.1%
Environment	Environmental risks realized	Number / year	1 year	0	0	0	0	0
Environment	Reclamations on environmental impacts	Number / year	1 year	0	0	0	0	0
Corporate social responsibility	Regional State Administrative Agency inspections / sanctions	Number / year	1 year	0	1	0	0	2/0
Corporate social responsibility	Events prohibited in the ethical guideline	Number / year	1 year	0	0	0	0	0

* Number of accidents per one million work hours.
Consti's corporate social responsibility report will be available on the company's website during the second quarter of 2020 https://investor.consti.fi/en

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 2020, 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 2019

Consti Group Plc's Board of Directors on 31 December 2019 comprised of Tapio Hakakari (Chairman), Antti Korkeela, Erkki Norvio, Petri Rignell, Pekka Salokangas and Anne Westersund. All Board members were elected in the Annual General Meeting on 2 April 2019.

The Board of Directors held 13 meetings during 2019, the average attending rate of Board Members was 97.4. The attendance rate per Member was: Tapio Hakakari 100%, Antti Korkeela 100%, Erkki Norvio 100%, Petri Rignell 100%, Pekka Salokangas 92.3%, Niina Rajakoski 75.0% and Anne Westersund 100.0%.

Board of Director's Committees

The Board has a Nomination and Compensation Committee. The Board annually nominates at least three Committee Members and appoints one of them as Chairman of the Committee, and confirms the Committee's written charters. The Committee meets when necessary, however at a minimum three times a year.

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

In 2019, the Committee consisted of Petri Rignell (Chairman), Pekka Salokangas, Erkki Norvio and Tapio Hakakari and it had four 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 2019, Consti's CEO was Esa Korkeela. Esa Korkeela was born in 1972 and has a 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 434,133 Consti Group Plc shares, which amounts to 5.52 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 2 April 2019 chose Ernst & Young as auditor with APA Mikko Rytilahti as principal auditor. In 2019, audit costs amounted to EUR 226 thousand. In addition, the auditor received compensation for other services amounting to EUR 18 thousand. These other services were mainly related to the assessment of new organisational structure from tax perspective.

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 (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 transactions 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

Photo: Harri Tarvainen

BOARD OF DIRECTORS 31 DECEMBER 2019

Tapio Hakakari
Chairman
Member of the Nomination
and Compensation Committee

L.LM., born 1953
Board Member and Chairman since 2015
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 partly through his holding
company 85,400 (31 December 2019)

Erkki Norvio
Deputy Chairman
Member of the Nomination
and Compensation Committee

M.Sc. (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 2019)

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
Plasthouse Oy, Board Member since 2011

Consti Group Plc's shares 276,894
(31 December 2019)

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
Sitowise Oy, Member of the Board since 2019
Kreate Oy, Chairman of the Board since 2017
PriRock Oy, Chairman of the Board since 2007

Consti Group Plc's shares through his
holding company 25,100 (31 December 2019)

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 2019)

Anne Westersund
Board Member

M.A. studies, translator degree, born 1964
Board member since 2019
Finnish citizen
Independent of the company
and significant shareholders

Central work experience
Rokmind Oy, Partner 2018–
WesAnne Oy Ab, CEO 2017–
Cargotec Oyj: SVP Head of
Customer Value Programme 2015–2017,
SVP Communications and Public Affairs 2013–2015,
VP Communications and Marketing 2010–2013
Vattenfall AB, VP Communication Nordic 2005–2010
Vattenfall Oy, Customer Service Director 2002–2005
Silja Line, Marketing Manager 2000–2002

Key positions of trust
Rokmind Oy, Chairman of the Board since 2019
Oy Hedengren Ab, Board Member since 2018

Does not own Consti Group Plc shares
(31 December 2019)

CONSTI GROUP PLC MANAGEMENT TEAM

MANAGEMENT TEAM 31 DECEMBER 2019

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
Tiirinkallio Oy, Chairman of the Board since 2018

Consti Group Plc's shares 434,133
(31 December 2019)

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 12,000
(31 December 2019)

Risto Kivi
Business Area Director Housing Companies
and Public Sector
Master Builder, born 1971

Central work experience
Consti, Business Area Director Housing Companies
and Public Sector since 2/2019
Consti Julkisivut Oy, CEO 2011–9/2019
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 377,937
(31 December 2019)

Jukka Mäkinen
Business Area Director Corporations
M.Sc. (Tech.), born 1960

Central work experience
Consti, Business Area Director
Corporations since 2/2019
Consti Korjausurakointi Oy, CEO 2013–9/2019
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 13,339
(31 December 2019)

Pekka Pöykkö
Business Area Director Building Technology
Engineer, born 1967

Central work experience
Consti, Business Area Director
Building Technology since 2/2019
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 1,056
(31 December 2019)

Markku Kalevo
Bid and Sales Director Housing Companies
Construction technician, born 1971

Central work experience
Consti, Bid and Sales Director
Housing Companies since 2/2019
Consti Julkisivut Oy, Bid and
Sales Director 2011–2019
Raitayhtiöt Oy, Deputy CEO 2009–2010
Raitasaneeraus Oy, CEO 1998–2009
RKM Kivi ja Kalevo Oy, entrepreneur 1993–1998

Consti Group Plc's shares 298,692
(31 December 2019)

Pirkka Lähteinen
Regional Director Corporations
B.Eng., born 1977

Central work experience
Consti, Regional Director Corporations since 2/2019
Consti Korjausurakointi Oy,
Regional Director 2011–2019
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 13,233
(31 December 2019)

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

Central 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 2019)

Heikki Untamala
Chief Legal Officer
LL.M with court training, born 1969

Central work experience
Consti Group Plc, Chief Legal Officer since 5/2019
YIT Plc, Head of Legal, Business Premises and
Partnership Properties 2018–2019
Lemminkäinen, Director, contracts and legal services,
Lemminkäinen Talo Oy 2013–2018, Corporate
Counsel, Lemminkäinen Plc 2010–2013
Krogerus Attorneys, Attorney at Law 2005–2009
Heikki Untamala Attorneys, Attorney at Law,
partner 2000–2005

Key positions of trust
Cantores Minores Kannatusyhdistys ry,
Board Member since 2018

Does not own Consti Group Plc shares
(31 December 2019)

CONSTI

FINANCIAL STATEMENTS

CONTENTS

BOARD OF DIRECTORS' REPORT

Consti is one of Finland's leading companies focused on renovation contracting and technical building services. Consti offers comprehensive renovation and building technology services to housing companies, corporations, investors and the public sector in Finland's growth centres.

On 6 February 2019, 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. The new organisation has been effective since 18 February 2019.

New organisational structure has four business areas: Housing Companies, Corporations, Public Sector and Building Technology. All these also contain Servicing and maintenance services which is not reported as its own business area. Consti however reports its Service operations' sales per financial year. 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. Until 30 September 2019, the business areas operated 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). Since 1 October 2019, the business areas operate in two subsidiaries completely owned by the parent company: Consti Korjausrakentaminen Oy (Housing Companies, Corporations and Public Sector) and Consti Talotekniikka Oy (Building Technology). Consti Korjausrakentaminen Oy was formed on 1 October, 2019, when Consti Julkisivut Oy merged with Consti Korjausurakointi Oy, and Consti Korjausurakointi Oy's name was changed to Consti Korjausrakentaminen Oy. In the partial demerger that was carried out on balance sheet date 31 December 2019, Consti Talotekniikka Oy's pipeline renovation business moved to Consti Korjausrakentaminen Oy. Business areas are reported in one segment. In addition, Consti reports net sales for each business area.

Consti Group's 2019 net sales 314.8 (315.8) million euro were close to previous year's level with a change of –0.3 percent. Net sales grew in Housing Companies and in Public Sector but decreased in Corporations and in Building Technology. Operating profit/loss (EBIT) improved from last year and was EUR 4.6 (–2.1) million. Operating profit/loss from net sales was 1.5 (–0.7) percent.

Operating environment

Professional renovation has grown nearly continuously in Finland for the last 20 years and at its best, its value has surpassed that of new construction. In 2019, renovation's share of all construction is estimated to have been approximately 48 percent.

The renovation market's growth is estimated to have been about 1–2 percent in 2019. According to Euroconstruct, the house building market as a whole declined approximately 1.5 percent. The Confederation of Finnish Construction Industries (CFCI) estimates that renovation construction grew nearly two percent in 2019 and Euroconstruct estimates it grew 0.9 percent.

New construction decreased about 3.6 percent in 2019 according to Euroconstruct. In new construction the emphasis was on public buildings such as schools and hospitals, and commercial buildings. Residential new construction decreased after growing rapidly during past years. CFCI estimates that residential new construction decreased 5.0 percent, while Euroconstruct's estimate is 7.6 percent. No significant changes occurred in the amount of other new construction.

Both renovation and new construction have concentrated to large cities in past years. As economic growth declines new construction is estimated to concentrate even more to growth centres.

The value of professional renovation was slightly over 13 billion euro in 2019. Residential buildings made up 8 billion euro of this amount. The majority of renovations were conducted in apartment buildings and row-houses. Renovation is need driven and thus economic fluctuation has a lesser impact on it than it does on new construction.

The demand for renovation is increased by the age of the building stock in Finland. Residential construction was at its heights in the 1970s and the building technology, facades and structures from that time now require major renovations. The scale of construction in the 1970s is showcased by the fact that housing companies built in the 1970s have a total of about 60 million square meters of net floor area, while housing companies built in the 1960s only have about 35 million square meters of net floor area. However, housing companies from the 1960s have still been renovated most when looking at the value of the renovations in proportion to the net floor area.

Pipeline renovations are the most rapidly growing area of renovation. In the past years building technology renovations have made up nearly half of all housing company renovations and approximately three quarters of these building technology renovations have been pipeline renovations. Structures and facades are the second largest object of renovation activity, making up nearly 40 percent of all renovations.

Measured by the value of renovations, building technology renovations in housing companies built in the 1960s are clearly the largest group. In proportion to net floor area, facades are also renovated most in housing companies from the 1960s, but the value of renovations is more evenly distributed across housing companies from different decades. Windows, external doors, foundations and structures are renovated most in older housing companies, while roof renovation value is largest in housing companies from the 1980s. Pipeline renovations are also increasing in housing companies from the 1980s.

Both renovation and new construction has increased for several years now in public buildings such as schools and hospitals. Especially new construction has increased considerably. Public building construction is, however, estimated to slow down in upcoming years, and this in turn is estimated to significantly impact the construction market as a whole.

The market for renovation is estimated to continue to grow relatively steadily, and faster than new construction. The demand for renovation is due to the large building stock of residential buildings from the 1970s and also renovation needs in commercial and office buildings. In the 1980s commercial and office building construction was especially large-scale, and in the 1990s and early 2000s more commercial and office buildings were built than residential buildings. Commercial and service facilities do not necessarily meet present-day needs. New construction of commercial and office buildings is estimated to decrease in upcoming years.

Megatrends such as aging population, urbanisation and climate change also add to the need of renovation. Energy efficiency requirements for buildings, for example, aim to decrease carbon emissions by improving energy efficiency through comprehensive renovations and smart building technology. EU's directive requires that member states make long-term comprehensive renovation strategies to convert the building stock to be extremely energy efficient and low carbon by 2050. Some of the requirements are already for 2020. Building technology such as ventilation, as well as various security systems are also growing more important as factors contributing to living comfort.

Hand in hand with urbanisation, both new construction and renovation are concentrated more and more to cities, because renovating buildings in areas that are losing population is not always economically viable. Urbanisation also adds to supplementary building in both centres of growth areas and suburbs. Modifications of building use are also conducted to renovate office buildings into apartments.

Euroconstruct estimates that building renovations will grow 1.2 percent in 2020 and that the annual growth will remain at approximately 1.6 percent during 2021 and 2022. Euroconstruct estimates that new construction will decrease 2.4 percent in 2020. The whole market for housebuilding is estimated to decrease about 0.7 percent.

The slowing down of new construction is expected to improve workforce availability, but it may simultaneously intensify competition especially for large renovation projects.

Long term goals

Consti's mission is to improve the value of the building stock and people's quality of life. Consti's vision is to be number one in renovation in Finland. To achieve its vision and goals, Consti has defined strategic initiatives, which are advanced as strategic development projects. Strategic initiatives are: profitable and competitive operations, the best professionals, excellent services and solutions, the best customer experience and renewal and growth.

The company's long term financial goals are to achieve:

- Growth: net sales growing faster than the market
- Profitability: EBIT margin exceeding 5 percent
- Free cash flow: Cash conversion ratio exceeding 90 percent
- Balance sheet structure: Net debt and adjusted EBITDA rate less than 2.5x
- The Company's aim is to distribute as dividends at least 50 percent of the Company's annual net profit.

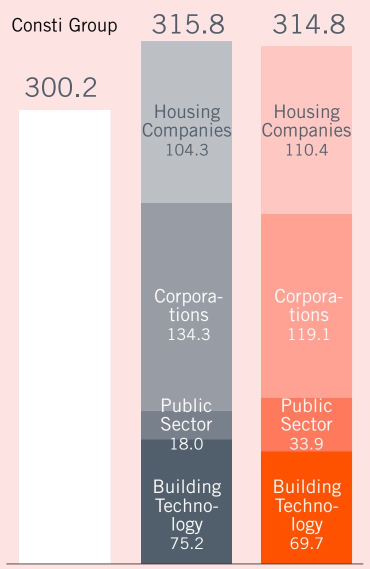
Sales, result and order backlog

Consti Group's 2019 net sales 314.8 (315.8) million euro were close to previous year's level with a change of –0.3 percent. Housing Companies net sales were 110.4 (104.3), Corporations net sales were 119.1 (134.3) Public Sector net sales were 33.9 (18.0) and Building Technology net sales were 69.7 (75.2) million euro. These figures include Service Business's net sales amounting to 42.6 (40.4) million euro.

Net sales grew in Housing Companies and in Public Sector but decreased in Corporations and in Building Technology. In Housing Companies business area, net sales growth was good especially in facade renovations. Public Sector business area's net sales grew as planned in relation to the low levels of the comparison period. Net sales in Consti's Corporations business area decreased from the comparison period. Net sales from non-residential renovations grew, but net sales from residential renovations decreased due to the housing repair unit's reorganization, which commenced at the end of 2018. Previously introduced new operating models and more disciplined bidding processes reflect the development of net sales in Building Technology business area.

Net sales (EUR million)

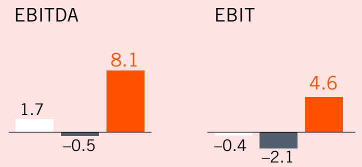
2017 2018 2019



Consti Group's 2019 operating profit/loss (EBIT) increased from last year and was 4.6 (–2.1) million euro. Operating profit/loss from net sales was 1.5 (–0.7) percent. Earnings per share was EUR 0.30 (–0.30). EBIT improved each quarter towards the end of the year and was clearly better than the comparison period. During the first half of the year, the execution of the remaining performance obligations in an individual building purpose modification project had a material negative impact on the result. Although the old projects of already discontinued housing repair unit continued to have a negative impact on operating result during the second half of the year, as anticipated, the impact was clearly smaller than at the beginning of the year. All business areas were profitable in the financial year 2019.

EBITDA and EBIT (EUR million)

2017 2018 2019



During 2019 Consti had approximately 800 ongoing projects. Projects for the Corporations business area made up slightly more than one third of the net sales, while approximately one third came from the Housing Companies business area, one fifth from the Building Technology business area, and about ten percent from the Public Sector business area.

The most significant projects finished in 2019 for corporations and investors included hotel Marski's comprehensive renovation in Helsinki, and the comprehensive renovation of Oy Ässäkeskus Ab's facilities in Valli-la Helsinki. The Ässäkeskus renovation was commissioned by Varma Mutual Pension Insurance Company and the facilities are used by SOK. In Espoo's Vuorimiehentie, Consti finished a comprehensive renovation of facilities for Aalto University, and during the summer the comprehensive renovation and extension of Svenska Gården school building in Lahti was finished. The first phase of the renewal of the non-Schengen area's traffic serving facilities at Helsinki-Vantaa airport's T2 terminal was finished during 2019.

Large-scale renovation projects for Housing Companies include for instance housing company Puistonportti in Lauttasaari, Helsinki, which won the housing company facade renovation competition arranged by facade association Julkisivuyhdistys ry, and a traditional pipeline renovation in housing company Albertinkatu 16, Helsinki, which was built in 1962. The most significant facade renovation that was not for a housing company was the newer part of the National Archives of Finland, which was built in the 1970s.

Large-scale renovations of schools and city rental houses were emphasised in public sector renovations. In 2019, Consti finished for instance Haukilahti school's comprehensive renovation in Espoo, and the comprehensive renovation and extension of Tolkis nya skolan in Porvoo. The comprehensive renovation of 110 apartments owned by Helsinki City at Siilitie 5 also included the retrofitting of 10 lifts.

The Building Technology business area's projects during 2019 included for example Hyvinkää hospital, the parking garage of the Mall of Tripla, Keilaniemi tunnel in Ring Road 1, and Kesko's grocery stores in Helsinki's Käpylä and in Riihimäki. As a new service, Consti Building Technology provided complete building technology services for temporary relocation facilities as turn-key projects for Seinäjoki hospital and several schools in Uusimaa. Shared projects with other Consti business areas included the comprehensive renovation of building technology at Aalto University's facilities in Vuorimiehentie, Haukilahti school, hotel Marski and the renovation of 96 apartments in Pelimannintie for Helsinki City's housing production office.

Order backlog (EUR million)

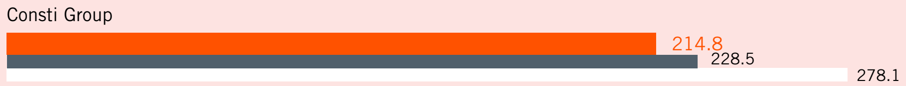
31 Dec / 2019 2018 2017

New projects that were started in 2019 include for example the comprehensive renovation of the Radisson Blu hotel in Oulu, the comprehensive renovation of Myllypuro service centre in Helsinki, and the second phase of Siilitie 5, in which 140 apartments will be renovated for Helsinki City.

The order backlog at the end of the reporting period decreased 17.4 percent compared to the end of the previous financial year and was 185.8 million euro.

The order intake value during the year decreased 6.0 percent and was 214.8 (228.5) million euro. Order intake development reflects the new, more disciplined bidding procedures that were taken into use in the entire Group last year, and ongoing large comprehensive renovation projects, which tie up resources.

Order intake (EUR million)
2019 2018 2017



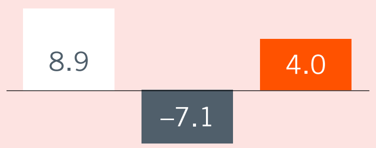
Investments

Investments into tangible and intangible assets in 2019 were 0.9 (1.3) million euro, which is 0.3 (0.4) percent of net sales. The largest investments were made into property, plant and equipment, which primarily include machinery and equipment purchases. Investments into right-of-use assets (IFRS 16) in 2019 were EUR 1.6 million. The majority of investments into right-of-use assets during the reporting period were related to renewed leasing contracts of vans used in project and service business, and the continued rental contract of Consti's headquarters in Helsinki.

Cash flow and financial position

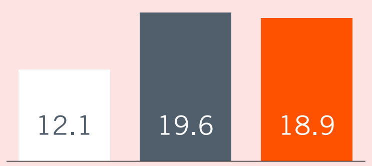
The operating cash flow before financing items and taxes in 2019 was EUR 4.9 (–5.8) million. Free cash flow, i.e. operating cash flow before financing items and taxes less investments in intangible and tangible assets was EUR 4.0 (–7.1) million. The cash flow ratio was 48.9 percent. Due to the improved operating result, cash flow in 2019 improved considerably compared to the previous year.

Free cash flow (EUR million)
2017 2018 2019

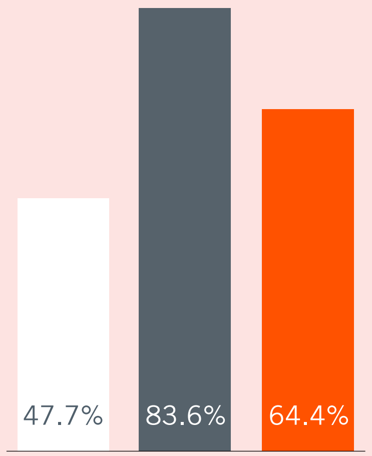


Consti Group's cash and cash equivalents on 31 December 2019 were EUR 10.0 (3.2) million. In addition, the company has undrawn revolving credit facilities and unused credit limits amounting to 8.0 million euro in total. The Group's interest bearing debts were EUR 28.9 (22.8) million. External loans are 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 18.9 (19.6) million and the gearing ratio 64.4 (83.6) percent. 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 (EUR million)
2017 2018 2019



Gearing (%)
2017 2018 2019



Consti Group issued on 29 March 2019 a EUR 3.2 million hybrid bond. A hybrid bond is an instrument that is subordinated to certain other debt obligations and is treated as equity on Consti's consolidated financial statements prepared in accordance with IFRS. The amount recognised in equity is EUR 3.1 million after issuing expenses. The bond bears interest at a fixed interest rate of 12.0 per cent until the reset date and thereafter, the interest rate will be determined on each second (2nd) anniversary of the issue date. The hybrid bond does not have a specified maturity date but Consti is entitled to redeem the hybrid bond for the first time on the second (2nd) anniversary of the issue date, and subsequently, on each annual coupon interest payment date. A hybrid bond does not confer its holder the rights of a shareholder nor does it dilute the holdings of the current shareholders. The accrued non-recognised interest on the bond was EUR 0.3 million at 31 December 2019.

The balance sheet total on 31 December 2019 was EUR 116.6 (111.0) million. At the end of the reporting period tangible assets in the balance sheet were EUR 6.3 (3.9) million. The increase in tangible assets is affected by the adoption of IFRS 16 standard on 1 Jan 2019, the impact of which is described in more detail in the accounting principles of the financial statements. Equity ratio was 29.8 (25.4) percent. Rental liabilities associated with off-balance sheet operational leasing agreements totalled EUR 0.03 (3.9) million on 31 December 2019. The decrease in rental liabilities associated with off-balance sheet operational leasing agreements is affected by the adoption of IFRS 16 standard on 1 Jan 2019, the impact of which is described in more detail in the accounting principles of the financial statements.

On 24 October, 2019 Consti Group Plc signed a contract for a EUR 50 million domestic commercial paper program. Within the framework of the contract, the company may issue commercial papers with maturities of under one year. The financing arrangement broadens Consti's financing base and secures the Group's normal working capital financing. The program is arranged by OP Corporate Bank Plc. Within the framework of its domestic commercial paper programme, Consti issued commercial papers with maturities of under one year amounting to 6.0 million euro during the last quarter.

Research and development

Research and development work at Consti is divided into strategic new business development, services and methods, supporting present business, and continuous improvement. Development work is based on the strategy and the development areas described in it. In 2019 development focused especially on renewing the organisational structure and unifying procedures.

The new customer oriented organisational structure that was taken into use in February 2019 improves Consti's ability to unify procedures and supporting data systems, as well as service productisation. During the year Consti unified the renovation ERP and took into use group-wide systems for HR and project management. To strengthen competitiveness and profitability, Consti also continued developing BI reporting and analytics aiming at digitalising project data, and specified for example the bidding phase risk management procedures. The Consti web site was renewed to support the new organisation.

Various joint working models and developing Lean methods were emphasised in the industry's shared projects. Consti has already previously participated in the industry's joint RAIN endeavour (Integration capability in construction). In 2019 a three-year RAIN2 project was commenced, with Lean leadership and using the flow-based production model in construction as central themes. At Consti, takt time based production flow according to Lean principles was successfully used at many sites, for example apartment renovations conducted for Hoas, the Foundation for Student Housing in the Helsinki Region.

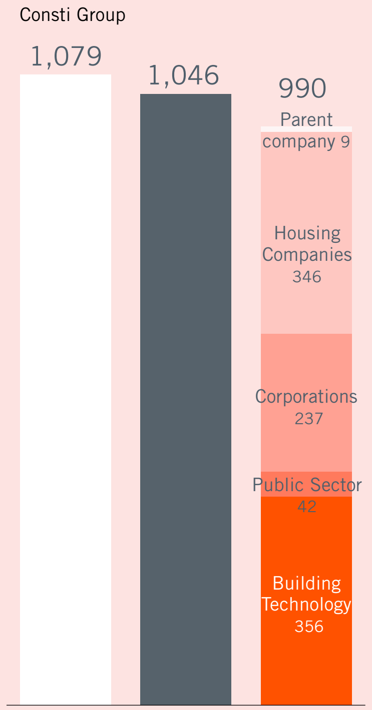
Consti and many other industry actors see integrated project deliveries such as the alliance model and joint projects as a possibility to improve the operational culture in construction, and manage risks related to demanding renovation projects. Consti participates in utilising the industry's new operational models for instance in the alliance project at Kiinteistö Oy Uudenmaankatu 16–20.

In service concept development, the main focus was on the contract and joint project models of the Consti Kodikas concept aimed at housing companies, and in implementing the concept.

Personnel

At the end of 2019 Consti employed a total of 990 (1,046) professionals. The average employee count during the year was 1,037 (1,093). At the end of the year 346 employees worked in Housing Companies, 237 in Corporations, 42 in Public Sector and 356 in the Building Technology business area. The parent company employed 9 people. Personnel expenses for financial year 2019 amounted to EUR 61.7 (62.2) million.

Number of personnel at period end
2017 2018 2019



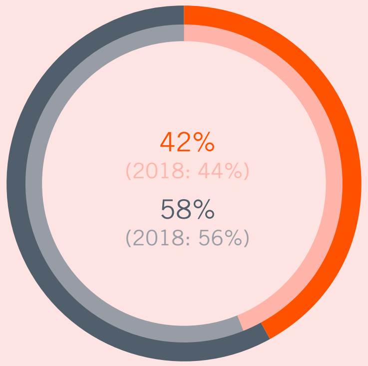
Of the personnel employed at the end of the year, 4 percent worked with fixed-term employment contracts. At the end of the year Consti employed 419 (458) white collar workers and 571 (588) workers.

At the end of the year 89 (88) percent of Consti employees were male. 11 (12) percent of the staff were female, which is slightly above the Finnish industry average.

The year 2019 was a year of unifying procedures at Consti. The work was accelerated by the new organisation that entered into force in February 2019. The core of what it means to work at Consti has been summarised as the Consti Way. It's based on our company values and we have communicated the Consti Way in introductions for new employees and different personnel events.

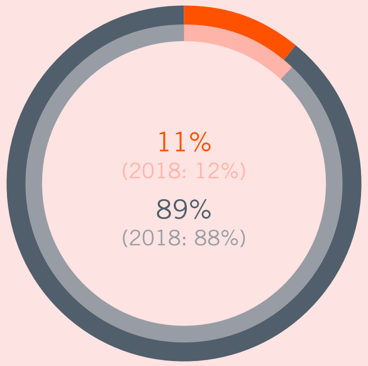
Personnel

White collar Blue collar



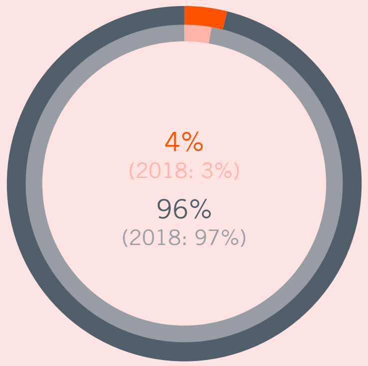
Gender

Female Male



Contracts

Fixed term Permanent



Management Team

Consti Group Plc announced 26 April 2019 that Heikki Untamala (born 1969, Master of Laws with court training) had been appointed as Consti Group Plc's Chief Legal Officer and Management Team member. Heikki Untamala joined Consti 2 May 2019 and reports to Esa Korkeela, CEO of Consti Group Plc.

Consti Group Plc announced on 26 April 2019 that Consti Group Plc's Chief Development Officer and Management Team member Juha Salminen was moving on to another position outside the company. Consti Group Plc and Salminen jointly agreed upon Salminen leaving his position as Management Team member immediately on 26 April, and all in all Salminen worked at Consti as Chief Development Officer from 2012 until 31 August 2019.

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, Business Area Director Housing Companies and Public Sector; Jukka Mäkinen, Business Area Director Corporations; Pekka Pöykkö, Business Area Director Building Technology, Markku Kalevo, Bid and Sales Director Housing Companies; Pirkka Lähteinen, Regional Director Corporations, Heikki Untamala, Chief Legal Officer and Turo Turja, HR Director.

The Annual General Meeting 2019 and Board authorisation

The Annual General Meeting of Shareholders of Consti Group Plc held on 2 April 2019 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 2018. The Annual General Meeting resolved that no dividend will be paid for the financial year 2018.

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, Petri Rignell and Pekka Salokangas were re-elected and Anne Westersund was elected as a new member 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 authorized 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 authorized 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 authorization 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 authorizations 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 2020.

Corporate Governance and Auditors

Consti Group Plc's Board of Directors on 31 December 2019 included Tapio Hakakari (Chairman), Antti Korkeela, Erkki Norvio, Petri Rignell, Pekka Salokangas and Anne Westersund. The Board of Directors elected by the Annual General Meeting of Shareholders of Consti Group Plc on 2 April 2019, held its organising meeting and elected Tapio Hakakari as the Chairman of the Board and Erkki Norvio as the Deputy 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 from 1 January to 31 December 2019.

On 31 December 2019 the Board members and CEO owned personally or through a holding company a total of 949,990 Consti Group Plc's shares, which amounts to 12.09 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 2019 and the remuneration and incentives report from 2019 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 2019 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 1 March 2019 to continue the key employee share-based incentive plan launched in 2016. The plan offers the key employees that belong to the target group of the plan an opportunity to earn the Company's shares as reward by converting half or all of their performance-based bonuses to be earned on the basis of the Company's bonus scheme in 2019 into shares. Before the reward payment, the performance-based bonuses that have been converted into shares will be multiplied by a reward multiplier determined by the Board. The potential reward from the performance period 2019 will be paid to participants partly in shares and partly in cash after a two-year vesting period in 2022.

During the performance period 2019, a maximum of 70 key employees will belong to the target group of the plan, including the members of the Management Team. The rewards to be paid for the performance period 2019 will amount up to a maximum total of approximately 450,000 Consti Group Plc shares at the prevailing share price level, including also the cash portion, providing that all of the key employees that belong to the target group of the plan decide to participate and convert 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 2019 Consti Group Plc's lowest share price was EUR 4.76 and the highest EUR 6.60. The share's trade volume weighted average price was EUR 5.41. At the close of the stock day on the last trading day of the reporting period 30 December 2019 was EUR 6.40 and the Company's market value was EUR 50.3 million.

Related-party transaction

Consti Group Plc issued on 29 March 2019 a EUR 3.2 million hybrid bond. Persons in managerial positions in the Company subscribed in total EUR 1.5 million of the hybrid bond. Consti Group Plc published detailed information on managers transactions on 27 March 2019.

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 grey economy 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 grey economy 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 companies, municipalities and other public-sector operators, real estate investors as well as corporations and industrial players. The broad customer base decreases risks related to individual projects and the market environment.

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

Changes in construction, environmental protection, workforce and work safety legislation as well as taxation and financial reporting all have an impact on Consti's operating possibilities. The Company follows and assesses changes in legislation and regulations set by authorities. Litigation risks are managed with careful contract formulation, project planning and monitoring, as well as with the highest possible work quality, and liability insurance. The Group has ongoing and pending legal cases relating to normal business. It is difficult to predict the outcome of these proceedings, but provisions based on the best possible estimate have been recorded in those cases where such provisions are estimated necessary.

Risks relating to injuries or damage

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

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

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

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

Financial risks

Consti Group's business has financial risks. Financial risks include interest rate, credit and liquidity risks as well as risk relating to the realisation of payments from long-term contract and service agreements. Risks related to market rate fluctuations are due largely to the Group's long-term variable interest rate loans. Consti monitors the sensitivity of its loans to changes in interest rates and the impact such changes would have on the Group's results.

Consti's credit risk is related to customers who have unpaid invoices or with whom Consti has long-term contracts as well as counterparties to cash and cash equivalents and derivative agreements. Risks related to deposits are governed by the Group's financial administration department.

The Group strives to ensure the availability and flexibility of financing with sufficient credit limit reserves and suitably long loan periods. The Group's working capital management makes every effort to ensure that it abides to covenants included in interest bearing loans, which in turn determine the capital structure provisions. 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 Korjausrakentaminen Oy (former 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 Korjausrakentaminen 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 Korjausrakentaminen Oy demands payments from Kiinteistö Oy Yrjönkatu 13 based on the above-mentioned contracts. The amount of capital of Consti's settlement requirement has been stipulated as approximately 13 million euro in the statement of claim sent to the arbitral tribunal on 28 February 2019. Consti Korjausrakentaminen Oy has received on 16 August 2019 a response and counterclaim from Kiinteistö Oy Yrjönkatu 13 with respect to the statement of claim sent to the arbitral tribunal by Consti Korjausrakentaminen Oy on 28 February 2019. In its response and counterclaim, Kiinteistö Oy Yrjönkatu 13 has denied all claims stated by Consti Korjausrakentaminen Oy in its statement of claim, and has presented claims against Consti Korjausrakentaminen Oy for the amount of capital approximately EUR 11 million. The amount does not include VAT. In addition, Kiinteistö Oy Yrjönkatu 13 claims interest payments and compensation for legal expenses from Consti Korjausrakentaminen Oy. Consti Korjausrakentaminen Oy considers the claims of Kiinteistö Oy Yrjönkatu 13 to be unfounded.

On 18 September, 2019, the Arbitration Institute decided to extend the time limit given for the delivery of final arbitral award until 31 December, 2020. 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.

Consti's corporate social responsibility principles and non-financial information

Consti's mission is to improve the value of the building stock and people's quality of life.

Buildings are renovated when the buildings' structures or building technology necessitate it. Alongside renovations, the buildings' energy efficiency and indoor air quality are nearly always improved, as are issues that add living comfort such as accessibility and safety. In addition, maintaining or even restoring the building's original appearance or architecture is a part of an increasing number of renovations. As well as renovation and building technology expertise, Consti has competence in building purpose modifications such as renovating office spaces into apartments. The need for building purpose modifications is heightened especially by urbanisation, increasing migration and the ageing population.

Responsibility is a part of Consti's business management, which is the responsibility of Consti Management Team. Consti has published Corporate Social Responsibility (CSR) reports about its activities since 2014. The first report was created after group work based on the ISO 26000 CSR standard, in which the four following themes were chosen as Consti's most important responsibility themes:

- health and safety
- labour practises
- the environment
- values and ethics.

The values and ethics theme include respecting human rights and preventing grey economy, and health and safety includes personnel issues and social responsibility.

Consti will publish a separate corporate social responsibility report about its operations in 2019 during the second quarter of 2020.

Respecting human rights

General risks related to human rights in the construction industry include at least forced labour, using employees with no work permits, in which case salaries are paid under-the-counter without social security, child labour, insufficient occupational safety, as well as harassing, racism and other inappropriate behaviour.

The human rights risks that Consti has identified in its own operations are using employees without work permits and inappropriate behaviour.

Consti requires that all of its subcontractors are in the Reliable Partner register maintained by Vastuu Group (formerly Suomen Tilaajavastuu Oy). Consti is automatically informed via the register if there is a lack of clarity regarding a subcontractor's taxes or other areas that may be linked to using employees without work permits.

Consti has a procedure for its own foreign employees that ensures that they have the necessary residence and/or work permits, and that taxation related issues are in order and necessary notifications are made to officials. The employees tax numbers have been notified to the tax number register maintained by the Tax Administration, and the Valtti smart card is used in work site access control. The Valtti card has a barcode and RFID code that include the card owner's information and it is mandatory for both Consti's own and subcontractor employees.

Equal treatment is part of Consti's ethical principles. Consti does not approve of discrimination or inappropriate behaviour. Consti also has statutory equality and non-discrimination plans. The equality plan is part of Consti's personnel strategy and equality is monitored for example through the personnel survey. Recruitment is always based on the competence required for the task.

Consti has guidelines in case of inappropriate treatment for both prevention and solving identified situations.

Preventing corruption and bribery

Forms of corruption in the construction sector include in particular dealing in false receipts and bribery. One-off, fixed-term projects and the large sums of money involved in projects can lead to different kinds of abuse. At the same time the different stages of the projects, and large number of contracts and operators make monitoring challenging.

Consti does not accept corruption, bribery or attempts at them in any form. The fight against bribery and corruption is written into Consti's ethical guidelines which are communicated for example during the orientation phase.

Consti encourages its personnel and partners to immediately intervene in cases of possible discriminations.

It is a part of Consti's policy that major procuring activity, deliveries, work tasks or services are tendered in a transparent and honest manner. Consti strives towards establishing long-term cooperation arrangements with good partners that are committed to high quality work. In the case of procurements, written contracts or orders are always made. Authorisation procedures are also used to prevent grey economy.

Consti complies with the Finnish Act on the Contractor's Obligations and Liability and is part of the Reliable Partner Programme maintained by Vastuu Group. Consti requires its contracting partners and subcontractors to comply with the Act on the Contractor's Obligations and Liability.

Consti uses the Valtti smartcard in work site access control. The tax numbers of employees have been reported to the national register maintained by the Tax Administration. As the main contractor and buyer Consti reports contract information for each work site to the Tax Administration.

The procedures of the Act on the Contractor's Obligations and Liability and access control methods help stop both grey economy and human rights violations as they prevent the use of employees without work permits.

In 2019 there were no problems identified relating to Consti's compliance with the ethical guidelines and there was no call for action against cases of bribery or corruption to be taken.

Environment

The most significant environmental risks in Consti's operations are due to environmentally harmful emissions that may occur, for example, during the handling or disposal of demolition waste. Noise, tremors, and building dust may also occur in the immediate vicinity of work sites during renovations. The reduction of harmful environmental impacts caused by work sites is thus essential.

Consti complies with all environmental laws relating to construction, the use of materials, storage, recycling and disposal, as well as other regulations, permit conditions, and official regulations.

In order to minimise the negative environmental impacts of work sites, in particular the noise, dust and waste caused by onsite traffic, demolition and construction work need to be kept to a minimum. In addition to these, substances which are hazardous to the environment must be handled carefully.

Consti has guidelines to ensure that the environmental impacts of Consti's operations are minimised and operations abide by environmental regulations. The waste management plan included in Consti's operating system identifies the types of waste generated at work sites, how it is treated, and the responsibilities involved. The final disposal of waste is documented through archiving of consignment notes and documents from the whole supply chain. The environmental risks of the work site are identified in site-specific environmental plans and there are measures taken to avoid harmful impacts. Effective information campaigns are also used to reduce harmful impacts.

The shorter the implementation period lasts, the lower the negative environmental impact tends to be. Reducing implementation time plays a key part in Consti's competitiveness development. The use of materials is optimised through good design, the reduction of waste, and by favouring recycling. The guidelines for efficient material use are included in production planning processes and procedures.

One result of Consti's operations is that the negative environmental impacts of the built environment are in principle reduced, as the energy consumption of the renovated sites decreases. In Consti's own operations, the majority of energy consumption occurs at work sites.

Personnel and social responsibility

The best professionals is vital for achieving Consti's growth targets. In addition to training and experience, Consti values good collaboration skills and initiative. Consti employees do what they promise.

The Consti Way summarises what it means to work at Consti. These ways of working are based on Consti's values and they are communicated in introductions for new employees and different personnel events.

Consti conducts a personnel survey every two years. It shows that Consti employees have already for several years been more committed to their jobs and employer than the industry average. Based on the previous personnel survey, development efforts have been directed especially to communication and shared ways of working.

Risks related to personnel are the aforementioned risks typical to the construction industry: use of illegal workforce, grey economy and work safety risks.

Consti complies with applicable Finnish labour legislation and collective agreements and employment contracts are made in writing.

Consti's principle is to make permanent employment contracts. In 2019 Consti employed an average of 1037 people. At the end of the year 96 percent of the personnel had permanent employment contracts. During the year Consti offered a summer job or internship position for one hundred students in the field and aimed at offering good summer employees and interns permanent employment contracts after they graduate.

The organisational renewal carried out in February 2019 accelerated for instance unifying personnel procedures. In addition to unified ways of operating related to career life cycles, supervisor work at Consti also emphasises maintaining working ability and early intervention if decreased working ability is detected.

Supervisors are required to hold career development discussions with employees and training for holding these discussions is arranged when needed. For work site employees there is a shortened version of the development discussion.

In the construction industry a central part of the employer's responsible action is safety related to accident risks and occupational diseases. At Consti, special attention is paid to racking and work platforms, as well as to the general tidiness, as in the renovation industry in general.

Occupational disease risks related to Consti's activities are from exposure to stone dust,

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which is prevented by steps taken as part of the work site's dust management plan; and from the use of epoxy, which is prevented by Consti's model protection guidelines. In addition, in demolition work there is a risk of exposure to asbestos or other hazardous substances. In 2019 no occupational disease cases were reported.

On a group level safety work is coordinated by Consti Safety Group, which includes the Human Resources Director of the Group, Personnel Safety Manager, occupational safety managers and occupational safety representatives of the business areas and one Business Area Director acting as the chairman.

The recent developments have concentrated on the reduction of such minor accidents that can be avoided by the use of protective equipment or by acting carefully.

Monitoring construction site safety is one of the key daily tasks of the site supervisor. Indicators of work safety such as accident frequency and the level of weekly work safety measurements (TR measurements) are monitored regularly. Safety issues are discussed at the monthly meetings of the group's Management Team.

Work site safety management is based on site-by-site risk analysis. The measures are described both in the construction site safety plan and in other plans for the production and working phases, such as spatial plans, project plans and task plans. If deemed necessary, separate safety plans are prepared for critical work phases, such as fall protection plans, hot work plans or demolition plans.

Both personnel and external individuals are encouraged to report deficiencies in safety. Any employee or outsider who comes into the sphere of influence of a work site can make a report of a safety issue online via the teehavainto.fi portal.

In addition to accidents and occupational diseases, moisture and dust management play a significant role in the safety of renovation sites. Consti has models for drawing up moisture and dust management plans, and plans are made on a site-by-site basis when required. The cleanliness of the construction site and the degree of freedom from dust is monitored with the aid of weekly TR-measurements.

Work orientation practices also play a key role. In addition to personal work orientation Consti uses the ePerehdytys procedure, which is a common tool for the whole industry.

Consti monitors the monthly accident frequency, which describes the ratio between accidents and hours worked. This ratio is calculated per million working hours. According to the established industry practice, events are counted as accidents if they result in at least one day of sick leave in addition to the day of the accident.

The yearly accident frequencies at Consti Group:

- 2015 accident frequency: 26
- 2016 accident frequency: 22
- 2017 accident frequency: 20
- 2018 accident frequency: 19
- 2019 accident frequency: 11

In 2019 accident frequency at Consti was at a good level.

To improve occupational safety, Consti renewed its occupational safety card and first aid training in 2019. The general occupational safety card training was replaced with a tailored training that concentrates especially on safety risks typical to Consti. The training required for the occupational safety card is now carried out at the Safety Park (Turvapuisto), which was founded as a joint initiative by construction industry companies. Consti has already previously had its own occupational safety site at the park which all Consti employees visit. All work site employees also participate in occupational safety card training.

Consti's one-day first aid training focuses on typical situations where first aid is needed on work sites and thus Consti, i.e. falls, stopping massive bleeding and first aid situations caused by electric shock. The training also teaches participants how to guide first responders to the injured person as rapidly as possible. Each year approximately one fifth Consti's work site personnel attends first aid training.

At Consti safety extends also to the users of the facilities, as buildings are often at least partially in use while they are being renovated.

Consti aims at influencing the development of the entire industry by developing the industry's collaboration network and participating in joint development ventures. This work is described in more detail above, under the report's headline Research and development work.

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

The Annual General Meeting of Shareholders held on 2 April 2019 resolved that no dividend will be paid for the financial year 2018.

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 2019 were 52,978,529.78 euro, including retained earnings of 24,925,457.35 euro. The Board proposes to the Annual General Meeting that a dividend of 0.16 euro per share be paid for the financial period 1 January–31 December 2019. The Board of Directors plans to call the Annual General Meeting of shareholders to convene on Monday 6 April 2020.

Outlook for 2020

Renovation growth is expected to continue in 2020. In its November outlook, Euroconstruct estimated that Finland's renovation market will grow 1.2 percent from the previous year. Euroconstruct estimates that new construction will decrease 2.4 percent in 2020. The slowing down of new construction is expected to improve workforce availability, but it may simultaneously intensify competition especially for large renovation projects.

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 2020 will improve compared to 2019.

Significant events after the reporting period

Consti Group Plc announced 7 February 2020, that Consti Group Plc's Board of Directors has assessed the company's current strategy and financial targets during the ongoing strategy period in light of the changes that have occurred in the market and competitive environment, as well as the development of Consti's operations. As a result of the assessment the Board determined that the strategy is still valid. During the ongoing strategy period the strategy focus has been adjusted to match the company's operational development especially by underlining the importance of Consti's Profitable and Competitive Operations initiative and by renewing the group's organisational structure.

Alongside strategy work Consti's Board renewed the company's long-term financial targets. Net sales target is now tied to market growth. Long-term targets relating to profitability, cash flow and capital structure have remained unchanged.

The company's long-term financial goals are to achieve:

- Growth: net sales growing faster than the market (changed)
- Profitability: EBIT margin exceeding 5 percent (unchanged)
- Free cash flow: Cash conversion ratio exceeding 90 percent (unchanged)
- Balance sheet structure: Net debt and adjusted EBITDA rate less than 2.5x (unchanged)

The Company's aim is to distribute as dividends at least 50 percent of the Company's annual net profit.

In Helsinki, 6 February 2020

Consti Group Plc's Board of Directors

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	4	**314,801**	**315,762**
Other operating income	5	921	731
Materials and services	6	–229,884	–233,181
Employee benefit expenses	7	–61,736	–62,170
Depreciation and amortisation	9	–3,505	–1,662
Other operating expenses	8	–15,965	–21,606
Total expenses		–311,090	–318,619
Operating profit/loss (EBIT)		**4,632**	**–2,126**
Financial income	10	18	23
Financial expenses	10	–1,236	–734
Total financial income and expenses	10	–1,218	–711
Profit/loss before taxes (EBT)		**3,414**	**–2,837**
Total taxes	11	–738	507
Profit/loss for the period		**2,676**	**–2,330**
Comprehensive income for the period*		**2,676**	**–2,330**

*The group has no other comprehensive income items

CONSOLIDATED BALANCE SHEET

Assets EUR 1,000	Note	31 Dec 2019	31 Dec 2018
Non-current assets			
Property, plant and equipment	13	6,338	3,908
Goodwill	16	48,604	48,604
Other intangible assets	14	437	254
Shares and other non-current financial assets	17	17	17
Deferred tax assets	11	741	1,356
		56,137	**54,139**
Current assets			
Inventories	19	630	650
Trade and other receivables	20	49,786	53,049
Cash and cash equivalents	21	10,032	3,203
		60,448	**56,902**
Total assets		**116,585**	**111,041**

Equity and liabilities EUR 1,000	Note	31 Dec 2019	31 Dec 2018
Equity			
Share capital	22	80	80
Reserve for invested non-restricted equity	22	28,252	28,252
Treasury shares	22	–395	–601
Retained earnings		–4,477	–1,984
Profit/loss for the year		2,676	–2,330
Equity attributable to owners of the parent company		**26,137**	**23,418**
Hybrid bond	22	3,200	0
Total equity		**29,337**	**23,418**
Non-current liabilities			
Interest bearing liabilities	24	19,675	19,186
		19,675	**19,186**
Current liabilities			
Trade and other payables	25	55,879	61,642
Interest bearing liabilities	24	9,238	3,600
Provisions	23	2,457	3,195
		67,574	**68,437**
Total liabilities		**87,249**	**87,623**
Total equity and liabilities		**116,585**	**111,041**

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	Hybrid bond	Total equity
Equity on 1 Jan 2018	**80**	**28,252**	**–601**	**–4,313**	**23,338**	**0**	**23,418**
Total comprehensive income				2,676	2,676		2,676
Hybrid bond				–105	–105	3,200	3,096
Transactions with shareholders							
Purchase of own shares			–69		–69		–69
Conveyance of own shares			274		274		274
Share compensation				–59	–59		–59
Transactions with shareholders, total			205	–59	147		147
Equity on 31 Dec 2019	**80**	**28,252**	**–395**	**–1,800**	**26,057**	**3,200**	**29,337**

EUR 1,000

	Equity attributable to owners of the parent						
	Share capital	Reserve for invested non-restricted equity	Treasury shares	Retained earnings	Total	Hybrid bond	Total equity
Equity on 31 Dec 2017	**80**	**28,252**	**–601**	**–2,450**	**25,201**	**0**	**25,281**
Changes in accounting principles (IFRS 2)				116	116		116
Equity on 1 Jan 2018	**80**	**28,252**	**–601**	**–2,334**	**25,317**	**0**	**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**	**0**	**23,418**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows EUR 1,000	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from operating activities			
Operating profit/loss		4,632	–2,126
Adjustments:			
Depreciation		3,505	1,662
Other adjustments		104	118
Change in working capital		–3,341	–5,469
Operating cash flow before financial and tax items		4,900	–5,815
Financial income		18	23
Financial expenses		–1,236	–734
Taxes paid		0	–184
Net cash flow from operating activities (A)		**3,682**	**–6,711**
Cash flow from investing activities			
Investments in tangible and intangible assets		–923	–1,325
Investments in right-of-use assets (IFRS 16)		–1,611	0
Proceeds from sale of property, plant and equipment		369	524
Net cash flow from investing activities (B)		**–2,165**	**–801**
Cash flow from financing activities			
Purchase of treasury shares		–69	0
Hybrid bond		3,096	0
Change in interest-bearing liabilities:	24	2,285	1,063
Payments of long-term liabilities		–1,000	–1,000
Change in lease liabilities		–455	0
Change in other interest-bearing liabilities		3,740	2,063
Net cash flow from financing activities (C)		**5,312**	**1,063**
Change in cash and cash equivalents (A+B+C)		**6,829**	**–6,449**
Cash and cash equivalents at period start		3,203	9,652
Cash and cash equivalents at period end		**10,032**	**3,203**

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 building projects, for residential and non-residential properties.

The financial statements of Consti Yhtiöt Oy for the financial year ending 31 December 2019 were approved for publication by its Board of Directors at its meeting on 6 February 2020. 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 2019. The International Financial Reporting Standards refer to standards and interpretations that have been adopted by the EU under the procedure provided in Regulation (EC) No 1606/2002 and are in accordance with the Finnish Accounting Act and regulations based on the Act. The notes to the consolidated financial statements are compliant with the regulations of the Finnish Accounting Act and Limited Liability Companies Act that complement the IFRS requirements.

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

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

As of 1 January 2019, the Group has adopted the following new standards and amendments to standards:

New standard: IFRS 16 Leases

Consti Group Plc took the IFRS 16 'Leases' standard into use on 1 Jan 2019 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 were not restated. The reporting period 1 January – 31 March 2019 was the first quarter during which the Group abided to regulation in the IFRS 16 standard.

According to IFRS 16, the lessee is required to recognise assets and liabilities for nearly all leases. There are optional exemptions for short-term leases and leases of low-value items which Consti utilised in the adoption of the standard. As other practical expedients, Consti also applied a single discount rate to leases with reasonably similar characteristics and excluded initial direct costs when measuring the right-of-use asset at initial application. The lease liability was measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate on 1 January 2019 was 2.85 percent.

The most significant impact identified is that Consti recognised new assets and liabilities, mainly for its operating leases of facilities and vehicles. In addition, the nature of expenses related to those leases changed as IFRS 16 replaced 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 also had an impact on the presentation of the consolidated statement of cash flows as realised rent payments were 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.

As a result of adopting the standard, Consti recognised right-of-use assets and respective lease liabilities of EUR 4.0 million as of 1 January 2019. EUR 0.2 million of the recognised right-of-use assets and lease liabilities are related to the earlier finance leases recognised according to IAS 17 resulting an increase of EUR 3.8 million in right-of-use assets and lease liabilities compared to 31 Dec 2018 reported figures. Additional information on the adoption of IFRS 16 –standard is presented in Note 30.

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 2019 financial period.

Other intangible assets

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

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

The amortisation periods for intangible assets are as follows:

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

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

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

IMPAIRMENT TESTING

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

When an asset is tested for impairment, its recoverable amount is compared to the carrying amount of the asset. The asset is impaired if its carrying amount exceeds its recoverable amount. Impairment losses are immediately expensed. Impairment losses are first allocated to goodwill and then the remaining loss to other assets that have been tested, in proportion to their carrying amounts.

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

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

INVENTORIES

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

LEASES

Group as the lessee

As a lessee, Consti recognises at the beginning of the rental period a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Right-of-use asset is recognised in the balance sheet at the commencement date of the lease, which is the date that the underlying asset is made available for Consti's use. Right-of-use asset is recognised in the balance sheet amounting to the present value of the future lease payments discounted with the incremental borrowing rate and is depreciated over the contract period or over the useful life of the asset, depending which one is the shorter. In calculating the present value of lease payments, incremental borrowing rate is used because the interest rate implicit in the lease is not readily determinable. VAT is not included in the measurement of the lease liability. Lease liabilities are included in financial liabilities.

Lease payments related to short-term leases and leases of low value items are recognised as an expense on a straight-line basis over the contract period.

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 2017, 2018 and 2019 into shares. The plan's possible bonus will be paid to participants after a two-year engagement period during years 2020, 2021 and 2022, in part as company shares and in part as cash. As of 31 December 2019, the plan included 57 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 amortised 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 3 months or less. They are presented on the balance sheet at cost and their revenue is presented under financial income. The account limits available for the Group are included on the balance sheet under current liabilities as a net amount, as the Group has a contractual right to settle the net amount.

Financial liabilities

The Group's financial liabilities are classified into two categories: financial liabilities measured at amortized cost and financial liabilities recognised at fair value through profit or 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 2019 (31 December 2018).

EQUITY

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

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

KEY ACCOUNTING ESTIMATES AND DECISIONS BASED ON JUDGEMENT

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

Impairment of goodwill

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

Recognition of revenue from 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.

Lease agreements

The Group has defined that the term of a lease agreement is the non-cancellable period of a lease adjusted with any option to extend or terminate the lease if the use of such option is probable. Management judgement is applied in determining the probability to use any option to extend or terminate the lease, if such an option is included in the lease agreement. In addition, management judgement is applied in defining the incremental borrowing rate used to calculate the present value of the future lease payments.

The Group has some lease agreements relating to business premises and warehouses, which are valid until further notice. For such agreements, management judgement is applied in evaluating the lease term. In evaluating the lease term, the importance of the underlying asset to Consti's operations is considered, taking into account whether the underlying asset is a specialised asset, the location of the underlying asset and the availability of suitable alternatives. The management reassesses the lease term regularly to ensure that lease term reflects the current circumstances.

Trade receivables

The bad debt provision for the accounts receivable is recognised 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

The Group estimates that the new and renewed standards and interpretations published by IASB that the group has not yet applied do not have a significant impact on the group's financial statement.

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2. Operating segments

Segment information

The Consti Group's parent company is Consti Group Plc. Since the new organisational structure effective as of 18 February 2019, Consti Group has composed of four complementary operating segments based in Finland: Housing Companies, Corporations, Public Sector and Building Technology. Earlier the operating segments were: 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. All the business areas do business with all customer groups with some exceptions. Services are often cross-sold to the same customers by combining different business areas 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	2019	2018
Net sales		
Housing Companies	110,371	104,331
Corporations	119,059	134,292
Public Sector	33,876	18,016
Bulding Technology	69,730	75,174
Parent company and eliminations	–18,234	–16,050
Total	314,801	315,762

Information on key customers

In the 1 January–31 December 2019 and 1 January–31 December 2018 financial years, the Consti Group had a large number of customers. During fiscal year 1 January–31 December 2019 Consti Group's net sales from two customers exceeded 10% of the Group's net sales. Net sales from one Corporations and Housing Companies business area's customer amounted to approximately 35 million euro, which was 11% of the Group's total net sales. Net sales from one Public Sector and Housing Companies business area's customer amounted to approximately 33 million euro, which was 10% of the Group's total net sales. 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.

3. Business combinations

Business combinations in 2019

No acquisitions in financial year 2019.

Business combinations in 2018

No acquisitions in financial year 2018.

4. Revenue from contracts with customers EUR 1,000

	2019	2018
Net sales classification according to IFRS 15		
Project deliveries		
Housing Companies	107,874	101,511
Corporations	106,354	126,653
Public Sector	33,807	18,016
Bulding Technology	58,649	65,120
Parent company and eliminations	–18,234	–16,050
Total project deliveries	**288,450**	**295,248**
Other cost + fee projects and service contracts		
Housing Companies	2,497	2,820
Corporations	12,705	7,639
Public Sector	69	0
Bulding Technology	11,080	10,054
Parent company and eliminations	0	0
Total other cost + fee projects and service contracts	**26,351**	**20,514**
Total net sales	**314,801**	**315,762**
Accounts receivable and contract assets and liabilities		
Trade receivables	37,742	36,757
Receivables from project deliveries and cost + fee accruals	10,290	13,356
Advances received from project deliveries and cost + fee accruals	18,274	19,020

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:	2019	2018
Within one year	151,864	202,354
More than one year	33,956	22,728
Total order backlog	185,820	225,082

Changes in receivables from project deliveries and cost + fee accruals and advances received from project deliveries and cost + fee accruals are following the development of business. Trade receivables and receivables from project deliveries are in part increased by the Hotel St. George renovation project. Consti Group Plc's subsidiary Consti Korjausrakentaminen Oy has an arbitration process pending against Kiinteistö Oy Yrjönkatu 13, to resolve the dispute according to rules set by the Arbitration Institute of the Finland Chamber of Commerce. No material amounts of revenue were recognized 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.

5. Other operating income EUR 1,000	2019	2018
Capital gains from the sale of property, plant and equipment	121	237
Insurance indemnities received	736	365
Other income items	64	129
Total	**921**	**731**

6. Materials and services EUR 1,000		
Purchases of materials, supplies and goods	53,579	63,786
Increase (–) or decrease (+) in inventories	18	–99
External services	176,288	169,494
Total	**229,884**	**233,181**

7. Employee benefit expenses EUR 1,000		
Salaries	51,060	50,446
Pension expenses	8,698	9,501
Share-based payments	312	351
Other social security expenses	1,666	1,873
Total	**61,736**	**62,170**

Average number of personnel during the financial year, by group:		
White collar	439	472
Blue collar	598	620
Total	**1,037**	**1,093**

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

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8. Other operating expenses EUR 1,000	2019	2018
Capital losses on and scrapping of property, plant and equipment	7	3
Production operating and maintenance expenses	4,984	7,648
Costs of facilities	327	1,976
Voluntary social security expenses	1,625	1,913
Travel expenses	3,014	3,125
Vehicle costs	807	1,684
Other fixed expenses	5,201	5,257
Total	**15,965**	**21,606**

Auditor's fees		
Audit	226	215
Other assignments and statements of the auditor	18	17
Total	**243**	**233**

9. Depreciation and amortisation EUR 1,000		
Depreciation by asset type		
Intangible assets		
Allocation of acquisitions	–	–
Other intangible assets	133	143
Other intangible assets, right-of-use assets	65	–
Property, plant and equipment		
Buildings and structures	134	174
Buildings and structures, right-of-use assets	1,360	–
Machinery and equipment	1,133	1,290
Machinery and equipment, right-of-use assets	679	–
Machinery and equipment, finance leasing	–	55
Total depreciation and amortisation	**3,505**	**1,662**

10. Financial income and expenses EUR 1,000		
Financial income		
Interest income and other financial income	18	23
Total financial income	**18**	**23**
Financial expenses		
Interest expenses on loans recognised at amortised cost	696	257
Interest expenses on lease liabilities	105	–
Interest expenses on finance lease agreements	–	13
Other financial expenses	435	464
Total financial expenses	**1,236**	**734**
Net financial expenses	**1,218**	**711**

11. Income taxes EUR 1,000

	2019	2018
The key components of income taxes in the financial periods ending on 31 December 2019 and 31 December 2018 are as follows:		
Consolidated statement of comprehensive income		
Current income taxes	122	36
Taxes for the previous financial periods	0	5
Deferred taxes		
Origination and reversal of temporary differences	615	–548
Total	**738**	**–507**
Taxes recognised directly under equity	–	–
Reconciliation of tax expenses and taxes calculated on the basis of the Finnish tax rate of 20%:		
Earnings before taxes	**3,414**	**–2,837**
Taxes calculated on the basis of the Finnish tax rate of 20% (2018: 20%)	683	–567
Income not subject to tax	0	0
Non-deductible expenses	55	55
Taxes for prior financial periods	0	5
Income taxes in the income statement	**738**	**–507**

Deferred taxes

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

Reconciliation of deferred tax assets	Consolidated balance sheet		Consolidated income statement	
	2019	2018	2019	2018
Depreciation not deducted in taxation	133	120	13	31
Deductible goodwill depreciation	–98	–92	–6	–12
Capitalisation of tangible and intangible assets	1	–4	5	6
Losses confirmed in taxation	188	494	–306	494
Provisions	46	322	–276	198
Other items [1]	471	516	–45	–169
Deferred tax assets (/-liabilities), net	**741**	**1,356**		
Deferred tax expenses (/income)			**–615**	**548**

[1] The other items mainly refer to deferred tax assets for losses for fiscal period 2019. As at 31 Dec 2019, the Group had deductible intra-Group interests of EUR 399 thousand (EUR 399 thousand in 2018).

	Consolidated balance sheet	
The balance sheet includes the following items:	2019	2018
Deferred tax assets	844	1,460
Deferred tax liabilities	–103	–104
Deferred tax assets(/liabilities), net	**741**	**1,356**
Reconciliation of deferred (net) tax asset		
Deferred tax assets at the beginning of the period	**1,356**	**808**
Deferred tax income(/expenses) in the consolidated statement of comprehensive income	–615	548
Deferred taxes transferred in the combination of business operations	0	0
Deferred tax assets at the end of the period	**741**	**1,356**

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.

As at 31 Dec 2019, the Group had tax losses amounting to 942 thousand euro (2,474 thousand euro on 31 December 2018). 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	2019	2018
Profit for the period attributable to the shareholders of the parent (EUR 1,000)	2,676	–2,330
Hybrid bond's transaction costs (EUR 1,000)	–105	–
Hybrid bond's accrued unrecognised interests after tax (EUR 1,000)	–237	–
Profit for the period attributable to the shareholders of the parent adjusted with the effect of the hybrid bond (EUR 1,000)	2,335	–
Weighted average number of shares during the period	7,679,525	7,662,216
Earnings per share, undiluted (€)	**0.30**	**–0.30**

Earnings per share, diluted	2019	2018
Profit for the period attributable to the shareholders of the parent adjusted with the effect of the hybrid bond (EUR 1,000)	2,335	–
Diluted profit for the period (EUR 1,000)	2,335	–2,330
Weighted average number of shares during the period	7,679,525	7,662,216
Weighted average number of diluted shares during the period	7,685,236	7,685,236
Earnings per share, diluted (€)	**0.30**	**–0.30**

13. Property, plant and equipment EUR 1,000

	Land areas	Buildings and structures	Machinery and equipment	Other property, plant and equipment	Total
Acquisition cost 31 Dec 2018	**565**	**1,764**	**11,935**	**4**	**14,268**
The effect of IFRS 16 adoption	–	2,610	1,120	–	3,730
Acquisition cost 1 Jan 2019	**565**	**4,374**	**13,055**	**4**	**17,998**
Additions	–	920	1,351		2,270
Business combinations	–	–	–		–
Disposals	–	–	–754		–754
Acquisition cost 31 Dec 2019	**565**	**5,294**	**13,652**	**4**	**19,515**
Depreciation and impairment 1 Jan 2019	**–**	**1,289**	**9,070**	**–**	**10,359**
Depreciation for the period	–	1,494	1,812		3,307
Disposals	–	–	–489		–489
Depreciation and impairment 31 Dec 2019	**–**	**2,783**	**10,393**	**–**	**13,177**
Carrying amount 31 Dec 2019	**565**	**2,510**	**3,259**	**4**	**6,338**
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**

The amount of right-of-use assets included in buildings and structures and in machinery and equipment and the changes in the amounts during the financial year are presented in Note 15.

Impairment
No impairment losses were recognised on the Group's production machinery in 2019.

Grants
The Group did not receive any grants for the acquisition of property, plant or equipment in 2019.

14. Intangible assets EUR 1,000

	Goodwill	Other intangible assets	Total
Acquisition cost 31 Dec 2018	**48,604**	**5,643**	**54,247**
The effect of IFRS 16 adoption	–	112	112
Acquisition cost 1 Jan 2019	**48,604**	**5,754**	**54,359**
Additions	–	270	270
Business combinations	–	–	–
Acquisition cost 31 Dec 2019	**48,604**	**6,025**	**54,629**
Depreciation and impairment 1 Jan 2019	**–**	**5,389**	**5,389**
Depreciation for the period	–	198	198
Depreciation and impairment 31 Dec 2019	**–**	**5,587**	**5,587**
Carrying amount 31 Dec 2019	**48,604**	**437**	**49,042**
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**

Other intangible assets include patents, licences, software, and customer agreements and related customer relationships acquired in business combinations.
The amount of right-of-use assets included in other intangible assets and the changes in the amounts during the financial year are presented in Note 15.

15. Lease agreements EUR 1,000

The impact of the leases recognised in balance sheet on profit or loss and balance sheet is presented in tables below:

	Buildings and structures	Machinery and equipment	Other intangible assets	Total	Lease liabilities
31 Dec 2018	**–**	**170**	**–**	**170**	**170**
The effect of IFRS 16 adoption	2,610	1,120	112	3,842	3,842
1 Jan 2019	**2,610**	**1,290**	**112**	**4,012**	**4,012**
Additions	914	590	106	1,611	1,611
Depreciations	–1,360	–679	–65	–2,104	–
Interest expense	–	–	–	–	105
Payments	–	–	–	–	–2,170
31 Dec 2019	**2,165**	**1,201**	**153**	**3,519**	**3,557**

The Group has leased most of the business premises it uses. Main part of the Group's right-of-use assets consists of business premises and vans used in project and service business. 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.

The Group recognises lease payments related to short-term leases and leases of low value items as an expense on a straight-line basis over the contract period. The income statement 2019 includes EUR 238 thousand of lease payments related to short-term leases and EUR 10 thousand of lease payments related to leases of low value items.

The maturity profile of lease liabilities is presented in Note 18 and the division into non-current and current liabilities is presented in Note 24.

Consti has signed a rental contract for its headquarters in Helsinki on 9 December 2019. It is a fixed term contract for five years, after which it will continue as an agreement that is valid until further notice and has a six-month termination notice from either side. According to the IFRS 16 standard, right-of-use assets and lease liabilities are recognised on the date that the lessor makes the underlying asset available for use for the lessee. The rental agreement has not been taken into account in determining lease liabilities on 31 December 2019, as the contract stipulates that Consti will gain the right to use the property during 2021.

16. Impairment testing on goodwill EUR 1,000

Carrying amount of goodwill allocated to cash-generating units

	2019		2018
Housing companies	17,785	Technical Building Services	21,056
Corporations	16,687	Building Facades	14,717
Public Sector	4,677	Renovation Contracting	12,831
Building Technology	9,455		
Total	48,604	Total	48,604

Since the new organisational structure effective as of 18 February 2019, Consti Group operations have been divided into four business areas: Housing Companies, Corporations, Public Sector and Building Technology. Business areas represent the Group's cash-generating units. Consti Group's goodwill on 31 December 2019 has been allocated to the business areas based on values-in-use (VIU).

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 2019, 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 12.46% and 13.18% (13.00–13.20% in 2018) before taxes. In the management's best estimate, no possible change in any key variable used in the calculation would lead to the need to recognise impairment.

Key variables in the value-in-use calculations

The following key variables were used to determine value in use:
– EBITDA margin
– discount rate
– growth rate
– terminal growth rate

EBITDA margin

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

Discount rate

The discount rate reflects the current market evaluation of the risks of cash-generating units, taking into consideration the time value of money and the specified risks associated with assets that are not included in cash-flow forecasts. The discount rate calculation is based on the circumstances of the Group and its operating units and it is determined on the basis of the weighted average cost of capital (WACC) for the Group. WACC takes into consideration both debt and equity. The capital structure used in the WACC calculation is based on the median capital structure of selected listed Nordic companies that are comparable. The cost of equity derives from the expected return to Group investors, which takes into consideration the risk-free market rate and the share risk on the Finnish share market and the risk premium associated with size of the company. The sector-specific risk is based on the median beta of selected listed Nordic companies that are comparable. The cost of debt is based on the costs of interest-bearing debt which the Group is liable to pay. The discount rate is determined before taxes.

Growth rate

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

Terminal growth rate

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

Impairment testing sensitivity analysis

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

17. Financial assets and liabilities EUR 1,000

Financial assets	2019 Carrying amount and fair value	2018 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	37,742	36,757		20
Total financial assets measured at amortised cost	**37,742**	**36,757**		
Cash and cash equivalents	10,032	3,203		21
Total current financial assets	**47,791**	**39,978**		
Total financial assets	**47,791**	**39,978**		

EUR 1,000	2019	2018		
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	17,475	18,465		24
Non-current hire purchase debt	514	627		24
Finance leasing liabilities	–	94		24
Lease liabilities	1,685	–		24
Current financial liabilities				
Loans from financial institutions	1,000	3,000		24
Commercial papers	6,000	–		24
Current hire purchase debt	366	524		24
Finance leasing liabilities	–	76		24
Lease liabilities	1,872	–		24
Trade payables	18,207	24,991		25
Total financial liabilities measured at amortised cost	**47,119**	**47,776**		
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	**19,675**	**19,186**		
Total current financial liabilities	**27,445**	**28,591**		
Total financial liabilities	**47,119**	**47,776**		

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 lease liabilities 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.

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18. Financial risk management

The aims of financial risk management

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

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

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

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

The Group does not apply hedge accounting.

Interest rate risk

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

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

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

Consti monitors the sensitivity of its interest bearing loans and borrowings to changes in interest rates and the effect of such changes on the Group's result before taxes. As other variables are kept stable, the effect of increase in one percent unit in interest rate would have been EUR 235 thousand (EUR 220 thousand in 2018) in the result before taxes.

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

EUR 1,000	31 Dec 2019	31 Dec 2018
Undrawn loans	5,000	3,000
Cash and cash equivalents	10,032	3,203
Total	**15,032**	**6,203**

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 20 thousand (EUR 35 thousand in 2018).

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

Liquidity risk

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

At the date of the financial statements on 31 December 2019, 32% of the Group's interest bearing debts are due within the following year (31 December 2018 16%), based on the book value presented in the financial statements.

The key loan covenants are reported to lenders at three-month intervals. If the Group breaches any of the loan covenants, lenders may demand accelerated loan repayments. The financial covenants included in the loans are based on the Group's gearing and the ratio of net debt to adjusted EBITDA. 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 2019 (31 December 2018).

EUR 1,000

31 Dec 2019	2020	2021	2022	2023	2024	2025–	Total
Bank loans	1,411	1,388	16,697	0	0	0	19,496
Commercial papers	6,000	0	0	0	0	0	6,000
Lease liabilities	1,950	1,253	382	90	2	0	3,677
Other interest bearing liabilities	397	315	173	40	0	0	925
Trade payables	18,207	0	0	0	0	0	18,207
	27,964	**2,956**	**17,252**	**129**	**2**	**0**	**48,304**

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**

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 minimise the cost of capital. The capital is managed mainly by controlling investments and the amount of working capital committed to the business.

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

19. Inventories EUR 1,000

	2019	2018
Materials and supplies (measured at acquisition cost)	630	650
Total	**630**	**650**

No write-downs of inventories were made in the financial years 2019 or 2018.

20. Trade and other receivables EUR 1,000

	2019	2018
Trade receivables	37,742	36,757
Receivables from project deliveries and cost + fee accruals	10,290	13,356
Accrued income	1,540	2,708
Other receivables	214	227
Total	**49,786**	**53,049**

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 20 thousand (EUR 35 thousand in 2018) in impairment losses on accounts receivable. Acquiring guarantees on accounts receivable and other receivables is not a Group policy.

The age structure of trade receivables is as follows:

Undue	20,366	22,023
Fallen due		
< 30 days	3,163	2,500
30–60 days	1,006	266
61–90 days	65	89
> 90 days	13,143	11,879
Total	**37,742**	**36,757**

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 (current Consti Korjausrakentaminen Oy) started an arbitration process against Kiinteistö Oy Yrjönkatu 13 on 17 August 2018, to resolute the dispute according to rules set by the Arbitration Institute of the Finland Chamber of Commerce. Note 18. Financial risk management includes a description of how the Group manages and assesses the quality of credit with regard to accounts receivable that have not yet fallen due and the value of which is not impaired.

21. Cash and cash equivalents EUR 1,000

	2019	2018
Cash in hand and at banks	10,032	3,203
Total	**10,032**	**3,203**

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 2019 were EUR 5,000 thousand (EUR 3,000 thousand in 2018).

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

	2019	2018
Cash in hand and at banks	10,032	3,203
Cash and cash equivalents	**10,032**	**3,203**

22. Equity EUR 1,000

Share distribution and share capital	Number of outstanding shares	Share capital	No. of treasury shares	No. of total shares
1 Jan 2018	7,662,216	80	196,051	7,858,267
31 Dec 2018	**7,662,216**	**80**	**196,051**	**7,858,267**
1 Jan 2019	7,662,216	80	196,051	7,858,267
Conveyance of treasury shares	25,990		–25,990	
Purchase of treasury shares	–11,264		11,264	
31 Dec 2019	**7,676,942**	**80**	**181,325**	**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 2018	7,662,216	80	28,252	–601	27,731
31 Dec 2018	**7,662,216**	**80**	**28,252**	**–601**	**27,731**
1 Jan 2019	7,662,216	80	28,252	–601	27,731
Conveyance of treasury shares	25,990			274	274
Purchase of treasury shares	–11,264			–69	–69
31 Dec 2019	**7,676,942**	**80**	**28,252**	**–395**	**27,937**

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.

Hybrid bond

Consti Group issued on 29 March 2019 a EUR 3.2 million hybrid bond. A hybrid bond is an instrument that is subordinated to certain other debt obligations and is treated as equity on Consti's consolidated financial statements prepared in accordance with IFRS. The amount recognised in equity is EUR 3.1 million after issuing expenses. The bond bears interest at a fixed interest rate of 12.0 per cent until the reset date and thereafter, the interest rate will be determined on each second (2nd) anniversary of the issue date. The hybrid bond does not have a specified maturity date but Consti is entitled to redeem the hybrid bond for the first time on the second (2nd) anniversary of the issue date, and subsequently, on each annual coupon interest payment date. A hybrid bond does not confer its holder the rights of a shareholder nor does it dilute the holdings of the current shareholders. The accrued non-recognised interest on the bond was EUR 0.3 million at 31 December 2019.

Dividend

After the balance sheet date, the Board of Directors has proposed a dividend of EUR 0.16 per share.

23. Provisions EUR 1,000

	Warranty provisions	Onerous contracts	Litigation provisions	Total
1 Jan 2019	1,443	1,723	29	3,195
Arising during the year	1,594	122	–	1,716
Utilised provision	–854	–1,571	–29	–2,454
Unused amounts reversed	–	–	–	–
31 Dec 2019	**2,183**	**274**	**0**	**2,457**
Current provisions	2,183	274	0	2,457
Total	**2,183**	**274**	**0**	**2,457**
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	–	–	–	–
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**

Warranty provisions
Warranty provisions for contracts are determined with information based on experience of the materialisation of liability. At the end of 2019 warranty provision amounted to EUR 2,183 thousand (EUR 1,443 thousand in 2018). Most of the warranty provisions are expected to be used during the following two years.

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

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24. Financial liabilities EUR 1,000

	2019	2018
Non-current financial liabilities		
Loans from financial institutions	17,475	18,465
Non-current hire purchase debt	514	627
Finance leasing liabilities	–	94
Lease liabilities	1,685	–
Total non-current financial liabilities	19,675	19,186
Current financial liabilities		
Loans from financial institutions	1,000	3,000
Commercial papers	6,000	–
Hire purchase debts	366	524
Finance leasing liabilities	–	76
Lease liabilities	1,872	–
Total current financial liabilities	**9,238**	**3,600**

Net changes to non-current and current financial liabilities amount to EUR 2,285 thousand and are cash flow based.

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

Finance leasing liabilities
Consti took the IFRS 16 'Leases' standard into use on 1 Jan 2019 using the modified retrospective approach and comparative information were not restated. Consequently, finance leasing liabilities according to IAS 17 standard are no longer reported but leasing liabilities are presented according to IFRS 16. Additional information on the lease liabilities is presented in notes 15 and 18.

Finance leasing liabilities will mature as follows:	2019	2018
Minimum leases		
In less than a year	–	83
In 1 to 5 years	–	70
Minimum leases, total	–	153

Finance leasing liabilities will mature as follows:		
Present value of minimum leases		
In less than a year	–	76
In 1 to 5 years	–	94
Minimum leases, total	–	170
Unaccrued financial expenses	–	–17
Amount recognised as financial expense in the financial year	–	13

25. Trade and other payables EUR 1,000

	2019	2018
Trade payable	18,207	24,991
Advances received from project deliveries and cost + fee accruals	18,274	19,020
Other payables	7,967	8,912
Accrued expenses	11,431	8,719
Total	**55,879**	**61,642**

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

26. Commitments and contingent liabilities EUR 1,000

Other lease agreements – Group as lessee

Minimum lease payment under non-cancellable other leases:

	2019	2018
Within 1 year	29	1,633
In 1 to 5 years	1	2,300
In more than 5 years	0	2
Total	**29**	**3,935**

The decrease in rental liabilities associated with off-balance sheet operational leasing agreements is affected by the adoption of IFRS 16 standard on 1 Jan 2019, the impact of which is described in more detail in the accounting principles of the financial statements. After the adoption of IFRS 16 on 1 Jan 2019, off-balance sheet leasing and rental liabilities include lease liabilities from short-term leases and lease liabilities from low value items.

The income statement 2018 included EUR 1,856 thousand of leases paid in the 2018 financial year under non-cancellable other leases. Information on lease costs included in the income statement 2019 is presented in note 15.

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 Korjausrakentaminen Oy (former 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 Korjausrakentaminen 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 Korjausrakentaminen Oy demands payments from Kiinteistö Oy Yrjönkatu 13 based on the above-mentioned contracts. The amount of capital of Consti's settlement requirement has been stipulated as approximately 13 million euro in the statement of claim sent to the arbitral tribunal on 28 February 2019. Consti Korjausrakentaminen Oy has received on 16 August 2019 a response and counterclaim from Kiinteistö Oy Yrjönkatu 13 with respect to the statement of claim sent to the arbitral tribunal by Consti Korjausrakentaminen Oy on 28 February 2019. In its response and counterclaim, Kiinteistö Oy Yrjönkatu 13 has denied all claims stated by Consti Korjausrakentaminen Oy in its statement of claim, and has presented claims against Consti Korjausrakentaminen Oy for the amount of capital approximately EUR 11 million. The amount does not include VAT. In addition, Kiinteistö Oy Yrjönkatu 13 claims interest payments and compensation for legal expenses from Consti Korjausrakentaminen Oy. Consti Korjausrakentaminen Oy considers the claims of Kiinteistö Oy Yrjönkatu 13 to be unfounded.

On 18 September, 2019, the Arbitration Institute decided to extend the time limit given for the delivery of final arbitral award until 31 December, 2020. 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	2019	2018
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.

	2019	2018
Bank guarantees and guarantee insurance commitments for the duration of work and warranty periods and rental deposits	42,931	47,633
Total	**42,931**	**47,633**

27. Related party transactions

Information about subsidiaries

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

			Ownership %	
Company name	Primary business	Country	2019	2018
Consti Talotekniikka Oy	Technical building services	Finland	100%	100%
Consti Korjausrakentaminen Oy *)	Construction	Finland	100%	100%
Consti Julkisivut Oy *)	Construction	Finland	–	100%
EAM Consti Holding Oy		Finland	0%	0%

*) Consti Korjausrakentaminen Oy was formed on 1 October, 2019, when Consti Julkisivut Oy merged with Consti Korjausurakointi Oy, and Consti Korjausurakointi Oy's name was changed to Consti Korjausrakentaminen Oy.

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 2019 and 31 December 2018, 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	Hybrid bond
Members of Group management	2019	17	0	0	0	1,500
	2018	49	0	7	0	0

Terms associated with related party transactions

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

Loans to related parties

There are no loans to related parties.

EUR 1,000	2019	2018
Employee benefits of management members		
Salaries and other short-term employee benefits	1,652	1,583
Share based payments	112	147
Total	**1,764**	**1,730**

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, CEO	303	271
Board members and deputy members		
Tapio Hakakari, Chairman	36	36
Antti Korkeela	24	24
Erkki Norvio	24	24
Petri Rignell	24	24
Pekka Salokangas	24	24
Niina Rajakoski, member until 2 April 2019	6	24
Anne Westersund, member since 2 April 2019	18	–
Total	**156**	**156**

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 50 thousand in 2019 (EUR 51 thousand in 2018).

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

28. Share-based payments

Consti Group Plc's Board decided on 10 November 2016 to establish a new, share-based incentive plan for the Group's key people. The aim of the new plan is to merge the objectives of the shareholders and key people in order to increase the value of the Company in the long-term, to engage key people to the Company, and to offer them a competitive reward plan based on earning of the Company's shares. The share-based incentive plan is considered to be classified under IFRS 2 Share-based payments standard's scope. The plan's enrolment period for the key people ended on 5 January 2017. Establishing of the incentive plan had no impact on the financial period 1 January–31 December 2016.

The plan offers the key people included in the plan the opportunity to earn Company shares as bonuses by altering half or all of their performance based bonuses for 2016 and 2017 into shares. The performance based bonuses altered into shares will be multiplied with a bonus factor determined by the Board before the bonuses are paid. The plan's possible bonus will be paid to participants after a two-year engagement period during years 2019 and 2020, in part as company shares and in part as cash. The plan will include a maximum of approximately 70 key people including the Management Team. For the earning periods 2016 and 2017, the bonuses paid will amount to a maximum of approximately 289,200 Consti Group Plc shares at the share price level of the plan's decision time, including also the cash payment, providing that all of the key people included in the plan decide to participate in it and alter their performance based bonuses entirely into shares.

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.

Consti Group Plc's Board decided on 1 March 2019 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 2019 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 2019 will be paid to participants after a two-year engagement period during 2022, in part as company shares and in part as cash.

During earnings period 2019, the plan will include a maximum of approximately 70 key people including the Management Team. For the earning period 2019, the bonuses paid will amount to a maximum of approximately 450,000 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 2017 included cost from the share-based incentive plan amounting to EUR 271 thousand, in 2018 EUR 351 thousand and in 2019 EUR 312 thousand. Payment for the earnings period 2016 was EUR 246 thousand in total, of which EUR 96 thousand was paid in cash. In accordance with the decision of the Board of Directors, Consti transferred during spring 2019 to the 36 key people covered by the 2016 share-based incentive plan 25,990 shares in total, of which 2,533 shares were trasferred to the CEO and 8,745 shares were transferred to the other management team members.

29. Events after the reporting period

Consti announced 7 February 2020, that Consti's Board of Directors has assessed the company's current strategy and financial targets during the ongoing strategy period in light of the changes that have occurred in the market and competitive environment, as well as the development of Consti's operations. As a result of the assessment the Board determined that the strategy is still valid. During the ongoing strategy period the strategy focus has been adjusted to match the company's operational development especially by underlining the importance of Consti's Profitable and Competitive Operations initiative and by renewing the group's organisational structure.

Alongside strategy work Consti's Board renewed the company's long-term financial targets. Net sales target is now tied to market growth. Long-term targets relating to profitability, cash flow and capital structure have remained unchanged.

Consti's long-term financial targets are:

- Growth: net sales growing faster than the market (changed)
- Profitability: EBIT-margin exceeding 5 percent (unchanged)
- Cash flow: Cash conversion ratio exceeding 90 percent (unchanged)
- Capital structure: Net debt to adjusted EBITDA ratio of less than 2.5x (unchanged)

Consti's dividend policy remains unchanged. Consti's aim is to distribute at least 50% of its net profit as dividends annually.

30. Information related to adoption of the new standards

Consti Group Plc took the IFRS 16 'Leases' standard into use on 1 Jan 2019 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 were not restated.

Impact of IFRS 16 adoption on balance sheet 31 Dec 2018

CONSOLIDATED BALANCE SHEET (EUR 1,000)	31 Dec 2018 reported	IFRS 16 impact	1 Jan 2019
Non-current assets			
Property, plant and equipment	3,908	3,730	7,639
Goodwill	48,604		48,604
Other intangible assets	254	112	365
Shares and other non-current financial assets	17		17
Deferred tax receivables	1,356		1,356
Total non-current assets	**54,139**	**3,842**	**57,981**
Current assets			
Inventories	650		650
Trade and other receivables	53,049		53,049
Cash and cash equivalents	3,203		3,203
Total current assets	**56,902**		**56,902**
TOTAL ASSETS	**111,041**	**3,842**	**114,883**
EQUITY AND LIABILITIES			
Equity	**23,418**		**23,418**
Non-current liabilities			
Interest-bearing liabilities	19,186	2,072	21,257
Total non-current liabilities	**19,186**	**2,072**	**21,257**
Current liabilities			
Trade and other payables	42,622		42,622
Advances received	19,020		19,020
Interest-bearing liabilities	3,600	1,770	5,370
Provisions	3,195		3,195
Total current liabilities	**68,437**	**1,770**	**70,208**
TOTAL EQUITY AND LIABILITIES	**111,041**	**3,842**	**114,883**

Reconciliation (EUR 1,000)

The lease liabilities recognised on the opening balance sheet in the adoption of IFRS 16 as at 1 January 2019 can be reconciled to the operating lease commitments reported under IAS 17 as at 31 December 2018 as follows:

Off-balance sheet operational lease commitments (IAS 17) as at 31 December 2018	**3,935**
Add: finance lease liabilities as at 31 December 2018	170
Add: net increase in lease liability resulting ia. from different treatment of the definition of lease term and short-term leases and leases of low-value assets.	80
Less: impact from discounting	–173
IFRS 16 lease liability in the opening balance sheet as at 1 January 2019	**4,012**

PARENT COMPANY

INCOME STATEMENT OF THE PARENT COMPANY (FAS)

EUR 1,000	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net sales	1	**1,744**	**1,965**
Other operating income	2	375	376
Employee benefit expenses	3	–1,607	–1,285
Depreciation and amortisation	5	–188	–204
Other operating expenses	4	–1,846	–1,760
Total expenses		–3,641	–3,249
Operating profit/loss		**–1,522**	**–908**
Financial income and expenses	6	–1,515	–786
Profit (loss) before appropriations and taxes		**–3,037**	**–1,694**
Appropriations	7	6,400	500
Profit (loss) before taxes		**3,363**	**–1,194**
Total taxes	8	–122	0
Profit (loss) for the period		**3,241**	**–1,194**

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BALANCE SHEET OF THE PARENT COMPANY (FAS)

Assets EUR 1,000	Note	31 Dec 2019	31 Dec 2018
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		17	37
Other long-term expenditure		211	135
		228	**172**
Tangible assets	9		
Buildings and structures		8	17
Machinery and equipment		105	134
		114	**151**
Investments	10		
Shares in Group companies		94,138	94,138
Other shares		254	254
		94,392	**94,392**
Total Non-current assets		**94,734**	**94,715**
CURRENT ASSETS			
Short-term receivables	11		
Trade receivables		12	0
Intra-group receivables		3,355	3,661
Prepaid expenses and accrued income		68	58
		3,435	**3,719**
Cash and cash equivalents		9,935	3,110
Total current assets		**13,370**	**6,829**
ASSETS		**108,104**	**101,543**

Equity and liabilities EUR 1,000	Note	31 Dec 2019	31 Dec 2018
EQUITY	12		
Share capital		80	80
Reserve for invested non-restricted equity		28,053	28,053
Treasury shares		–343	–343
Retained earnings		22,027	23,221
Profit (loss) for the period		3,241	–1,194
Total equity		**53,059**	**49,818**
LIABILITIES			
Non-current liabilities	13		
Loans from financial institutions		17,500	18,500
Hybrid bond		3,200	0
Non-current hire purchase debts		40	18
		20,740	**18,518**
Current liabilities	13		
Loans from financial institutions		1,000	3,000
Commercial papers		6,000	0
Current hire purchase debts		19	12
Trade payables		134	202
Intra-group liabilities		26,089	29,339
Other current liabilities		210	446
Accrued expenses		853	209
		34,305	**33,208**
Total liabilities		**55,045**	**51,726**
EQUITY AND LIABILITIES		**108,104**	**101,543**

CASH FLOW STATEMENT OF THE PARENT COMPANY (FAS)

Cash flow statement of the parent company EUR 1,000	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Cash flow from operating activities		
Operating profit/loss	–1,522	–908
Adjustments		
Depreciation	188	204
Other adjustments	2	–21
Change in working capital	1,299	–442
Operating cash flow before financial and tax items	**–33**	**–1,166**
Financial income and expenses (+/–)	–1,219	–786
Taxes paid	0	0
Net cash flow from operating activities (A)	**–1,252**	**–1,952**
Cash flow from investing activities		
Investments in tangible and intangible assets	–243	–160
Proceeds from sale of property, plant and equipment	34	66
Net cash flow from investing activities (B)	**–209**	**–94**
Cash flow from financing activities		
Hybrid bond	3,200	0
Payments of long-term liabilities	–1,000	–1,000
Change in other interest-bearing liabilities	6,085	–2,816
Net cash flow from financing activities (C)	**8,285**	**–3,816**
Change in cash and cash equivalents (A+B+C)	**6,825**	**–5,862**
Cash and cash equivalents at period start	3,110	8,972
Cash and cash equivalents at period end	**9,935**	**3,110**

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 2019.

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 assets groups are as follows:

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

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

Group accounts
During the reporting period Consti has changed the presentation of group accounts. Balance sheet and cash flow statement for the comparison year have been restated to reflect the changed presentation. Change in the presentation of group accounts increased balance sheet total for the comparison year EUR 3.9 million.

CONSTI GROUP PLC 〉FINANCIAL STATEMENTS

1. Net sales EUR 1,000	2019	2018
Income from services	1,744	1,965
Total	**1,744**	**1,965**

2. Other operating income EUR 1,000		
Gain on sale of tangible and intangible assets	0	22
Other income	375	354
Total	**375**	**376**

3. Information on personnel and members of Plc organs EUR 1,000		
Salaries	1,394	1,092
Pension expenses	193	195
Other social security expenses	20	–3
Total	**1,607**	**1,285**
Average number of employees during the financial year:	9	10
Management remuneration		
CEO	303	271
Members of Board of Directors	156	156
Total	**459**	**427**

4. Other operating expenses EUR 1,000		
Auditor fees		
Ernst & Young Ltd		
Audit fees	129	109
Other services	18	10
Total	**146**	**119**

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5. Depreciation, amortisation and impairment EUR 1,000

	2019	2018
Depreciation and amortisation by asset type		
Intangible rights	20	24
Other long-term expenditure	86	82
Buildings and structures	8	8
Machinery and equipment	73	91
Total	**188**	**204**

6. Financial income and expenses EUR 1,000

Dividends		
From group companies	0	0
Other interest and financial income		
From group companies	63	16
Total	**63**	**16**
Interest and other financial expenses		
To group companies	475	433
Interest expenses to others	1,104	370
Total	**1,578**	**803**
Total financial income and expenses	**–1,515**	**–786**

7. Appropriations EUR 1,000

Group contributions received	6,400	500

8. Taxes EUR 1,000

Taxes from ordinary business	122	0

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

	2019	2018
TANGIBLE AND INTANGIBLE ASSETS		
Intangible rights		
Carrying amount at period start	37	44
Additions	0	16
Amortisation	20	24
Carrying amount at period end	17	37
Other long-term expenditure		
Carrying amount at period start	135	152
Additions	162	65
Amortisation	86	82
Carrying amount at period end	211	135
Buildings and structures		
Carrying amount at period start	17	25
Additions	0	0
Depreciation	8	8
Carrying amount at period end	8	17
Machinery and equipment		
Carrying amount at period start	134	190
Additions	80	79
Disposals	36	45
Depreciation	73	91
Carrying amount at period end	105	134

10. Investments EUR 1,000

	2019	2018
Shares in Group companies		
Acquisition cost 1 Jan	94,138	91,038
Additions	0	3,100
Acquisition cost 31 Dec	94,138	94,138
Other shares		
Acquisition cost 1 Jan	254	254
Acquisition cost 31 Dec	254	254
Total investments	**94,392**	**94,392**

11. Receivables EUR 1,000	2019	2018
Current receivables		
Intra-group receivables		
Trade receivables	1,393	2,592
Other receivables	53	1,069
Group contribution receivables	1,910	0
Total	**3,355**	**3,661**
Material external items in accrued income and prepaid expenses		
Expenses paid in advance	15	0
Other items	53	58
Total	**68**	**58**

12. Equity EUR 1,000	2019	2018
Share capital 1 Jan	80	80
Share capital 31 Dec	**80**	**80**
Reserve for invested non-restricted equity 1 Jan	28,053	28,053
Reserve for invested non-restricted equity 31 Dec	**28,053**	**28,053**
Retained earnings 1 Jan	21,685	22,878
Retained earnings 31 Dec	**21,685**	**22,878**
Profit/loss for the period	**3,241**	**–1,194**
Total	**24,925**	**21,685**
Equity	**53,059**	**49,818**
Distributable funds 31 Dec		
Reserve for invested non-restricted equity	28,053	28,053
Retained earnings	21,685	22,878
Profit for the period	3,241	–1,194
Total distributable funds	**52,979**	**49,738**

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	2019	2018
Non-current liabilities		
Liabilities to others		
Loans from financial institutions	17,500	18,500
Hybrid bond	3,200	0
Non-current hire purchase debt	40	18
Total non-current liabilities	**20,740**	**18,518**
Current liabilities		
Intra-group liabilities		
Trade payables	10	16
Other liabilities	26,079	29,322
Liabilities to others		
Trade payables	134	202
Hire purchase debt	19	12
Loans from financial institutions	1,000	3,000
Commercial papers	6,000	0
Accrued expenses	210	209
Other liabilities	853	446
Total current liabilities	**34,305**	**33,208**
Material items included in accrued expenses		
External		
Accruals related to employee benefit expenses	180	196
Accruals related to interest expenses	302	9
Tax accruals	122	–
Other accruals	249	3
	853	**209**

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14. Commitments EUR 1,000

14. Commitments EUR 1,000	2019	2018
Carrying amount of pledged shares	0	0
Rental liabilities		
To be paid during the on-going financial year	235	211
To be paid in later years	100	78
Total	**335**	**290**
Other liabilities		
Account limit, amount in use	0	2,000
Account limit, unused amount	5,000	3,000
Total	**5,000**	**5,000**
Guarantees		
Rental deposits	60	15
On behalf of intra-group companies	42,871	47,619

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. Decision to continue the share-based incentive plan to cover earnings period 2018 was made in the beginning of the year 2018, and for earnings period 2019 in the beginning of the year 2019, respectively. 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 2 April 2019 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 2020

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 2021 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)

In addition, the Nomination Committee proposes that a EUR 500 fee per member per meeting is paid for Board meetings.

Board of Directors remuneration in 2019

EUR	Compensation 2019	Compensation 2018
Tapio Hakakari *	36,000	36,000
Antti Korkeela	24,000	24,000
Erkki Norvio *	24,000	24,000
Petri Rignell *	24,000	24,000
Pekka Salokangas *	24,000	24,000
Niina Rajakoski 1)	6,000	24,000
Anne Westersund 2)	18,000	–

1) Niina Rajakoski has been a member of the Board of Directors until 2 April 2019
2) Anne Westersund has been a member of the Board of Directors since 2 April 2019
* Member of the Nomination and Compensation Committee, according to the decision made by the AGM, committee work is not separately compensated. Tapio Hakakari has been a member of the Nomination and Compensation Committee 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.

Consti Group Plc's Board decided on 1 March 2019 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 2019 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 2019 will be paid to participants after a two-year engagement period during 2022, in part as company shares and in part as cash. During earnings period 2019, the plan will include a maximum of approximately 70 key people including the Management Team. For the earning period 2019, the bonuses paid will amount to a maximum of approximately 450 000 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 2019 CEO Esa Korkeela was paid a salary of EUR 303 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 2019 are (EUR):

Retained earnings	21,684,649.30
Profit/loss for the period	3,240,808.05
Total retained earnings	24,925,457.35
Reserve for invested non-restricted equity	28,053,072.43
Total distributable funds	52,978,529.78

The Board of Directors proposes to the Annual General Meeting that the distributable funds shall be used as follows:

EUR 0.16 per share shall be paid as dividend to the shareholders of the company using retained earnings, i.e.*	1,228,310.72
To be left in distributable funds	51,750,219.06

The proposed dividend represents 53% of the Group's profit of the year (adjusted with the effect of the hybrid bond).

* Total distributable dividend has been calculated based on 31 December 2019 status, the amount of own shares has been described in Note 22. Equity.

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

SIGNATURES TO THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki, 6 February 2020

Tapio Hakakari
Chairman of the Board of Directors

Erkki Norvio
Deputy Chairman 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

Anne Westersund
Member of the Board of Directors

Esa Korkeela
CEO

Auditor's note

An auditor's report has been issued today.

Helsinki, 6 February 2020

Ernst & Young Oy
Authorised Public Accountants

Mikko Rytilahti
Authorised Public Accountant

CONSTI GROUP PLC AUDITOR'S REPORT

AUDITOR'S REPORT

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Consti Group Plc (business identity code 2203605-5) for the year ended 31 December 2019. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition of project deliveries. *Refer to the Group's accounting policies 1. and the note 4. Revenue from customer contracts* The Group delivers renovation and construction projects ("projects") to its customers. Such contracts are recognised as revenue according to their stage of completion as described in the financial statements accounting principles. The recognition of revenue and the estimation of the outcome of fixed price projects require significant management's judgment regarding estimates of the costs accrued by the end of the reporting period in relation to the estimated overall costs of a contract. In addition, the management must make estimates of the costs needed to complete the contract and related change orders. In year 2019, approximately 92% of the net sales of 315 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 significant risk of material misstatement associated with the project deliveries included: • Assessing of the Group's accounting policies over revenue recognition of long-term fixed price contracts. • Examination of the project documentation such as contracts, legal opinions and other written communication. • Quarterly analytical procedures throughout the audit period. • Review of performance, development and current status of projects through – comparing the contract to our prior experience with similar projects, – 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 16. Impairment testing on goodwill.* Valuation of goodwill 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, 2019, the value of goodwill amounted to 49 million euro representing 42% of the total assets and 166% 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 our 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 16. impairment testing of goodwill the most important assumptions related to testing have been disclosed. We evaluate the adequacy of these accounting principles.

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 2020

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)	2019 IFRS	2018 IFRS	2017 IFRS
Net sales	314,801	315,762	300,203
EBITDA	8,137	–464	1,714
EBITDA margin, %	2.6%	–0.1%	0.6%
Operating profit/-loss	4,632	–2,126	–375
Operating profit/-loss margin, %	1.5%	–0.7%	–0.1%
Profit before taxes (EBT)	3,414	–2,837	–1,204
as % of net sales	1.1%	–0.9%	–0.4%
Profit for the year	2,676	–2,330	–1,074
as % of net sales	0.9%	–0.7%	–0.4%

Balance sheet (EUR 1,000)			
Balance sheet total	116,585	111,041	100,810
Net interest bearing debt	18,880	19,582	12,070
Equity ratio, %	29.8%	25.4%	28.6%
Gearing, %	64.4%	83.6%	47.7%

Other key figures			
Free cash flow (EUR 1,000)	3,977	–7,140	8,936
Cash conversion, %	48.9%	n/a	521.4%
Order backlog (EUR 1,000)	185,820	225,082	225,721
Order intake (EUR 1,000)	214,757	228,525	278,077
Average number of personnel	1,037	1,093	1,088
Number of personnel at period end	990	1,046	1,079
Earnings per share, undiluted (EUR)	0.30	–0.30	–0.14
Earnings per share, diluted (EUR)	0.30	–0.30	–0.14
Shareholders' equity per share (EUR)	3.40	3.06	3.30
Number of shares, end of period	7,858,267	7,858,267	7,858,267
Number of outstanding shares, end of period	7,676,942	7,662,216	7,662,216
Average number of outstanding shares	7,679,525	7,662,216	7,660,253

CALCULATION OF KEY FIGURES

EBITDA = Operating profit (EBIT) + depreciation, amortisation and impairment

Net interest-bearing debt = Interest-bearing liabilities – cash and cash equivalents

Equity ratio (%) = $\frac{\text{Equity}}{\text{Total assets – advances received}} \times 100$

Gearing (%) = $\frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Equity}} \times 100$

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 = $\frac{\text{Profit/loss attributable to equity holders of the parent company – hybrid bond's transaction costs and accrued unrecognised interests after tax}}{\text{Weighted average number of shares outstanding during the period}}$

Shareholders' equity per share (EUR) = $\frac{\text{Equity attributable to owners of the parent company}}{\text{Number of outstanding shares, end of period}}$

Order backlog = At the end of the period the unrecognised amount of construction contracts recognised in accordance with the percentage of completion method, including not started ordered construction contracts, long-term service agreements and the part which has not been invoiced in ordered invoice based projects

Order intake = Orders of construction contracts, long-term service agreements and invoice based projects during the period

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 2019, the total number of shares totalled 7,858,267 and the share capital amounted to EUR 80,000.

Share information

- Listed on Nasdaq OMX Helsinki Ltd
- List: Nordic Small Cap
- Trading code: CONSTI
- ISIN code: FI4000178256
- Sector: Industrials
- Industry: Industrial Goods & Services
- Number of shares 31 Dec 2019: 7,858,267
- Listing date: 11 December 2015

Shareholders

At the end of December 2019, Consti Group Plc had 2,886 shareholders in the share register. Distribution of shareholders is shown in the table and graphs presented below. At the end of December 2019, non-Finnish shareholders held approximately 10.8% 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 Monday 6 April 2020 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 25 March 2020 in the company's shareholders' register held by Euroclear Finland Oy. Shareholders must also give prior notice of their attendance to the company by 31 March 2020 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 a dividend of EUR 0.16 be paid for the financial year 2019, representing 52.6 percent of reported earnings per share.

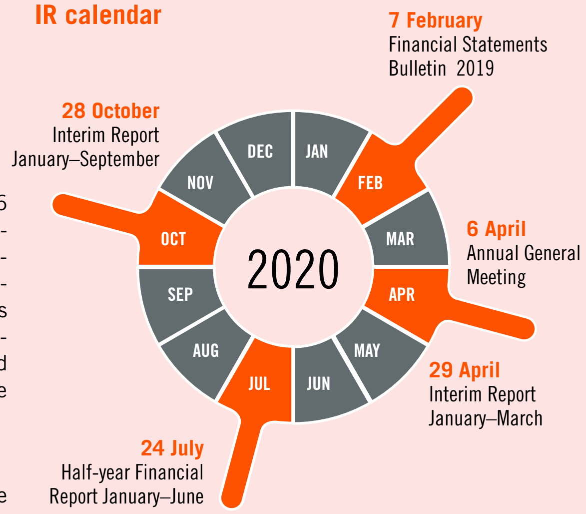
Financial calendar in 2020

Consti shall publish three interim reports during 2020:

- Interim report 1–3/2020 will be published on 29 April 2020
- Half-year financial report 1–6/2020 will be published on 24 July 2020
- Interim report 1–9/2020 will be published on 28 October 2020

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

IR calendar



Investor relations

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

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

Contact details

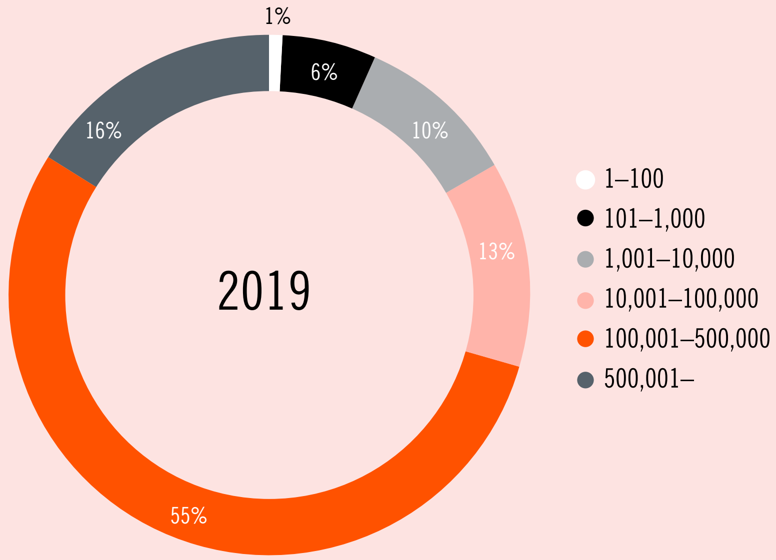
Esa Korkeela
CEO
Tel. +358 40 730 8568
esa.korkeela(at)consti.fi

Joni Sorsanen
CFO
Tel. +358 50 443 3045
joni.sorsanen(at)consti.fi

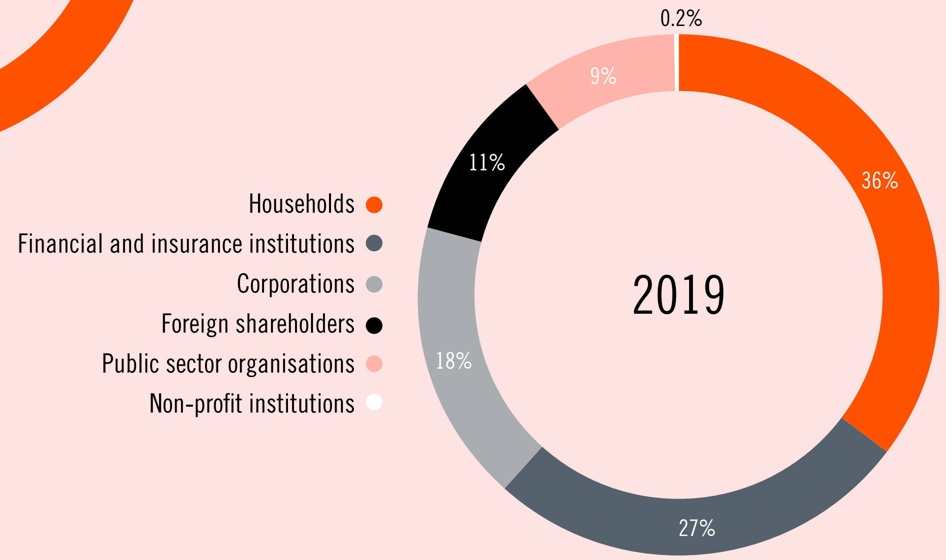
Financial documents can be obtained from:
Consti Group Plc
Hopeatie 2, FI-00440 Helsinki, Finland
Tel. +358 10 288 6000
IR@consti.fi

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

Distribution of shareholding by size range
31 December 2019



Distribution of shareholding by sector
31 December 2019



Major shareholders 31 December 2019	Number of shares	%
Danske Invest Suomi Osake Fund	558,708	7.11
Evli Suomi Pienyhtiöt Fund	454,200	5.78
Esa Korkeela	434,133	5.52
Ilmarinen Mutual Pension Insurance Company	400,000	5.09
Risto Kivi	377,937	4.81
Riikantorppa Oy	334,077	4.25
Wipunen Varainhallinta Oy	334,077	4.25
Markku Kalevo	298,692	3.80
OP-Suomi Pienyhtiöt Fund	277,977	3.54
Antti Korkeela	276,894	3.52
Säästöpankki Pienyhtiöt Fund	231,792	2.95
eQ Pohjoismaat Pienyhtiö Fund	206,624	2.63
Consti Group Plc	173,031	2.20
Varma Mutual Pension Insurance Company	172,000	2.19
Aktia Capital Fund	131,511	1.67
Church Pension Fund	118,937	1.51
Norvier Oy	106,463	1.35
Wip Hakkapeliitat Fund	100,000	1.27
eQ Suomi Fund	75,000	0.95
Rausanne Oy	73,890	0.94
20 largest owners, total	**5,135,943**	**65.36**
Nominee registered	787,760	10.02
Others	1,934,564	24.62
Total	**7,858,267**	**100.00**

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2019

Photo: Pasi Salminen

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