Building the bigger picture.

Financial Statements

2016 **2017** 2018 2019 2020

DESTIA

Destia Group's Financial Statements 2017

Contents

Report of the Board of Directors 2017

Operating environment

The Finnish economy continued its stable development in 2017. The positive development of the economy is now more broad-based after exports have picked up, and it no longer relies solely on the construction industry. The volume of construction is said to have exceeded the pre-financial crisis level.

In October, the Confederation of Finnish Construction Industries RT predicted that the construction growth rate in 2018 will be lower than in 2017, but only slightly. The workload of infrastructure construction has been boosted by public sector investments in reducing the repair backlog and in fundamental road maintenance. Private sector investments also increased for the second consecutive year. The increase in foundation work for building construction has a significant effect on infrastructure construction as new construction activity picks up. Competition is expected to continue to be intense and the market will focus largely on growth centres. The majority of MEUR 600 in separate funding allocated over three years will be spent in 2018, and the government decided to launch new projects for just under MEUR 85 in its autumn budget session. According to RT, the availability of professional labour has become the most significant factor restricting production in construction, also in the area of civil engineering.

According to the construction confidence indicators published by the Confederation of Finnish Industries (EK), construction business confidence showed a slight upward trend in December 2017 and is characterised as being stronger than usual by a clear margin. The order book is said to be close to the normal levels and seasonally adjusted figures indicate that the number of personnel is expected to increase substantially. In November, the confidence of Finnish construction companies was slightly above the EU average.

According to Statistics Finland, the costs of the civil engineering industry increased by 2.2% from December 2016 to December 2017. The annual change in costs varied by sub-index from 0.3% in earth structures to 7.9% in surfacing. The increase in the total index was particularly affected by the increasing prices of bitumen, fuels and energy. The overall rise in costs was kept in check by soil and aggregates becoming cheaper and interest costs being lower than in the previous December.

IFRS financial statements

The consolidated financial statement has been prepared in accordance with the same IFRS accounting principles and calculation methods as the previous financial statements. In addition, the Group has applied the following new or amended IAS/IFRS standards and interpretations that became effective on 1 January 2017:

– Annual improvements to IFRS. The amendments only affect the notes to the consolidated financial statements.

The consolidated financial statements and its notes report on the financial development of the Destia Group from financial year 2017 and comparative year 2016. The Group's parent company Destia Group Plc was established 22 April 2014, in connection with the ownership arrangement of Destia Ltd. Destia Group's financial figures from year 2014 excluding balance sheet exist only from the second half of the year, 1 July–31 December 2014.

Order book and the most significant new orders

The order book at the end of December was at a good level, amounting to MEUR 696.2 (708.0). The order book is spread over several years.

The most significant new contracts signed in 2017:

- Service level measurements for paved roads in 2017–2019
- Regional main road contracts for 2017–2022: Alavus, Kiuruvesi, Pielavesi, Pyhäjärvi, Tampere and Viinijärvi.
- Upgrading of National Road 75 at the Yara site in Siilinjärvi, completed in autumn 2017
- Renovation of the Oulu–Kontiomäki track section, superstructure contract, to be completed in autumn 2018
- Pit compaction work at a factory site in Pyhäjoki, completed in autumn 2017
- Construction of the Ranta-Kartano area in Lahti, phase 1, to be completed in autumn 2019
- Closure of leftover rock and ore-dressing sand areas at a mining facility in Kolari, to be completed in late 2018
- Upgrading of National Road 4 near Oulu, to be completed in autumn 2019
- Renovation of Ounaskoski railway bridge in Rovaniemi, to be completed in autumn 2018
- National Road 12 Lahti southern ring road, section 1A Hollola, design and build contract, to be completed in autumn 2020

Destia was chosen to carry out the design and build contract for National Road 5 Mikkeli–Nuutilanmäki on 15 December 2017. Construction will begin in April 2018 and the contract will be completed in 2021. The contract is not included in the order book for 2017.

The results of tendering on the 1st round road upkeep and maintenance contracts were announced in December 2017. Destia won three contracts: Huittinen, Jämsä and Pieksämäki. The five-year contracts will begin in October 2018.

Revenue development

The Group's revenue was MEUR 478.7 (493.2) for the financial year.

Destia Group's other operating income during the financial year amounted to MEUR 3.3 (4.5). This mainly includes sales income from fixed assets and property rental income. In addition to these, the figure for the comparison period included gains on the sale of property.

Result development

Destia's operating profit for the financial period was MEUR 13.1 (14.1). The Group's result for the financial period was MEUR 12.6 (5.7). The result for the reporting period was improved by an easier winter season than the previous year in terms of maintenance and the success of ongoing projects. The result in the comparison period was weighed down by two ongoing projects with overrun costs, one of them with exceptionally significant impact.

The operating profit for the financial year includes

Key figures (IFRS), MEUR	1–12/2017	1–12/2016	1–12/2015	7–12/2014
Revenue	478.7	493.2	462.8	261.8
Operating profit for the period	13.1	14.1	12.9	12.5
% of revenue	2.7	2.9	2.8	4.8
Operating profit for the period, comparable	15.1	12.5	7.4	14.4
% of revenue	3.2	2.5	1.6	5.5
Result for the period	12.6	5.7	6.7	5.5
% of revenue	2.6	1.2	1.5	2.1
Earnings per share, EUR	146.60	50.13	56.14	53.77
Return on equity, %	15.9	7.6	9.5	8.0
Equity ratio, %	34.5	33.5	31.2	29.4
Return on investment, %	10.7	11.1	9.4	9.2
Net gearing, %	28.5	35.3	32.6	42.4
Average personnel	1,572	1,492	1,505	1,502
Occupational accidents resulting in absence from work *)	10.5	5.9	7.6	9.3
Order book at the end of review period	696.2	708.0	717.4	628.2

**) Occupational accidents per one million working hours. Since the beginning of the year 2017 the number also covers Destia Engineering. Comparative figure for the year 2017 (Destia without Destia Engineering Ltd) was 8.5.*

expense items of MEUR -2.1 affecting comparability, related to non-recurring expenses, while the operating profit for the comparison period included gains on the sale of business operations and property in the amount of MEUR +1.6.

Destia Group's income taxes in the financial year totalled MEUR -0.4 (0.1).

Balance sheet, cash flow and financing

Total assets on Destia's balance sheet were MEUR 264.3 (257.1) at the end of the financial year. Return on investment (ROI) was 10.7% (11.1%), equity ratio was 34.5% (33.5%), and net gearing was 28.5% (35.3%). Operating cash flow remained fairly stable throughout the financial year, taking the seasonality of construction into consideration. The demand for financing working capital was at its highest in the second and third quarters. The cash flow of the financial year comprised operating cash flow of MEUR +17.6 (+19.0), investment cash flow of MEUR -7.3 (-14.0) and financial cash flow of MEUR -5.4 (-31.9). The financial cash flow includes accrued interest of MEUR 3.7 (1.2) paid on hybrid loans and a repayment of MEUR 1.5 on a hybrid loan, both paid in accordance with the resolutions of General Meetings. A group contribution of MEUR 2.3 was paid to Ahlström Capital Oy in the comparison period. The financial cash flow in the comparison period includes a financial arrangement in which the parent company prematurely redeemed a MEUR 65 bond for the full outstanding amount and the interest rate swap related to the bond was terminated. The arrangements resulted in a non-recurring financial cost in the amount of MEUR 3.2. In connection with the arrangement, a total of MEUR 40 in variable-rate, three-year bullet-type loans were withdrawn. In the reporting period, the maturity of the loans was postponed to 2020 and the full hedging of the loans was extended.

The financial assets on the balance sheet were MEUR 20.8 (16.0) at the end of the financial year. Destia's MEUR 150 commercial paper programme and short-term credit limit of MEUR 10.3 were not used. During the reporting period, interest-bearing liabilities totalled MEUR 44.2 (43.0). Of all loans, 0.6% (0.8%) were short-term and 99.4% (99.2%) were long-term. The Group's interest-bearing net liabilities at the end of the reporting period were MEUR 23.4 (27.0).

In accordance with the decision by the Annual General Meeting (2016: Extraordinary General Meeting), MEUR 1.5 (0.5) of the hybrid loan was amortised. In the comparison period, a MEUR 15 hybrid loan from AC Infra Oy was converted into the invested unrestricted equity fund. At the end of the reporting period, consolidated shareholders' equity included an equity hybrid loan from Ahlström Capital Group amounting to MEUR 10.0 (11.5), and the interest rate on the loan was 10.0%.

Shares, share capital and equity

The registered share capital of Destia Group Plc is EUR 80,000 and its total number of shares is 80,000. The company is 100% owned by AC Infra Oy, which is part of Ahlström Capital Group.

Destia Group's equity also includes an invested unrestricted equity fund, totalling MEUR 53.0 (53.0), and a MEUR 10.0 (11.5) hybrid loan from Ahlström Capital.

Investments and divestments

Destia Group's gross investments during the financial year were MEUR 8.8 (17.9), which represented 1.8% (3.6%) of revenue. The investments were mainly fleet investments. Destia successfully deployed a new ERP system during the reporting period. The investments in the comparison period included a corporate acquisition carried out on 1 April 2016, in which Destia acquired a majority 51% interest in Destia Engineering Ltd.

Personnel

Destia's average number of personnel during the financial year was 1,572 (1,492). At the end of December, the number of personnel was 1,544 (1,504), of whom 1,435 (1,394) were permanent and 109 (110) temporary employees. Due to the seasonality of the business, the number of personnel varies during the year, peaking in the summer.

In 2017, personnel costs were higher than in the previous year at MEUR 98.1 (93.4), or 20.5% (18.9%) of revenue. The personnel costs include MEUR 1.9 in non-recurring costs and MEUR 9.5 (6.3) in performance and incentive bonuses for all personnel.

Destia commissioned an external organisation to conduct the annual personnel survey during the financial year. The results of the survey have shown positive development for several years now, and this trend continued in 2017. The response rate was high at 79% (78%). The overall score has increased each year and it was 3.92 (3.91) in the most recent survey. Destia's overall score as a company and as an employer increased to 4.11 (4.10). This development supports Destia's goal of being the preferred employed in its industry.

Destia's focus during the current business planning period is on developing strong expertise and the Destia spirit. Destia is a company of experts that invests heavily in supporting and developing the competence of personnel. During the financial year, Destia assessed the competencies of its personnel and supported changing the management culture by implementing measures that help develop a coaching-oriented management style. In the second half of the year, Destia started the Time to Act programme to support the strategic Tositoimi projects. The first phase of the programme was successfully completed late in the year. A number of development measures were put into practice during the programme's first phase, including more active communication both face-to-face and across digital channels, making sure that all Destia professionals participate regularly in team meetings, and implementing measures aimed at ensuring the recruitment of new talent. Destia deployed a new ERP system in the first quarter and a new CRM tool in the final quarter. Training on the use of the new systems was organised extensively throughout the company and operating procedures were specified and revised as a result of their deployment.

Destia continued to implement measures aimed at improving occupational safety. From the beginning of 2017, Destia's accident frequency, which measures occupational accidents per million working hours, covers the entire Group. The accident frequency for the year was 10.5 (5.9). Measures aimed at promoting the implementation of good operating models and practices and improving occupational safety throughout the organisation were enhanced. New tools were also introduced to improve occupational safety. The Destia TLY mobile application launched in the final quarter of 2017 enhances the submission and processing of information related to safety observations, civil engineering measurements and fleet inspections.

Interest in Destia as an employer has increased. Destia was one of the climbers in 2017 (rising nearly 30 places from the previous year's position, from 80 to 52) when industry professionals listed Finland's most attractive employers in Universum's annual survey. Destia is also seeing growing interest among emerging talents in the industry: in 2017, Destia received 34% more summer job and trainee applications than in the previous year. In the financial year, there were a record 240 (212) trainees and summer workers employed at Destia.

Organisational structure and management

In 2017, Destia's organisation comprised four regional business units, Southern Finland, Western Finland, Eastern Finland and Northern Finland, as well as the national Consulting Services business unit and support functions.

On 5 October 2017, Destia announced it will establish a new Special Construction business unit that will become operational on 1 January 2018. In 2018, Destia's organisation comprises four regional business units, Southern Finland, Western Finland, Eastern Finland and Northern Finland, as well as two national business units, Special Construction and Consulting Services, and support functions.

The business of the regional business units includes the construction and maintenance of traffic routes, industrial and traffic environments and the complete living environment, as well as the services of the Winter Maintenance Management Centre, Kelikeskus. The Northern Finland business unit also includes the Fleet business unit. The business of the national Consulting Services business unit comprises design, road network surveys and international consultancy. The operations transferred to the Special Construction business unit consist of Destia Rail, which focuses on railway construction and maintenance, and Destia Engineering, which specialises in demanding foundation and engineer construction, as well as the energy infrastructure, rock construction and aggregates businesses.

Destia's business operations are supported by the following support functions: Economics & Financing, Human Resources (Personnel), Legal Services, Business Development and Operational Excellence, and Project Development.

In 2017, Destia's Management Team comprised President & CEO Hannu Leinonen (until 7 August) and acting President & CEO Arto Pohjonen (as of 7 August) as Chair, and Executive Vice Presidents Heidi Erha (until 21 December) and Arto Ruotsalainen (as of 22 December), Minna Heinonen, Pasi Kailasalo, Marko Vasenius and Seppo Ylitapio, as well as Executive Vice President, Human Resources, Taru Salo, General Counsel Aki Markkola, CFO Pirkko Salminen (until 18 October) and acting CFO (as of 19 October) Olli Valtonen and personnel representative Jouko Korhonen.

As of 1 January 2018, Destia's Management Team comprises acting President & CEO Arto Pohjonen, who serves as Chair, and Executive Vice Presidents Minna Heinonen, Pasi Kailasalo, Annina Peisa (as of 2 January), Arto Ruotsalainen, Marko Vasenius and Seppo Ylitapio, as well as General Counsel Aki Markkola, acting CFO Olli Valtonen, Executive Vice President, Human Resources, Taru Salo and personnel representative Jouko Korhonen.

On 9 October 2017, Destia's Board of Directors appointed Tero Kiviniemi, MScEng, eMBA, as the President & CEO of Destia Group Plc. Kiviniemi will start in his new position in summer 2018, by 1 July 2018 at the latest.

Decisions of the Annual General Meeting

The Annual General Meeting of Destia Group Plc held on 7 March 2017 confirmed the company's financial statements for 2016 and discharged the President & CEO and members of the Board from liability for the financial period 1 January–31 December 2016. The Annual General Meeting decided, in accordance with the proposal by the Board of Directors, that neither dividend nor capital repayment be distributed for the financial period ending 31 December 2016. The Annual General Meeting further resolved that the accrued interest of MEUR 1.2 and repayment of MEUR 1.5

of the hybrid loan from Ahlström Capital Oy as well as the accrued interest of MEUR 2.5 of the previously converted hybrid loan from AC Infra Oy, totalling MEUR 5.2, will be paid to the owners.

The meeting decided that the number of Board members would be seven and elected Arto Räty as Chair of the Board. Marcus Ahlström, Hans Sohlström and Tero Telaranta were re-elected as the members of the Board of Directors. Pasi Koota, Juha Nurmi and Arto Pohjonen were elected as new Board members. At the organising meeting of the Board of Directors, Hans Sohlström was appointed Vice Chair and it was decided that an Audit Committee would be established to support the Board's work.

Based on the Board's assessment of independence, the members of the Board are independent of the company and the owner with the following exceptions: Arto Räty is independent of neither the company nor the owner, Arto Pohjonen is not independent of the company, and Hans Sohlström and Tero Telaranta are not independent of the owner.

The Annual General Meeting decided that the Chair will be paid EUR 50,000 per year and each Board member EUR 30,000 per year. No fees are paid to Board members representing the shareholder.

The Annual General Meeting elected KPMG Oy Ab (APA) as Destia Group Plc's auditor for the 2017 financial year, with Virpi Halonen (APA) as the auditor with principal responsibility.

Litigation and disputes

Criminal charges were brought against two Destia employees in the District Court of Southern Savonia at the beginning of August 2017 for negligence of occupational safety. The prosecutor also called for a corporate fine of at most EUR 10,000 to be imposed on Destia Ltd. Destia denied the claims. The District Court of Southern Savonia handed down its decision on 29 August 2017. The District Court acquitted the Destia employees and rejected the corporate fine by dismissing all of the charges presented by the prosecution. The decision is legally binding.

On 22 September 2017, the Espoo District Court handed down its decision on a dispute between Destia Ltd and Länsimetro Oy regarding the construction contract for the railway section between Keilaniemi and Lauttasaari. The District Court ordered Länsimetro to pay Destia a total of EUR 2,438,075.97 plus interest. Destia, in turn, was ordered to pay a refund to Länsimetro of approximately EUR 2,575,256.80 plus interest, as well as EUR 1,500 based on a fine order. Destia was also ordered to pay Länsimetro partial compensation for legal costs. Destia has filed an appeal with the Court of Appeal regarding the District Court's decision.

On 13 December 2017, the Helsinki District Court handed down its decision on charges for environmental offences at the Harjula soil area in Mäntsälä. In December 2015, criminal charges were brought against three Destia employees over environmental offences. According to the charges, the employees were guilty of environmental offences at the Harjula soil area in Mäntsälä between autumn 2010 and summer 2012. The prosecutor also called for a corporate fine of at least EUR 50,000 to be imposed on Destia Ltd and called for Destia Ltd to be ordered to lose the financial benefit resulting from the offence, amounting to approximately EUR 580,000. In its decision, the Court of Appeal largely maintained the judgment issued by the Tuusula District Court in 2016, according to which unit fines were imposed on three Destia employees and a corporate fine of EUR 50,000 was imposed on Destia, and Destia was ordered to lose the financial benefit resulting from the offence, amounting to approximately EUR 86,000. The decision is not legally binding.

Short-term risks and uncertainties

Destia classifies risks as market and operating environment risks, operational risks, financial risks and damage risks.

Of the market and operating environment risks, fluctuation in the economy and uncertainty in the market situation are particularly causing a significant risk for Destia's business. The competitive situation in Destia's core business areas is expected to continue to be fierce. Success in tendering for regional road maintenance contracts as well as large contracts is of paramount importance. New forms of tendering have emerged in the tendering for large public projects, which require a new kind of expertise.

The fluctuation in the price of oil-based commodities causes uncertainty with regard to the profitability of the company. The risk is being prevented by monitoring and assessing the commodity price development, by ensuring key procurements economically from a project perspective, and by hedging the price risks using derivative instruments, when necessary.

In the management of risks caused by the operating environment, it is essential to focus on the selected business areas, and to ensure the operational cost-efficiency, solidity, as well as the readiness to react in varying situations.

The most significant operational risks concern project management and profitability. Uncertainty is created by the potential fluctuation of production costs and the ability to manage project risks. A key factor in project management is the strong expertise of personnel, which includes an efficient process from tender calculation to implementation, cost monitoring, ensuring resources and developing project management expertise.

Destia has invested in reliable financial reporting, conveying the essential information, which is a requirement for the identification and assessment of financial risks. The reliability of financial reports is ensured through monitoring and by developing control methods.

Financial risks related to the financing of Destia Group are managed in accordance with the treasury policy.

In Destia's damage risk management, the key factors are proactive project management procedures, investments in occupational safety and ensuring adequate insurance cover.

Research and development

R&D costs totalled MEUR 0.9 (0.9). Destia had several significant ongoing development projects aimed at digitalising the company's operations. The most significant of these was a development project focused on the new ERP system, which was successfully deployed during the reporting period. The development costs of these activities were MEUR 1.0 (2.0).

Destia's research and development is reported more closely in the company's annual report.

Strategy

The Group's Board of Directors has confirmed Destia

Group's strategy up to 2022. Destia's intent is to be the most profitable, best customer service providing and most reliable producer of complete infrastructure services. Of Destia's stock of contracts, the target is that a significant part comprises long-term projects and service contracts.

Destia's vision is "We are the number one choice for our customers and the number one in the infrastructure sector in Finland". The company's core businesses are large and demanding road projects and infrastructure maintenance.

Destia's focus areas of strategic growth in the current three-year period 2017–2019 are the strengthening of profitability, personnel development, ensuring the prerequisites for efficient production, for example by digitalising operations, and strengthening the market position in the capital region.

Outlook for 2018

The increase in activity in the Finnish economy will continue, which will have a favourable impact on the construction industry. The favourable development of demand for infrastructure construction will continue as the state makes further investments in fundamental road infrastructure maintenance and the reduction of the repair backlog. Private sector investments are also expected to increase slightly. Infrastructure projects will be focused on growth centres, especially the capital region. The competition for projects will remain intense.

Destia's order book and the measures that have been taken towards improving project management provide a solid foundation for maintaining good profitability and cash flow.

Proposal by the Board on the use of distributable assets

Destia Group Plc's FAS-compliant loss for the financial year was EUR 2,131,379.74, which is proposed to be recorded on the retained earnings account. Destia Group Plc's distributable assets total EUR 48,388,523.56 including the EUR 53,000,000 in the invested unrestricted equity fund.

Destia Group Plc's Board of Directors proposes to the Annual General Meeting that no dividend or repayment of capital be paid for the financial period that ended on 31 December 2017.

Consolidated income statement and consolidated Statement of comprehensive income, IFRS

EUR 1,000	Note	1 Jan-31 Dec 2017	1 Jan-31 Dec 2016
Revenue	2,3	**478,682**	**493,216**
Other operating income	5	3,295	4,513
Materials and services	4	323,202	342,947
Employee related expenses	8	98,114	93,402
Depreciations	6	10,304	9,625
Other operating expenses	5	37,291	37,647
Operating profit		**13,066**	**14,108**
Financial income	10	22	355
Financial expense	10	887	8,684
Profit before taxes		**12,202**	**5,779**
Income taxes	11	-416	70
Result for the period		**12,618**	**5,709**

EUR 1,000	Note	1 Jan-31 Dec 2017	1 Jan-31 Dec 2016
Other comprehensive income including tax effects			
Items that will not be reclassified to profit or loss			
Items resulting from remeasurement of the defined benefits-based net liability (or asset item)	21	-307	-353
		-307	**-353**
Items that may be subsequently reclassified to profit or loss			
Translation differences from foreign subsidiaries		-1	-2
Cash flow hedges	21	-15	1,033
		-16	**1,032**
Other comprehensive income net of tax		-323	679
Comprehensive income for the financial year		**12,295**	**6,388**

Result for the period and comprehensive income for the period belong to the parent company shareholders

Consolidated balance sheet, IFRS

EUR 1,000	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Property, plant and equipment	12	59,424	61,714
Goodwill	13	83,649	83,649
Other intangible assets	15	2,909	2,636
Financial assets available-for-sale	17	2,032	2,137
Deferred tax assets	21	2,915	2,642
Non-current assets, total		**150,929**	**152,777**
Current assets			
Inventory	18	15,945	17,361
Accounts and other receivables	19	76,661	71,054
Cash and cash equivalents	20	20,803	15,954
Current assets, total		**113,408**	**104,369**
Assets, total		**264,337**	**257,147**

EUR 1,000	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company	22		
Share capital		80	80
Invested unrestricted free equity fund		53,000	53,000
Hybrid loans		10,000	11,463
Other items		-49	-33
Retained earnings		18,930	11,978
Equity, total		**81,961**	**76,487**
Non-current liabilities			
Deferred tax liabilities	21	2,307	2,801
Pension liabilities	29	1,033	636
Provisions	30	12,845	15,139
Financial liabilities	23	43,936	42,652
Other liabilities	26,28	6,086	3,720
Non-current liabilities, total		**66,207**	**64,948**
Current liabilities			
Accounts payables and other liabilities	27	84,856	81,093
Provisions	30	4,301	5,547
Financial liabilities	23	266	338
Advances received		26,746	28,732
Current liabilities, total		**116,169**	**115,711**
Equity and liabilities, total		**264,337**	**257,147**

Consolidated cash flow statement, IFRS

EUR 1,000	1 Jan-31 Dec 2017	1 Jan-31 Dec 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	475,616	481,532
Expenses paid to suppliers and personnel	-458,225	-457,907
Interest paid	-499	-3,512
Dividends received	4	2
Interest received	27	57
Other financial items	-319	-390
Tax paid	993	-818
Net operating cash flow	**17,597**	**18,966**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in intangible and tangible assets	-8,246	-15,430
Sale of intangible and tangible assets	936	2,813
Subsidiary shares acquired		-1,338
Net investment cash flow	**-7,310**	**-13,955**

EUR 1,000	1 Jan-31 Dec 2017	1 Jan-31 Dec 2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in non-current debt (+)		40,000
Decrease in non-current financial instrument classified as equity instruments (-)	-1,463	
Decrease in non-current debt (-)	-164	-65,234
Increase in short-term financing (+)	37,987	
Decrease in short-term financing (-)	-38,009	
Group contributions granted		-2,300
Interests and other financial items paid	-3,788	-4,389
Net financial cash flow	**-5,436**	**-31,923**
Change in cash and cash equivalents	**4,850**	**-26,912**
Cash and cash equivalents at the beginning of the financial year	15,954	42,867
Effect of exhange rate changes	-1	-2
Cash and cash equivalents at the end of the financial year	**20,803**	**15,954**

Consolidated statement of changes in equity, IFRS

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY						
EUR 1,000	**Share capital**	**Hedge instrument fund**	**Invested non-restricted equity fund**	**Hybrid loans**	**Translation differences**	**Retained earnings**	**Total**
Equity 1 Jan 2016	**80**	**-1,064**	**38,000**	**27,000**		**9,281**	**73,297**
Deferred tax adjustment						-1,321	-1,321
Other comprehensive income							
Result for the period						5,709	5,709
Other comprehensive income							
Translation differences					-2		-2
Cash flow hedges		1,033					1,033
Items resulting from redefinition of the benefits-based net liability (or asset item)						-353	-353
Comprehensive profit and loss for the financial year, total		**1,033**			**-2**	**5,356**	**6,388**
Transactions with owner							
Amortisation of hybrid loan				-537			-537
Interest on hybrid loan						-1,217	-1,217
Convert of hybrid loan			15,000	-15,000			
Other changes						-122	-122
Equity total 31 Dec 2016	**80**	**-31**	**53,000**	**11,463**	**-2**	**11,978**	**76,487**

	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY						
EUR 1,000	**Share capital**	**Hedge instrument fund**	**Invested non-restricted equity fund**	**Hybrid loans**	**Translation differences**	**Retained earnings**	**Total**
Equity 1 Jan 2017	**80**	**-31**	**53,000**	**11,463**	**-2**	**11,978**	**76,487**
Other comprehensive income							
Result for the period						12,618	12,618
Other comprehensive income							
Translation differences					-1		-1
Cash flow hedges		-15					-15
Items resulting from redefinition of the benefits-based net liability (or asset item)						-307	-307
Comprehensive profit and loss for the financial year, total		**-15**			**-1**	**12,311**	**12,295**
Transactions with owner							
Amortisation of hybrid loan				-1,463			-1,463
Interest on hybrid loan						-3,694	-3,694
Group contribution to Ahlström Capital Oy						-2,200	-2,200
Other changes						535	535
Equity total 31 Dec 2017	**80**	**-46**	**53,000**	**10,000**	**-3**	**18,930**	**81,961**

Notes to the consolidated financial statements

BASIC INFORMATION ABOUT THE GROUP
Destia Group Plc was established on 22 April 2014 in connection with the ownership arrangement of Destia Ltd and owns 100% of Destia Ltd's shares. The Destia Group has continued the business operations of Destia subgroup (Destia). Destia is a Finnish infrastructure and construction service company, which plans, builds and maintains traffic routes and industrial and traffic environments as well as complete living environments. Our services cover the whole spectrum, from overground operations to subterranean construction. The Group mainly operates in Finland.

The Group's parent company is Destia Group Plc. The parent company is located in Vantaa, c/o Destia Oy, PO BOX 206, 01301 Vantaa. Destia Group Plc is owned by AC Infra Oy, which is part of the Ahlström Capital Group.

A copy of the Consolidated Financial Statements is available at www.destia.fi or from Destia Ltd's head office at Neilikkatie 17, 01300 Vantaa.

On 6 February 2018, Destia Group Plc's Board of Directors authorised these financial statements for issue in their entirety. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the General Meeting held following their publication. The General Meeting may also take the decision to amend the financial statements.

1. ACCOUNTING PRINCIPLES

Basis of accounting

The Destia Group's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the preparation abided by the International Accounting Standard (IAS) and International Financial Reporting Standards (IFRS) as well as the interpretations by the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) in force as at 31 December 2014. The International Financial Reporting Standards refer to the standards approved in the Finnish Accounting Act and provisions issued by virtue of it to be adopted in the EU in accordance with the procedure regulated by the EU regulation (EC) no 1606/2002 and the subsequent interpretations. The notes to the consolidated financial statements are also in line with the requirements of the Finnish accounting and Community legislation supplementing the IFRS regulations.

The Consolidated Financial Statements were prepared under the historical cost convention, with the exception of assets held for sale, financial assets and liabilities recognised at fair value through profit or loss, and fair value hedges, which are measured at fair value. The Consolidated Financial Statements are presented in thousands of euros.

Preparing the Consolidated Financial Statements in accordance with IFRS requires management to make certain estimates and have information relating to the decisions the management has taken. Information relating to these decisions, used in the application of the Group's accounting policies, and which significantly affect the amounts recognised in the financial statements, is given in the section entitled 'Accounting policies requiring management judgement and the main factors of uncertainty connected with the estimates made'. In its financial statements, the company has presented the matters that have had a fundamental impact on the company's financial position and financial performance.

Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Intra-Group shareholdings are eliminated using the acquisition method. The consideration transferred, the acquired company's identifiable assets and liabilities are measured at fair values. Expenses relating to the acquisition are recognised as costs. The consideration transferred does not include potential transactions treated separately from the acquisition. Their effect is accounted for through profit or loss at the time of the acquisition. Any contingent consideration is measured at its fair value at the acquisition date, and is classed either as a liability or equity. Contingent consideration classed as a liability is measured at fair value at each reporting date, and the resulting profit or loss is recognised through profit and loss or as other comprehensive income. Contingent consideration, which has been classified as equity is not remeasured. Acquired subsidiaries are consolidated from the date the Group has acquired control, and transferred subsidiaries until that control ceases. All of the Group's internal commercial transactions, receivables, liabilities, unrealised gains and internal profit distribution are eliminated on consolidation. Unrealised losses are not eliminated if the loss is due to impairment. Changes to the parent company's share of ownership in the subsidiaries that do not lead to a loss of control are treated as equity accounted transactions.

Joint arrangements
Joint arrangements are arrangements in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements are either a joint operation or a joint venture.

A joint venture is an arrangement in which the group has rights to the net assets of the arrangement, whereas in a joint function, the group has rights concerning the assets and obligations concerning the liabilities related to the arrangement. The group's consortia are joint operations from which the group has consolidated its own assets, liabilities, earnings and costs, as well as its own share of joint assets, liabilities, earnings and costs.

Changes to items denominated in foreign exchange

The results and financial position of the units in the Group are denominated in the currency at the unit's main operating environment ('functional currency'). The numbers in the Consolidated Financial Statements are presented in euros, which is both the functional and presentation currency of the Group's parent company.

Commercial transactions denominated in foreign exchange

Commercial transactions denominated in a foreign currency are converted to in the functional currency at the rate on the date of the transaction. For practical reasons, a rate that approximates the actual rate at the date of the transaction is often used. Monetary items denominated in a foreign currency are converted to the functional currency using the closing rate at the end of the reporting period. Non-monetary items denominated in a foreign currency, and which are measured at fair value, are converted to the functional currency using the exchange rates at the date on which fair value is measured. Otherwise, non-monetary items are measured at the exchange rate on the date of the transaction.

Gains and losses from commercial transactions denominated in a foreign currency and changes to monetary items are recorded through profit or loss. Exchange rate gains and losses from the business operation are included in equivalent items above operating profit.

Conversion of the financial statements of foreign companies in the Group

Items in the statements of comprehensive income including the income statements of foreign group companies are converted to euros at the exchange rates on the dates on which the commercial transactions take place, while the numbers in the balance sheets are converted using the exchange rates on the date on which the reporting period ends. The translation of the profit and loss items, causes a translation difference in equity on the balance sheet due to the different foreign exchange rates used. This difference is recorded in 'Other comprehensive profit and loss items'. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the conversion of equity items accumulating after an acquisition are recognised in other comprehensive income. If a subsidiary is sold wholly or partially, the accumulated translation differences are reclassified to profit or loss as part of the profit or loss from sales.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

A cost comprises the expenditure incurred directly from acquiring an item of property, plant and equipment, including the costs of dismantling or moving the asset based on the initial estimate, and of restoring the location to its original state, if the organisation has such an obligation. The costs of an asset that have been produced by the company itself includes the costs of materials, direct costs relating to employee benefits and other direct costs of preparing the asset for its intended use. When preparation of an asset for its intended purpose or sale requires a good deal of time, the direct borrowing costs of its acquisition, construction or production are capitalised as part of its acquisition costs.

If an asset consists of more than one part, and the lifespan of these parts vary in length, each part is accounted for as a separate commodity. In such cases, expenditure for the replacement of the part is capitalised and any book value remaining when that replacement takes place is derecognised. Expenditure incurred at a later date is only included in the book value of a property, plant and equipment only if it is probable that the future economic benefits associated with the expenditure will flow to the group and the acquisition cost of the commodity can be reliably determined. Other repair and maintenance costs are recognised as incurred.

Assets are depreciated during their estimated useful life on a straight-line basis. The exception to this is areas of soil, depreciation on which is calculated according to expected use. No depreciation is calculated for land.

Estimated useful lives are as follows:

- Buildings: 10–40 years
- Machinery and equipment: 3–20 years
- Other items of property, plant and equipment: according to use

An asset's residual value and its useful life are reviewed at the end of each financial year, at the very least, and, where necessary, are adjusted to reflect the changes that have taken place with regard to the expectations of its future economic benefit. When a tangible fixed asset is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, asset is no longer subject to depreciation. The gains and losses from the sale of decommissioned property, plant and equipment or their disposal are recognised in profit and loss.

Government grants

Government/public subsidies are recorded through profit and loss when there is a reasonable assurance that they will be received. Subsidies that have been received as payments against already realised costs are recognised through profit or loss in the period in which the subsidy is received. Subsidies are presented in other operating income.

Intangible assets

Goodwill

Goodwill is recognised at the amount by which the consideration transferred exceeds the Group's share of identifiable fair value net assets for an acquired company on the date it is acquired. No deprecation is recognised on goodwill (or any other intangible assets with indefinite useful lives), it is tested annually for potential impairment. For this purpose, goodwill is allocated to the relevant group of cash-generating units. Goodwill is measured at cost less accumulated impairment losses.

Research and development expenditure

Research expenditure is recognised through profit or loss. Development expenditure incurred from the planning of new or more advanced procedures and concepts is capitalised as intangible assets in the balance sheet from the time when they are technically feasible, can be commercially exploited and can be expected to generate probable future economic benefits. Capitalised development costs include the material, labour and testing costs which are directly incurred when preparing the commodity for its intended purpose. Previously amortised development costs are no longer recognised at a later date. Amortisation begins when the asset is available for use. Assets under development are tested annually for impairment. After initial recognition, capitalised development costs are measured at the cost less accumulated amortisation and impairment. The Group has not capitalised its development expenses on the balance sheet.

Other intangible assets

An intangible asset is entered on the balance sheet at its original acquisition cost, when the cost can be reliably determined and where the Group expects it is likely that future significant benefit from the asset will flow to the group.

Intangible assets with a finite useful lives are amortised on a straight-line basis through profit or loss over their known or estimated useful life.

The estimated useful lives for other intangible assets are:

- Computer software: 5 years
- Other intangible rights: 5 years

Inventory

Inventory is measured at the lower of acquisition cost or net realisable value. The acquisition cost is determined using the weighted average cost formula. The acquisition cost of finished goods and work in process inventories consists of the raw materials, expenses incurred from direct work, other direct expenses, an appropriate share of the variable general costs of manufacture and fixed general costs at a normal level of activity. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary for completion and the to realise a yield.

Lease agreements

The Group as lessee

Lease agreements relating to property, plant and equipment, under which the Group has substantially all the risks and rewards of ownership, are classified as finance lease agreements.

An asset acquired through a finance lease agreement is entered on the balance sheet at inception of the lease at the lower of fair value of the leased asset and the present value of the minimum lease payments.

An asset acquired through a finance lease agreement is depreciated over the shorter of its useful life or within the lease term. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so that the finance charge is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability. Rental obligations are included in financial liabilities.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

The Group as lessor

Assets let by the Group are included as property, plant and equipment on the balance sheet. They are depreciated during their useful life in the same way as equivalent items of property, plant and equipment which are used by the Group. Revenue from lease agreements is charged to the income statement on a straight-line basis over the period of the lease.

Impairment of tangible and intangible assets

At the end of each reporting period the Group assesses whether there are indications that an asset is impaired. If there is evidence of impairment, an estimate is made of the assets recoverable amount. In addition, an estimate is made each year for the following: goodwill, intangible assets with an indefinite useful life and intangible assets in progress.

Evidence of impairment is examied for each cash generating unit, i.e. at the lowest unit level, which is mainly independent of the other units and whose cash flows can be distinguished from the cash flows of equivalent units. The recoverable amount is the greater of the fair value of the asset less costs of sale or its value in use. The value in use is the present value of future net cash flows expected to be derived from an asset or cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset is greater than its recoverable amount. An impairment loss is recognised directly through profit or loss. If the impairment loss is allocated to a group of cash-generating units, it is first applied to reduce the goodwill of the group of the cash-generating units. When an impairment loss is being entered, the useful life of the asset being depreciated is re-assessed. An impairment loss for an asset, other than goodwill, is reversed if there has been a change in the values used to determine the recoverable amount on the asset. Impairment losses, however, cannot be reversed to the extent that the asset's carrying amount would be greater than of no impairment loss had been recognised. Under no circumstances can impairment losses recognised for goodwill be reversed.

Employee benefits

Pension obligations

Pension schemes are classified as defined benefit plans or defined contribution plans. Under the defined contribution plan the Group pays fixed contributions into a separate unit. The Group has no legal or constructive obligation to increase contributions if the organisation in receipt of the contributions is unable to pay the relevant pension benefits. All schemes that do not fulfil these conditions are defined benefit plans. Contributions made into defined contribution plans are recognised through profit or loss in the financial year in which the obligation arises.

The Group's obligations regarding defined benefit plans are calculated separately for each plan by using the projected unit credit method.

Pension expenses are recognised as costs on the basis of authorised actuarial calculations for the length of service of personnel. When the present value of a pension obligation is being calculated, the discount rate used is the return on high-quality bonds issued by companies, and if that is not available, the interest on state debentures. The maturity of bonds and debentures corresponds to the maturity of the pension obligation being calculated. From the present value of a pension obligation on a balance sheet is subtracted the assets included in the pension plan measured at fair value at the end of reporting period and the non-vested past service costs.

Past service costs are recognised on the straight-line basis through profit or loss for the period in which they are vested. If the benefits are vested directly, they are recognised as direct costs.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are stated at the present value of the liability. Provisions are determined by discounting the expected future cash flows that reflects current market assessment of the time value of the money and risks specific to the liability. If the Group expects a provision to be reimbursed, by a third party the reimbursement is recognised as a separate asset if it is virtually certain that reimbursement will be received.

A warranty provision is recognised when a project covered under a guarantee clause is delivered. The amount of the warranty provision is based on an experience-based estimate of the guarantee costs likely to be incurred.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting obligations under it.

A reorganisation provision is recognised when the Group has drawn up a detailed reorganisation plan, started to implement the plan and reported the matter.

A provision associated with environmental obligations is recognised when the Group has an obligation based either on environmental legislation or the Group's principles of environmental responsibility and which relates to the decommissioning of a production plant, landscaping responsibilities, repairing environmental damage or moving equipment from one location to another.

A contingent liability is a possible obligation arising as a result of past events and whose existence will be confirmed only when an uncertain event takes place not wholly within the control of the entity. Contingent liabilities may also be regarded as present obligations that are unlikely to require fulfilment of a payment obligation, or a reliable estimate of the amount of the obligation cannot be made.

A contingent liability is presented in the Notes to the Financial Statements.

Income tax for the current period and deferred taxes

Tax expenses comprise tax based on taxable income for the period and deferred tax. Income tax is recognised through profit or loss, except for taxes related to items recognised directly in equity or the comprehensive income, tax is recognised in the relevant items. Tax for the current period is calculated using the income tax rate effective in each country. Deferred taxes are calculated on all temporary differences between the carrying amount and tax base. However, no deferred tax liability is recognised if it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or taxable profit.

Deferred tax liability is recognised for investments in subsidiaries, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will not resolve in the foreseeable future.

The most significant temporary differences arise from the depreciation of property, plant and equipment, the measurement of derivative contracts at fair value, defined benefit pension plans and unused tax losses.

Deferred taxes are calculated using the statutory tax rates or the tax rates which have been approved in practice by the end of reporting period. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

Revenue recognition

Sales (Turnover) are presented in such a way that the revenue from the sales of goods and services at fair value are recognised and adjusted to allow for indirect taxes, discounts and exchange rate differences for sales in foreign currencies.

Construction contracts

The revenue and costs associated with the construction contract are recognised as such with reference to the stage of completion, when the outcome of the project can be estimated reliably. The stage of completion is determined for each project as the percentage of costs incurred the review date compared with the total estimated costs for the project.

Expenditure that relates to a project which has not been entered as income, is recognised as long-term projects in progress under inventory. If the expenditure incurred and recognised gains exceed the amount invoiced for the project, the difference is shown under accounts and other receivables on the balance sheet. If the expenditure incurred and recognised gains are less than what is invoiced for the project, the difference is shown under accounts payable and other liabilities. When the outcome of a construction contract cannot be estimated reliably, the contract costs are recognised as expense in the period in which they are incurred, and revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. If it is probable that the total expenditure incurred in completing the project will exceed total revenue from it, the expected loss is recognised as an expense immediately.

Sold goods and services

Revenue from the sale of goods is recognised when the significant risks, rewards and effective control associated with the ownership of the goods have been transferred to the buyer. As a general rule, this takes place at the time of the delivery in accordance with the terms of the contract. Revenue from services is recognised as revenue in the financial year in which the service is delivered.

Interest and dividends

Interest received is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established.

Non-current assets held for sale and discontinued operations

Non-current assets (or a disposal group) and assets and liabilities relating to discontinued operations are classified as held for sale, if their carrying amount will be recovered principally through the sale of the assets rather than through continuing use. For this to be the case, the sale must be highly probable, the asset (or disposal group) must be available for immediate sale in its present condition, subject only to terms that are usual and customary, the management must be committed to selling and the sale should be expected to qualify for recognitionas a completed sale within one year from the date of classification.

Immediately prior to classification, the assets held as for sale or assets and liabilities of a disposable group are measured in accordance with the IFRS standards to be applied. From the time of the classification, assets held for sale (or a disposable group) are measured at the lower of their carrying amount or fair value less the expenditure incurred from their sale. Depreciation of these assets ceases at the time of classification as held for sale.

Assets included in a disposable group - and not under in the scope of the IFRS 5 valuation rules - and liabilities (in a disposable group) continue to be measured in accordance with the IFRS standards after the classification date.

A discontinued operation is a component of the Group which has been disposed of or which has been classified as held for sale, and which meets the following conditions: it is a significant separate business unit or unit representing a geographical area of operations, part of a coordinated plan relating to the disposal of a separate major line of business or geographical area of operations, or a subsidiary acquired exclusively with a view to resale. The financial result for discontinued operations is recognised as its single amount in the Group's statement of comprehensive income. Assets held for sale, disposable groups, items recognised in other comprehensive income relating to assets held for sale, and liabilities included in a disposable group are presented in the balance sheet separately from other items.

Financial assets and liabilities

Financial assets

The Group classifies financial assets in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose of the acquisition of the financial assets, and they are classified upon initial recognition.

Transaction costs are included in the carrying amount of financial assets, in case of an item that is not measured at fair value through profit or loss. All purchases and sales of financial assets are recognised on the trade date, which is the date that the Group commits itself to purchase or sell an asset. The derecognition of financial assets when following conditions are met: the Group has lost the contractual rights to the cash flows, or when it has transferred substantially risks and rewards of ownership outside the Group.

Financial assets at fair value through profit or loss category include financial assets acquired to be held for trading, or financial assets, which are upon initial recognition designated as at fair value through profit or loss (use of fair value option). The latter includes financial assets which are part of a group of financial assets, financial liabilities or both that are managed based on fair values. It may also include financial assets containing one or more embedded derivatives that modify the contractual cash flows significantly. In this case the entire hybrid contract may be designated as at fair value through profit or loss. Financial assets designated upon initial recognition as at fair value through profit or loss shall not be reclassified after initial recognition. Financial assets held for trading are mainly acquired to control changes in short-term market prices. Derivatives that are not financial guarantee contracts or do not qualify for hedge accounting are classified as held for trading. Derivatives that are held for trading and financial assets maturing within 12 months are included in current assets.

Group items are measured at fair value, based on the quoted market prices at the end of the reporting period. The fair values of interest rate swaps are determined as the present value of future cash flows and foreign exchange forward contracts are measured at the exchange rates at the end of the reporting period. When measuring derivatives and other financial instruments that are not held for trading, the Group usually uses approved valuation methods and discounted values for future cash flows. Both unrealised and realised gains and losses from changes in fair value are recognised through profit or loss when they occur.

Loans and other receivables are non-derivative assets with fixed or determinable payments. They are not quoted in active markets and the Group does not hold them for trading or classify them as available-for-sale at initial recognition. Loans and other receivables are stated at amortised cost using the effective interest rate method. Loans and other receivables are presented as current or non-current financial assets depending on their nature, the latter with a maturity greater than 12 months.

Available-for-sale financial assets are non-derivative financial assets specifically that are designated as available for sale or not designated in any other. They are included in non-current assets, except if they are to be held for under 12 months from the last day of the reporting period, in which case they are included in current assets.

Available-for-sale financial assets may consist of shares and interest-bearing investments. They are measured at fair value or, when fair value cannot be reliably measured, at cost. The fair value of an investment is determined with reference to its buying rate. If there are no quoted rates for available-for-sale financial assets, the Group applies various valuation methods which include, for example, references to recent trades between independent bodies, discounted cash flows or valuations for other similar instruments. Information obtained from the markets is generally used for valuations as opposed to using pricing factors determined by the Group itself, which are used as little as possible.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, and are presented in the fair value fund, with consideration being given to tax consequences. The cumulative gain or loss is reclassified from other comprehensive income to profit or loss when an investment is sold or its value is impaired so that an impairment loss on the investment should be recognised. Interest on available-for-sale debt instruments is recognised in finance income using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The items classified as cash and cash equivalents have a maturity of no more than twelve months from the time of acquisition.

Impairment of financial assets

The Group reviews at each reporting date whether there is any objective indication that a financial asset or group of financial assets is impaired. If the fair value of investments is significantly lower than the acquisition cost and period determined by the Group, this is an indication of an impairment of financial assets available-for-sale. If any such indication exists, the previously recognised impairment loss in fair value reserve is recognised in the income statement. An impairment loss on an available-for-sale equity instrument shall not be reversed through profit or loss. An impairment loss on an interest rate instrument is, however, reversed through profit or loss.

The Group recognises an impairment loss on accounts receivables, when there is objective evidence that a receivable is not fully collectible. The borrower's significant financial difficulties, probability of a bankruptcy, default of payment or delay in payment exceeding 90 days are considered as indications of impairment loss on a accounts receivable.

Financial liabilities

Financial liabilities are recognised at fair value upon initial recognition. Transaction costs are included in the initial carrying amount of financial liabilities measured at amortised cost. Subsequently, financial liabilities, except for derivative financial liabilities, are measured at amortised cost using the effective interest rate method. Financial liabilities are classified in non-current and current liabilities. Financial liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability within at least 12 months from the reporting date.

Borrowing costs are recognised as costs in the period in which they are incurred. Commissions associated with loan commitments are recognised as transaction costs to the extent that it is probable that the entire loan commitment or part of it will be drawn. In such a case, the commission is entered in the balance sheet until the loan is drawn. The commission associated with loan commitments is recognised as part of the transaction costs. If the loan commitment is unlikely to be drawn, the commission is recognised as an advance payment for a liquidity service and is amortised over the period of the loan commitment.

Derivative financial instruments and hedge accounting

Derivatives are initially measured at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. Gains and losses resulting from measurement at fair value are treated in the accounts in the way specified by the purpose of the derivative instrument. If the derivatives are used for hedging purposes, hedge accounting is applied and the derivatives are effective hedging instruments, the profit and loss effects of the fair value changes of the derivative instruments are presented uniformly with the hedged item. When entered into, derivative financial instruments are treated as fair value hedges of receivables, liabilities or fixed commitments, or, in the case of currency exchange risk, as cash flow hedges, cash flow hedges for an anticipated and highly likely commercial transaction. Derivative financial instruments may also be treated as instruments that do not meet the hedge accounting criteria.

When a hedging relationship is entered into, the relationship between the item being hedged and the hedging instrument, as well as the objectives of the Group's risk management and the hedging strategy are documented. The effectiveness is assessed prospectively as well as retrospectively, and at least every time the financial accounts are being prepared. The Group documents the effectiveness of qualifying derivatives by examining their ability to offset changes to the fair value of the hedged item or cash flows.

Cash flow hedging

The change in the fair value of the effective portion of derivative instruments qualifying for cash flow hedge is recognised in other comprehensive income and presented in the hedge fund under equity (in Other funds). The gains and losses accumulated in equity from hedging instruments are reclassified to profit or loss when the hedged item impacts the profit or loss. Gains and losses from derivatives hedging an anticipated sale in a foreign currency are recognised as sales adjustments when the sale takes place. The ineffective portion of a derivative instrument is recognised in other operating income and expenses. If a hedged, anticipated commercial transaction leads to the recognition of an asset not included in financial assets, such as a tangible fixed asset, the gains and losses accumulated in equity are reclassified as an adjustment to the acquisition cost of that asset. When a derivative financial instrument acquired for cash flow hedging matures or is sold, or when the conditions of hedge accounting are no longer met, the gain or loss from the derivative instrument remains under equity until such time as the anticipated commercial transaction takes place. However, if that is no longer expected to happen, the gain or loss under equity is directly reclassified to profit or loss.

Other hedging instruments where hedge accounting does not apply

Even if certain hedging relationships meet the requirements of effective hedging set for the Group's risk management, hedge accounting may not apply to them. Such instruments include derivatives hedging a commodity risk in connection with operations and some derivatives hedging currency risks. Changes on their fair values are recognised in other business revenue and costs in accordance with the Group's established practice. In the balance sheet, these commodity risk and foreign currency accounts receivable / accounts payable derivatives are presented in current receivables or liabilities. The fair values for hedging instruments are presented in Notes to the Financial Statements under Fair values for financial assets and liabilities. Changes in the hedge fund are presented in Notes to the Financial Statements under Equity, in the section Other funds.

Share capital

Ordinary shares are presented as share capital. Expenditure relating to the issue or acquisition of own equity instruments are presented as an allowance account under equity.

Operating profit

IAS 1 Presentation of Financial Statements does not define operating profit. The Group has defined it as follows: operating profit is the net sum obtained after adding other operating income to revenues and then deducting purchasing costs adjusted by the change in stocks of finished products and work in progress, the costs incurred for own-use manufacture, costs from employee benefits, depreciation, amortisation and any impairment losses, and other operating expenses. All other income statement items are presented under operating profit. Exchange rate differences and changes in the fair value of derivatives are included in operating profit if they arise from items connected with business operations; otherwise they are entered in financing items. In its tables and texts, the Group uses both the term ‘operating result’ and ‘operating profit’.

Key estimates and assuptions and accounting policies requiring judgement

The preparation of the consolidated financial statements in conformity with IFRS requires estimates and assumptions regarding future from management even though actual outcomes may differ from the estimates. In addition, the application of the accounting principles requires judgement.

Accounting policies requiring judgement by management

Group management makes decisions regarding the selection and application of accounting policies. This applies in particular to those cases in which the IFRS standards in effect provide the opportunity to choose between alternative accounting, valuation or presentation methods.

Sources of estimation uncertainty

The estimates made in connection with preparing the financial statements reflect the best judgement of the management at the end of reporting period. These estimates are based on prior experience and assumptions regarding future developments, which are regarded as most likely at the reporting date, for example, to expected trends in the Group’s economic operating environment in terms of revenue and costs. The Group regularly monitors the realisation of these estimates and assumptions and any changes to underlying factors with the business units through internal and external information sources. Any changes in estimates and assumptions are recognised in the financial statements of the period during which such adjustments are made.

The key assumptions regarding the future and the main sources of estimation uncertainty at the end of reporting period, which pose a significant risk of resulting in a material adjustment to the carrying amounts of the Group’s assets and liabilities within the next financial year, are given below. Group management regards these particular areas of the financial statements as crucial. Application of these accounting policies requires the utilisation of significant estimates and assumptions.

Impairment testing

The Group performs annual impairment testing of goodwill, intangible assets in progress and intangible assets having an indefinite useful life. Indications of impairment are evaluated in the way described above in the accounting policies. The recoverable amounts of cash-generating units have been defined on the basis of value in use calculations. Preparation of these calculations, involve the use of estimates.

Revenue recognition

As described in the revenue recognition policies, the contract revenue and contract costs associated with construction contract are recognised as revenue and expenses by reference to the stage of completion, when the outcome of the project can be reliably estimated. Recognition associated with the stage of completion is based on estimates of expected revenue and expenses of the project and reliable measurement of project progress. If estimates of the project’s outcome change, the recognised revenue and profit/loss are amended in the period in which the change can be estimated for the first time. Any loss expected from a construction contract is directly recognised as an expense.

Tax

When tax is recognised, management’s most essential estimate relates to the criteria for recording deferred tax assets. When a tax-deductible temporary difference dissolves, it results in less taxable income in subsequent financial period. The most common temporary difference relates to between taxation and accounts is a loss in taxation. Management has to estimate whether future taxable profits will be available against which such losses can be used. A deferred tax asset is only recognised on losses to the extent that there is an estimated income to be generated in subsequent financial periods, against which the company can use its tax losses.

Employee benefits

The factors used to calculate employee benefit obligations that require the management’s assessment are connected, for example, to an estimate of the expected return on plan assets in defined benefit pension plans, determining the discount rate used to calculate the pension cost and obligation for the financial year, forecasting future trends in pay, the expected rise in pension costs, expected lengths of service of personnel, and inflation trends.

Provisions

When recognising provisions, the management has to assess whether there is a legal or constructual obligation for which the payment is probable. In addition, they have to assess the amount of the obligation and estimate the time when it is realised. The obligation is recognised as a provision in the financial statements in case it can be measured reliably.

New and amended standards applied in the past financial period

Destia Group has applied the following new and amended standards effective from the beginning of 2017:

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (effective for financial years beginning on or after 1 January 2017). The changes were made to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments have had an impact on the notes to Destia Group’s consolidated financial statements.

Other amended standards and interpretations have not had a significant impact on the consolidated financial statements.

New and amended standards and interpretations to be applied in future financial periods

The Group has not yet applied the following new or revised standards and interpretations published by IASB. The Group will adopt them from the effective date of each standard and interpretation or, if the effective date is not the first day of a financial period, from the start of the financial period following the effective date.

* = The provisions in question have not been approved for application in the EU as of 31 December 2017.

IFRS 15 *Revenue from Contracts with Customers* (effective for financial periods starting on or after 1 January 2018). The new standard replaces the current IAS 18 and IAS 11 standards and their related interpretations. IFRS 15 includes a five-step model for the recognition of revenue with respect to the timing and amount. Revenue is recognised as control is passed, either over time or at a point in time.

Destia Group has assessed the impact of IFRS 15 and, at the same time, analysed the effects of the standard on current revenue recognition practices, business models and the consolidated financial statements. According to the analysis, the Group recognises the majority of construction and maintenance projects within a period of time, which is mainly similar to the current IAS 11 revenue recognition practice. The more detailed requirements included in IFRS 15 with regard to the identification of the performance obligations in the contract, the treatment of variable considerations and the treatment of contractual changes may change the point of time when revenue is recognised. However, based on the analysis, the impact is not significant. The standard will also increase the number of notes to the financial statements. Destia will adopt the standard utilising a partial retrospective transition option and the practical reliefs included in the standard.

IFRS 9 *Financial Instruments* and amendments thereto (effective for financial periods starting on or after 1 January 2018). IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Destia will apply the simplified approach permitted by IFRS 9 for entities other than financial institutions pertaining to the recognition of impairment on trade receivables and lease receivables as well as contract assets within the scope of application of IFRS 15. For these items, the loss allowances will be recognised at an amount corresponding to the lifetime expected credit losses. The amended standard will not have a material impact on Destia Group's consolidated financial statements.

IFRS 16 *Leases** (effective for financial periods starting on or after 1 January 2019). The new standard replaces the current IAS 17 standard and related interpretations. IFRS 16 requires lessees to recognise lease agreements on the balance sheet as a right-of-use asset and a lease liability. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exemptions available, relating to either short term contracts in which the lease term is 12 months or less, or assets valued at no more than USD 5,000. For lessors, the accounting will be largely unchanged from the existing provisions under IAS 17. The Group is currently assessing the impacts of the standard.

Other new or amended standards and interpretations have no impact on the consolidated financial statements.

2. REVENUE

EUR 1,000	2017	2016
Revenue, materials	18,369	17,373
Revenue, services	38,106	33,356
Revenue, construction contracts	422,207	442,487
Revenue, total	**478,682**	**493,216**

The largest customer groups whose income is at least 10% of the Group's total revenue are: the Centre for Economic Development, Transport and the Environment (ELY Centres) and the Finnish Transport Agency

3. CONSTRUCTION CONTRACTS

EUR 1,000	2017	2016
Aggregate amount of costs incurred and recognised profits (less recognised losses)	698,404	766,914
Advance payments received for ongoing projects	24,776	27,344
Accounts receivables for ongoing projects	50,991	48,815

4. MATERIALS AND SERVICES

EUR 1,000	2017	2016
Purchases during the financial year	69,670	72,961
Change in inventory	1,416	356
External services	252,116	269,630
Materials and services, total	**323,202**	**342,947**

5. OTHER OPERATING INCOME AND EXPENSES

EUR 1,000	2017	2016
Profits from the sale of tangible assets, intangible assets and operations	816	1,885
Rental and other income	2,479	2,628
Other operating income, total	**3,295**	**4,513**
Losses from the sale of tangible and intangible assets		3
Rental expenses	4,852	4,738
Voluntary personnel expenses	3,472	3,295
Travel expenses	10,027	9,914
IT-expenses	6,470	7,601
External Services	3,053	2,934
Other fixed costs	9,416	9,164
Other operating expenses, total	**37,291**	**37,647**
Auditing expenses		
Audit fees	63	68
Tax councelling	15	10
Other services	75	48
Auditing expenses, total	**153**	**126**

6. DEPRECIATION

EUR 1,000	2017	2016
Despreciation by asset type		
Depreciation of property, plant and equipment		
Buildings and structures	600	615
Buildings and structures, financial lease	155	199
Machinery and equipment	7,046	6,545
Other tangible assets	1,082	1,229
Amortisation of intangible assets		
Intangible rights	1,420	1,037
Depreciation and amortisation charges, total	**10,304**	**9,625**

7. IMPAIRMENTS

In 2017 and 2016 no impairments were made.
Goodwill impairment tests are covered in Notes 13 and 14.

8. EMPLOYEE BENEFITS

EUR 1,000	2017	2016
Wages and salaries	80,404	75,862
Pension expenses, defined contribution arrangements	14,168	13,087
Pension expenses, defined benefit arrangements	13	8
Other personnel-related expenses	3,529	4,444
Employee related expenses, total	**98,114**	**93,402**

Information about employee benefits to the management is provided in Note 34, Related parties. Information about defined benefit pension arragements is provided in Note 29.

	2017	2016
Average personnel		
Waged employees	599	536
Clerical employees	973	956
Average personnel, total	**1,572**	**1,492**
Personnel at the end of the financial year	**1,544**	**1,504**

9. DEVELOPMENT EXPENSES

The total expenses relating to the Group´s development activities in 2017 came to MEUR 0.9 (2016: 0.9 MEUR). The Group has not capitalised its development expenses on the balance sheet.

10. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2017	2016
Financial income		
Dividends from financial assets held as available-for-sale	4	2
Changes in value of financial assets and liabilities recognised at fair value through profit and loss		296
Interest income from loans and other receivables	18	57
Total	**22**	**355**
Financial expenses		
Interest expense from financial liabilities recognised at amortised cost	493	5,226
Interest expense on financial leasing contracts	6	12
Other financial expenses	388	3,446
Total	**887**	**8,684**
Financial income and expenses, total	**-864**	**-8,329**

The financial expenses in the comparison period include non-recurring refinancing expenses totalling MEUR 3.2. The expenses arose from Destia Group Plc redeeming a MEUR 65 bond for the full outstanding amount in accordance with the terms and conditions of the bond, and prematurely terminating the MEUR 65 interest rate swap related to the bond.

Information about financing is provided in Note 31.

11. INCOME TAXES

EUR 1,000	2017	2016
Tax based on taxable income for the period	511	662
Taxes from previous periods	-757	-25
Deferred taxes	-171	-567
Total	**-416**	**70**

Comprehensive income items include EUR 4 thousand (2016: expenses EUR 258 thousand) of deferred tax income which is arising on the cash flow hedging and deferred tax income of EUR 77 thousand (2016: EUR 88 thousand) on defined benefit pension arrangements.

Reconciliation of the tax expense and taxes calculated using the Group`s domestic tax rate (20%)

EUR 1,000	2017	2016
Result before taxes	12,202	5,779
Taxes calculated using domestic tax rate	2,440	1,156
Different tax rates for foreign subsidiaries	-4	-1
Tax effect of tax-free items	-664	-541
Tax effect of non-deductible items	302	40
Deductible items (not included in the accounting profit)	-44	-86
Tax effect of used tax losses	-1,688	
Other changes	-2	-472
Taxes from previous periods	-757	-25
Income taxes, total	**-416**	**70**

12. PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land and water areas	Buildings and structures	Buildings and structures, financial leasing	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2017	**2,088**	**6,735**	**653**	**47,217**	**23,698**	**1,222**	**81,613**
Increases	24	146	167	5,815	447	2,211	8,810
Decreases	-5		-326	-151	-509		-991
Transfers between items				252		-1,926	-1,674
Acquisition cost on 31 Dec 2017	**2,107**	**6,881**	**494**	**53,132**	**23,636**	**1,507**	**87,758**
Accumulated depreciation on 1 Jan 2017		-1,456	-385	-15,499	-2,560		-19,900
Accrued depreciation for decreases and transfers			326	123			450
Depreciation		-600	-155	-7,046	-1,082		-8,884
Accumulated depreciation on 31 Dec 2017		**-2,056**	**-214**	**-22,422**	**-3,642**		**-28,334**
Carrying amount 31 Dec 2017	**2,107**	**4,826**	**280**	**30,710**	**19,994**	**1,507**	**59,424**

	Land and water areas	Buildings and structures	Buildings and structures, financial leasing	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2016	**2,419**	**6,634**	**744**	**32,414**	**22,199**	**1,993**	**66,402**
Subsidiary acquisition	30	386		2,270	10		2,696
Increases	19	144	50	10,617	1,490	2,299	14,618
Decreases	-379	-430	-140	-451			-1,400
Transfers between items				2,366		-3,069	-703
Acquisition cost on 31 Dec 2016	**2,088**	**6,735**	**653**	**47,217**	**23,698**	**1,222**	**81,613**
Accumulated depreciation on 1 Jan 2016		-961	-326	-9,200	-1,331		-11,819
Accrued depreciation for decreases and transfers		121	140	246			507
Depreciation		-615	-199	-6,545	-1,229		-8,588
Accumulated depreciation on 31 Dec 2016		**-1,456**	**-385**	**-15,499**	**-2,560**		**-19,900**
Carrying amount 31 Dec 2016	**2,088**	**5,279**	**268**	**31,718**	**21,138**	**1,222**	**61,714**

13. GOODWILL

EUR 1,000	2017	2016
Acquisition cost 1 Jan	83,649	82,829
Subsidiary acquisition		820
Acquisition cost 31 Dec	**83,649**	**83,649**
Carrying amount 31 Dec	**83,649**	**83,649**

14. IMPAIRMENT TESTS

Impairment tests are performed annually on goodwill, by comparing the carrying amount of goodwill with the estimated value of its group of cash-flow-producing units. In addition, impairment testing is performed whenever there are any indications of impairment. An impairment loss is recorded if the carrying amount of the net assets allocated to the group of cash-flow-producing units (including goodwill) is greater than the estimated value of the group of cash-flow-producing units.

In 2017, Destia Groups' business units' goodwill was included in Destia subgroup's business entity:

MEUR	31.12.2017	31.12.2016
Destia subgroup	83,6	83,6

At the end of 2017 and 2016, impairment tests were performed on the Destia subgroup business entity. Based on these tests, no impairment was recorded.

The estimated value of the group of cash-flow-producing units that have goodwill are based on calculations using assumptions.

The estimated value is determined by discounting the future cash flows generated by the units to the present value based on the assuption that the assets are continuously in use.

The calculation of working values is based on the following key assumptions:
The cash flows used in the calculations are based on the 2018 budget which is approved by the Board in November and on the business plan for 2019 and for year 2020 on management´s view of the business. These include the existing order book. The cash flows for future financial years were extrapolated using a terminal growth rate of 1.9 % (1.8% in 2016), which reflects both the expected average growth rate and the effect of inflation. In the 2017 and 2016 testing, the operating margin of the terminal year was normalised to correspond to the average of the above-mentioned years. Cash flows were discounted using the discounted interest rate specified after taxes. The discounted interest rates are based on the weighted average cost of capital (WACC).

Discounted interest rates (after taxes) used in 2017: 7,06% (2016: 6,98%)

Sensitivity analyses for impairment testing:
The estimated valuation of the Destia subgroup's group of cash-flow-producing units exceeds the book value by MEUR 224.3 (2016: 213.9).

The key assumptions used in the sensitivity analysis are related to the earnings before interest, taxes, depreciation and amortisation (EBITDA), the discounting interest rate and the working capital.

When the other assumptions remain unchanged, an unfavourable change of more than two percentage points in Destia subgroup's assumed EBITDA would require goodwill to be impaired. Similarly, when other assumptions remain unchanged, an unfavourable change of more than ten percentage points in the discounting interest rate would require goodwill to be impaired.

15. OTHER INTANGIBLE ASSETS

EUR 1,000	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2017	**4,694**	**18**	**4,713**
Increases	17	1	18
Transfers between items	1,685	-10	1,674
Acquisition cost on 31 Dec 2017	**6,396**	**9**	**6,405**
Accumulated depreciation on 1 Jan 2017	-2,076		-2,076
Depreciation	-1,420		-1,420
Accumulated depreciation on 31 Dec 2017	**-3,497**		**-3,497**
Carrying amount 31 Dec 2017	**2,900**	**9**	**2,909**

EUR 1,000	Intangible rights	Advance payments	Total
Acquisition cost 1 Jan 2016	**3,227**	**14**	**3,241**
Subsidiary acquisition	704		704
Increases	57	7	64
Transfers between items	707	-4	703
Acquisition cost on 31 Dec 2016	**4,694**	**18**	**4,712**
Accumulated depreciation on 1 Jan 2016	-1,039		-1,039
Depreciation	-1,037		-1,037
Accumulated depreciation on 31 Dec 2016	**-2,076**		**-2,076**
Carrying amount 31 Dec 2016	**2,618**	**18**	**2,636**

16. ACQUISITIONS

Acquisitions 2017
In 2017, no businesses were acquired.

Acquisitions 2016

Through a corporate acquisition completed on 1 April 2016, the Group acquired a majority 51% interest in ITS-Vahvistus Oy from the company's executive management. Along with the acquisition, Destia gained control in the company. As a result of the transaction, the company's name was changed to Destia Engineering Ltd. Since 1 April 2016, the company has been consolidated 100% into Destia Group. The transaction price was paid in cash.
The company specialises in demanding foundation, engineering and rock construction business. The company's business operations complements the Group's overall range of products.
At the time of the transaction, the company had 35 employees. The company's CEO Arto Niemeläinen and other members of the executive management have remained in their positions after the transaction.

The total purchase price is expected to be MEUR 3.6.The transaction increased the Group's liabilities by MEUR 2.8, of which the unpaid purchase price for the additional share in the company was valued at MEUR 1.9 at the balance sheet date 31 December 2016. The amount of the additional purchase price is affected by the company's future value creation. In other respects, the combined figures have not had a fundamental impact on the Group.

Fair values at the acquisition date	2016
Assets	
Intangible assets	704
Property, plant and equipment	2,696
Available-for-sale investments	20
Inventories	172
Accounts and other receivables	905
Cash and cash equivalents	311
Assets total	**4,808**
Liabilities	
Financial liabilities	901
Accounts and other payables	862
Deferred tax liability	282
Liabilities, total	**2,045**
Net assets	**2,763**
Goodwill arising on acquisition	820
Net assets	2,763
Total acquisition cost	**3,583**

The allocation of the corporate acquisition is targeted at fixed assets and intangible rights. MEUR 0.8 of goodwill resulted from the transaction. Goodwill is related to skilled personnel and the creation of added value for the Group.

17. FINANCIAL ASSETS HELD AS AVAILABLE FOR SALE

EUR 1,000	Shares and equity holdings unlisted
Acquisition cost 1 Jan 2017	2,137
Decreases	-105
Acquisition cost on 31 Dec 2017	2,032
Carrying amount 31 Dec 2017	**2,032**

EUR 1,000	Shares and equity holdings unlisted
Acquisition cost 1 Jan 2016	2,116
Decreases	20
Acquisition cost on 31 Dec 2016	2,137
Carrying amount 31 Dec 2016	**2,137**

18. INVENTORY

EUR 1,000	2017	2016
Materials and supplies	15,945	17,361
Total	**15,945**	**17,361**

19. ACCOUNTS AND OTHER RECEIVABLES

EUR 1,000	2017	2016
Accounts receivables	60,442	56,726
Other receivables	1,086	937
Accrued income	15,133	13,391
Accounts and other receivables, total	**76,661**	**71,054**

Age distribution of accounts receivables and bad debts

EUR 1,000	2017	Bad debts	Net 2017
Not past due	57,283		57,283
Due			
Less than 30 days	2,895		2,895
30-60 days	24		24
61-90 days	31		31
More than 90 days	927	718	209
Accounts receivables, total	**61,160**	**718**	**60,442**

Age distribution of accounts receivables and bad debts

EUR 1,000	2016	Bad debts	Net 2016
Not past due	48,516		48,516
Due			
Less than 30 days	4,218		4,218
30-60 days	850		850
61-90 days	444		444
More than 90 days	3,710	1,012	2,698
Accounts receivables, total	**57,738**	**1,012**	**56,726**

The Group has recorded bad debts of EUR 718 thousand (2016: 1,012 thousand) on accounts receivable. There are no significant credit risk concentrations related to accounts receivables.

The balance sheet values of accounts receivables best reflect to the maximum amount of credit risk related to them.

Other risks related to accounts receivables are described in Note 31. The fair values of receivables correspond to their carrying amounts.

The most significant accrued income items consist of percentage-of-completion receivables and sales allocations of EUR 9,745 thousand (2016: EUR 9,626 thousand) and other items of EUR 5,387 thousand (2016: EUR 3,765 thousand).

20. CASH AND CASH EQUIVALENTS

EUR 1,000	2017	2016
Cash in hand and at banks	20,803	15,954
Cash and cash equivalents, total	**20,803**	**15,954**

Cash and cash equivalents in the cash flow statement correspond to those presented in the balance sheet.
The balance sheet value of cash and cash equivalents best corresponds to the maximum amount of credit risk related to them.

21. DEFERRED TAX ASSETS AND LIABILITIES

Movement in deferred tax assets 2017

EUR 1,000	1 Jan 2017	In income statement	In other comprehensive income	31 Dec 2017
Pension benefits	127	3	77	207
Other allocation differences	2,507	190		2,697
Hedge instrument fund	8		4	12
Total	**2,642**	**193**	**81**	**2,915**
Tax losses carried forward for which deferred tax assets have not been recorded				1,397

No deferred tax assets have been recorded for Destia Sverige AB. Destia Sverige AB´s losses will not expire.

Movement in deferred tax liabilities 2017

EUR 1,000	1 Jan 2017	In income statement	In other compre-hensive income	In equity	Divested/ acquired businesses	31 Dec 2017
Depreciation differences	1,702	136				1,838
Other allocation differences	1,099	-114		-516		469
Total	**2,801**	**22**		**-516**		**2,307**

Movement in deferred tax assets 2016

EUR 1,000	1 Jan 2016	In income statement	In other comprehensive income	31 Dec 2016
Pension benefits	37	2	88	127
Other allocation differences	2,475	32		2,507
Hedge instrument fund	266		-258	8
Total	**2,778**	**34**	**-170**	**2,642**
Tax losses carried forward for which deferred tax assets have not been recorded				1,434

No deferred tax assets have been recorded for Destia Sverige AB. Destia Sverige AB´s losses will not expire.

Movement in deferred tax liabilities 2016

EUR 1,000	1 Jan 2016	In income statement	In other compre-hensive income	In equity	Divested/ acquired busi-nesses	31 Dec 2016
Depreciation differences	291	89		1,321*		1,702
Other allocation differences	1,258	-623		181	282	1,099
Total	**1,549**	**-534**		**1,503**	**282**	**2,801**

* Deferred tax adjustment of depreciation difference

22. EQUITY

EUR 1,000	Number of shares	Share capital	Invested non-restricted equity fund	Hybrid loans	Other items Translation differences	Other items Hedge instrument fund
1 Jan 2017	**80,000**	**80**	**53,000**	**11,463**	**-2**	**-31**
Translation differences					-1	
Amortisation of equity hybrid loan				-1,463		-15
31 Dec 2017	**80,000**	**80**	**53,000**	**10,000**	**-3**	**-46**

EUR 1,000	Number of shares	Share capital	Invested non-restricted equity fund	Hybrid loans	Other items Translation differences	Other items Hedge instrument fund
1 Jan 2016	**80,000**	**80**	**38,000**	**27,000**	**0**	**-1,064**
Translation differences					-2	
Cash flow hedging						1,033
Amortisation of equity hybrid loan				-537		
Convert of hybrid loan			15,000	-15,000		
31 Dec 2016	**80,000**	**80**	**53,000**	**11,463**	**-2**	**-31**

Information on shares and share capital
The Destia Group Plc has one share type. The maximum number of shares is 80 thousand. The share capital of the Destia Group Plc is MEUR 0.08. The shares have no nominal value.

Invested non-restricted equity fund
The invested non-restricted equity fund includes equity-like investments and the share subscription price to the extent to which it is not recorded in the share capital by explicit decision.

The invested non-restricted equity fund includes the MEUR 38 capital invested by Ahlström Capital Group in connection with the trade of Destia's shares and the conversion of the MEUR 15 hybrid loan from AC Infra Oy, decided at the Extraordinary General Meeting in August 2016.

Hybrid loans
Equity hybrid loans are loans issued by the owner, which are items comparable to equity.

The amortisation and interest payments of equity hybrid loans are decided at the Annual General Meeting based on a proposal by the Board of Directors. From 2015 onwards, interest expenses are recorded as they are paid, adjusted for the effect of taxation on the results of previous financial years. In order of priority, the loans are last after all other loans.

Equity includes equity hybrid loans from Ahlström Capital Group which are valued at MEUR 10.0 (2016: MEUR 11.5). Interest on the loans is 10%.

Other items
Translation differences
Translation differences includes the differences resulting from the translation of foreign subsidiaries.

Hedge instrument fund
Hedge instrument fund include the effective portion of the changes in fair value of derivative instruments used in cash flow hedging.

23. FINANCIAL LIABILITIES

EUR 1,000	2017	2016
Loans from financial institutions	40,380	40,544
Other liabilities	3,312	1,935
Financial lease liabilities	187	134
Financial liabilities recognised at fair value through profit and loss	58	39
Non-current financial liabilities, total	**43,936**	**42,652**
Loans from financial institutions	167	189
Financial lease liabilities	99	150
Current financial liabilities, total	**266**	**338**
Financial lease liabilities - total amount of minimun lease payments		
Maturing within one year	109	161
Maturing within more than one year and less than five years	189	133
Total	**299**	**294**
Financial leasing liabilities - present value of minimum lease payments		
Maturing within one year	99	150
Maturing within more than one year and less than five years	187	134
Future financial expenses	-13	-10
Total amount of financial lease liabilities	**286**	**284**

In connection with the Group's financial arrangements in December 2016, a total of MEUR 40 in variable-rate, unsecured, three-year bullet loans were withdrawn, the reference rates of which are tied to the 12-month Euribor rate and the 1.1% margin at the balance sheet date. The margin is determined on the basis of the net debt to EBITDA ratio. The loans were hedged in full by means of interest rate swaps up to the end of the loan period. The loan agreement includes a covenant related to the net debt to EBITDA ratio.

Destia Engineering Ltd has MEUR 0.5 in variable-rate loans (0.7). The loans had an average interest rate of 1.8% and they will mature in 2018–2023.

Non-current financial liabilities include the unpaid purchase price for the additional share in Destia Engineering Ltd, valued at MEUR 3.3 at the balance sheet date (1.9). The remeasurement difference of MEUR 1.4 has been recognised under other operating expenses in the financial period 2017.

24. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES (IAS 7)

			Non-cash flow effect		
EUR 1,000	1 Jan 2017	Cash Flows	Subsidiary aqcuisitions	Changes in fair values	31 Dec 2017
Non-current loans	42,479	-164		1,376	43,692
Current other liabilities	189	-22			167
Financial lease liabilities	286			2	228
Assets used in hedging non-current liabilities	39			19	58
	42,993	**-186**		**1,397**	**44,204**

25. GROUP'S CARRYING AMOUNT OF FINANCIAL ASSETS AND LIABILITIES

EUR 1,000	2017	2016
Financial assets		
Financial assets available-for-sale		
Financial assets available-for-sale (level 3)	2,032	2,137
Financial assets at fair value through profit or loss	56	98
Current		
Accounts and other receivables (level 2)	61,427	57,565
Cash and cash equivalents (level 2)	20,803	15,954
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Interest rate swaps, in hedge accounting (level 2)	58	39
Financial liabilities valued at amortized cost		
Non-current		
Loans from financial institutions, interest-bearing (level 2)	40,380	40,544
Financial lease liability, interest-bearing (level 2)	187	134
Other liabilities, interest-bearing (level 2)	3,312	1,935
Current		
Loans from financial institutions, interest-bearing (level 2)	167	189
Financial lease liability, interest-bearing (level 2)	99	150
Accounts payables and other liabilities (level 2)	77,125	77,473

The carrying value equals the fair value. The levels adopted in fair value accounting are:
Level 1: Exchange traded securities with quoted prices in active markets
Level 2: Fair value determined by observable parameters.
Level 3: Fair value determined by non-observable parameters.

26. OTHER LIABILITIES

EUR 1,000	2017	2016
Non-current other liabilities	6,086	3,720

27. ACCOUNTS PAYABLE AND OTHER NON-INTEREST-BEARING LIABILITIES

EUR 1,000	2017	2016
Accounts payable	40,184	35,884
Other non-interest-bearing liabilities	10,196	12,963
Accrued expenses	34,477	32,245
Accounts payable and other non-interest-bearing liabilities,total	**84,856**	**81,093**

The most significant items in accrued expenses are personnel expenses of EUR 23,246 thousand (2016: 22,677 thousand), accounts payables allocations EUR 6,985 thousand (2016: 9,140 thousand), group contribution of 2,200 thousand (2016: 0,00) and other allocations of 2,046 thousand (2016: 536 thousand).

28. LONG-TERM INCENTIVE SCHEMES

Destia Group Plc has a personnel long-term incentive scheme for 2014–2018. The purpose of the scheme is to commit certain key persons to the company and offer them a competitive reward scheme. The Board of Directors decides on the long-term incentive scheme and the persons covered by it. The scheme covers some 75 persons. The earnings period is 2014–2018, and the earnings benchmark is the value increase of the company. The benchmark for the long-term incentive scheme are the same for all people belonging to the scheme. These benchmark apply to the whole Group and differ from the bonus scheme benchmark. Remuneration accumulated in the earnings period will be paid in cash in 2019, latest.

The Group has noted the synthetic option arrangement granted to the Chair of the Board by AC Infra Oy in 2017, 2016 and 2015.

In 2017, the effect on personnel costs of the long-term incentive scheme, including the synthetic option arrangement of AC Infra Oy, was MEUR 2.5 (MEUR 1.1) and the scheme-related liability on the balance sheet was MEUR 6.1 (MEUR 3.7).

29. PENSION OBLIGATIONS

In addition to the statutory pension insurance (TyEL), Destia Ltd has a defined benefit pension arrangement in place for those employees whose employment began before 1993. The additional pension is related to Destia Ltd's period as a public utility. In connection with the incorporation of Destia, pension insurance was supplemented by acquiring additional pension insurance from a third party. The additional pension covers the level of pension earned before 1995 and the individual age of retirement between 60 and 65 years of age. In the defined benefit pension plan, the amount of funds reflects the share of the obligations for which the insurance company is liable and this is calculated at the same discounted interest rate as the obligation. The assets included in the arrangement include 100% acceptable insurance policies. The company's liability is mainly the effect of the employee pension index on the obligation.

Following the renewal of the statutory TyEL on 1 January 2017, the corporation has decided to preserve the pension benefits related to the additional pension in the same state; however, without compensating for the change in retirement age caused by the legislation. If the recipient of the benefits retires before the retirement age stipulated in the new law, this will lead to a reduction of 0.4% in the monthly pension. Persons covered by the benefits in the company can, where possible, compensate for the above-mentioned reduction by working at the company for longer.

EUR 1,000	2017	2016
Expenses based on work performance during the period	4	4
Net interest	9	5
Costs in the income statement	**13**	**8**
Items resulting from redefinition	384	441
Costs in the comprehensive income statement before taxes	**397**	**450**
Present value of obligation	30,167	32,442
Fair value of assets included in the arrangement	-29,134	-31,806
Net liability/asset on the balance sheet (-) 31 Dec	**1,033**	**636**
Present value of obligation at start of period	**32,442**	**29,287**
Expenses based on work performance during the period	4	4
Interest expenses	445	714
Actuarial profit (-)/loss (+)		
from changes in financial assumptions	-733	4,366
from changes in demographic assumptions	-460	
from experience-based changes	-214	-592
Fulfilling an obligation		
Benefits paid	-1,317	-1,337
Company arrangements		
Present value of obligation 31 Dec	**30,167**	**32,442**

EUR 1,000	2017	2016
Fair value of assets included in the arrangement at the beginning of the period	**31 806**	**29 101**
Interest yield	436	709
Yield of assets included in the arrangement excluding item belonging to interest expenditure/yield	-1,791	3,333
Fulfilling obligations		
Benefits paid	-1,317	-1,337
Payments made to arrangement		
Company arrangements		
Fair value of assets included in the arrangement 31 Dec	**29 134**	**31 806**
Liabilities on the balance sheet at the beginning of the period	**636**	**186**
Costs in the income statement	13	8
Payments made to arrangement		
Redefinitions in items of other comprehensive income	384	441
Company arrangements		
Liabilities on the balance sheet 31 dec	**1 033**	**636**
Actuarial assumptions		
Discounting interest rate, %	2,00	1,40
Pay rises, %	1,40	1,50
Pension rises, %	1,84	1,41
Sensitivity analysis		
The table below shows the effects on net liability of changes in assumptions		
Discounting interest rate change +0.25%	-34	-22
Discounting interest rate change -0.25%	36	23
Pay rises +0.25%	17	28
Pay rises -0.25%	-17	-28
Change in pension rises +0.25%	1,033	1,157
Change in pension rises -0.25%	-999	-1,117

When calculating sensitivity, it is assumed that other assumptions remain unchanged.

The duration based on the weighted average of the obligation is 13,9 years. Destia Ltd's estimate of the benefits-based pension arrangements it will pay in 2018 null euros.

30. PROVISIONS

EUR 1,000	Guarantee provisions	Environ-mental provisions	Other provisions	Total
1 Jan 2017	**5,284**	**11,663**	**3,740**	**20,686**
Increase in provisions	753		2,536	3,289
Expensed provisions	-1,235	-3	-2,107	-3,345
Reversals of unused provisions	-317	-98	-2,570	-2,985
Effect of discounting		-499		-499
31 Dec 2017	**4,486**	**11,062**	**1,599**	**17,146**

EUR 1,000	Guarantee provisions	Environ-mental provisions	Other provisions	Total
1 Jan 2016	**2,894**	**10,648**	**5,076**	**18,618**
Increase in provisions	2,704	112	2,018	4,834
Expensed provisions	-485	-79	-2,940	-3,503
Reversals of unused provisions	64	-2	-414	-352
Effect of discounting	106	983		1,090
31 Dec 2016	**5,284**	**11,663**	**3,740**	**20,686**

EUR 1,000	2017	2016
Non-current provisions	12,845	15,139
Current provisions	4,301	5,547
Total	**17,146**	**20,686**

Guarantee provisions

Guarantee provisions have been made to cover any obligations during the warranty period of contractual agreements. They are based on experiences from previous years.

Environmental provisions

The Group has land areas that it is obliged to restore to their original condition.

The present value of estimated landscaping costs has been capitalised as part of the cost of the areas and presented as a provision. The discounting factor used in determining the present value is 0,53 %. In addition, the Group has a provision for cleaning contaminated land area, in connection with cleaning a former asphalt plant in the capital region.

Other provisions

Other provisions include dispute and litigation provisions of MEUR 0.3 (2016: MEUR 0.8), project loss provisions of MEUR 0.7 (2016: MEUR 2.3) and other provisions of MEUR 0.6 (2016: MEUR 0.6) of which 0.3 (2016: MEUR 0.3) is related to personnel.

31. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Group is exposed to a number of financial risks. The objective of the Group's risk management is to minimise the adverse effects of changes in the financial markets on the Group's earnings. The primary types of financial risks are foreign exchange currency risk, interest rate risk and commodity risk. The Group's financial policy determines the guidelines and practices for the Group's financial activities. The Group's financial policy is approved by the Board of Directors and its practical implementation is the responsibility of the Group Chief Financial Officer and the centralised Finance and Treasury unit together with the business units. The Group's Finance and Treasury unit identifies and assesses the risks and acquires the instruments required for protection against them in close co-operation with the operational units. Hedging transactions are carried out in accordance with the financing policy. The Group performs risk management through the use of forward exchange contracts, foreign currency loans, interest rate swaps and commodity derivatives. Financial risks are reported quarterly to the Audit Committee and to the Board of Directors. Internal and external audits monitor Group compliance with financial policy. Group´s financing policy guidelines are acording to Ahlström Capital's policy.

Credit risk

Destia Group's credit risk consists of the credit risk of accounts receivable related to the business operations and of the counterparty risk related to other financial instruments. The management of the credit risk of accounts receivable aims to increase the amount of advances received and to assess the customer's creditworthiness in good time during the tendering process, enabling assessment of the collateral amount, the instrument and the eligibility of the collateral offered that may be needed. The Group's credit risk is managed by the business unit controllers in accordance with instructions prepared by the Finance and Treasury unit. The Group has no significant credit risk concentrations related to accounts receivable.

The counterparty credit risk related to other financial instruments is generated when Destia invests assets in money market instruments offered by other companies, public organisations or financial institutions. The risk is related to the counterparty of the contract not being able to fulfil its contractual obligations. Counterparty credit risk is managed via counterparty limits. Counterparty limits are only determined for counterparties deemed to be solvent and have a good credit rating. Select counterparties are set maximum limits in euros and maximum maturity limits. The counterparty and counterparty limits are approved by the Group's Board of Directors.

The maximum amount of the Group´s credit risk corresponds to the carrying amount of financial assets at the end of the financial year.

The age distribution of accounts receivable is presented in Note 19.

Liquidity risk

Liquidity risk management aims at ensuring that the Group is able to fulfil its financial obligations at all times. Annual cash flow forecasts are prepared for the next three years during strategy planning, and monthly forecasts are made for the next year during budgeting process. In addition, liquidity planning is carried out daily. In the long term, the aim is to secure liquidity by means of persistent, proactive financing arrangements and the establishment of short-term financing limits. According to the Group's operational instructions, cash assets must be invested in liquid money market instruments to ensure flexibility.

The following table shows the maturity distribution of the Group's financial liabilities. The amounts have not been discounted, and they include both interest payments and capital repayments.

EUR 1,000 31 Dec 2017	Balance sheet value	Contractual based cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 4 years
Maturity distribution of financial liabilities							
Loans from financial institutions	41,280	-42,266	-540	-527	-41,047	-79	-73
Accounts payable and other liabilities	50,379	-50,379	-50,379				
Total	**91,659**	**-92,645**	**-50,919**	**-527**	**-41,047**	**-79**	**-73**
Maturity distribution of derivative liabilities							
Interest rate swaps (liability)	58	-99	-65	-53	18		
Commodity derivatives (receivable)	-56	56	56				
Total	**2**	**-43**	**-9**	**-53**	**18**		

EUR 1,000 31 Dec 2016	Balance sheet value	Contractual based cash flows	Less than 1 year	1-2 years	2-3 years	3-4 years	More than 4 years
Maturity distribution of financial liabilities							
Loans from financial institutions	40,733	-42,103	-645	-573	-40,639	-93	-152
Accounts payable and other liabilities	48,740	-48,740	-48,740				
Total	**89,473**	**-90,844**	**-49,386**	**-573**	**-40,639**	**-93**	**-152**
Maturity distribution of derivative liabilities							
Interest rate swaps (liability)	39	-257	-65	-135	-57		
Commodity derivatives (receivable)	-98	98	98				
Total	**-59**	**-159**	**33**	**-135**	**-57**		

The tables do not include financial leasing liabilities, for which additional information is provided in Note 23.

Foreign exchange rate risk
Foreign exchange rate risk refers to the uncertainty of changes in foreign exchange rate as the result, balance sheet and cash flows. The international operations of Destia Group are minor at this stage and so the amounts affected by foreign exchange rate risk, or foreign exchange positions, are small and the foreign exchange rate risk is low.

According to the Group´s financial policy, the foreign exhange risk must be covered to at least 50 and at most 100 per cent, using forward exchange and option contracts or foreign currency loans as hedging instruments. Hedging operations are directed at cash flows and balance sheet items separately. Currency derivatives may only be used for hedging purposes. The Group does not apply IAS 39 hedge accounting to currency hedging.

The Group does not have any significant outstanding foreign exchange positions at the end of the financial year.

Interest rate risk
Interest rate risk is the risk of market interest rates affecting the Group's interest expenses and profits. The Group's interest rate risk primarily consists of the interest rate risk of the external loan portfolio. The interest rate risk is managed by spreading the Group's loans and investments across various maturities on the one hand and variable and fixed-rate instruments on the other. The risk of the loan and investment portfolio is determined by interest position calculations. According to the Group's financial policy, interest rate risk must be covered 100 per cent, using short- or long-term forward rate or future contracts, interest rate option contracts or interest rate swaps. Interest rate derivatives may only be used for hedging purposes. The Group's interest rate risk is cordinated with Ahlström Capital and managed in a centralised manner by the Finance and Treasury unit.

The Group has hedged its variable interest rate loan portfolio through interest rate swaps. The Group applies the cash flow hedging accounting principles under IAS 39 to these interest rate swaps.

Hybrid loans are not part of interest rate risk management.

The table below shows the Group's interest position on the last day of the year under review:

EUR 1,000	**2017**	**2016**
Variable-rate financial liabilities	40,547	40,733
Interest-rate swaps	40,000	40,000
Variable-rate position, total	**547**	**733**

The Group has no fixed-rate financial assets or liabilities.

Effect of interest rate changes on the Group's result and equity
The table below shows how the Group's equity is affected if the interest rates increase or decrease and the other factors remain unchanged. The sensitivity analysis is based on the interest position on the last day of the year under review, which includes nominal amount of MEUR 40 interest rate swaps.

EUR 1,000	**2017**	**2016**
Change	+/-0,5 %	+/-0,5 %
Effect on profit after taxes and effect on equity	**203**	**262**

Commodity risk
In its operations, Destia Group is exposed to commodity risk related to commodity price fluctuations. Destia's significant commodity risks are determined in connection with tendering. The necessary hedging procedures are planned on a project-specific basis through co-operation between the business units and Finance and Treasury unit. The Group does not apply the cash flow hedging accounting principles under IAS 39 to these commodity swaps.

Monthly rolling hedging of diesel is being done for a period of 12 months. The hedging rate is 24% from average yearly purchases. The nominal value of hedging was 600.1 thousand euros (564.7 thousand) and the fair value 56.1 thousald euros (96.7 thousand) at the balance sheet date.

Management of capital
The Group's equity consists of share capital, invested non-restricted equity fund, equity hybrid loan from Ahlström Capital and retained earnings. The aim is to keep the ratio of equity and debt capital at a healthy level and it is managed together with Ahlström Capital.

The purpose of enhancing Destia's use of capital is to speed up the incoming cash flow and slow down the outgoing cash flow. The efficient use of capital is ensured by efficient, safe and profitable investments or use of existing assets. Efficiency is also safeguarded by improving the terms of payment in contractual negotiations by efficiently managing payment transactions with the help of cash flow forecasts, and by utilising an efficient bank account network and programme as well as up-to-date accounts payable and receivable activities. All means of working capital management are used to reduce the capital tied to business.

EUR 1,000	2017	2016
Equity	81,961	76,487
Balance sheet total	264,337	257,147
Advances received	26,746	28,732
Equity ratio	34,5 %	33,5 %

32. OTHER LEASE AGREEMENTS

Group as lessee
Other lease agreements include, for example, leases for premisies and fleet.
The average term of the lease agreements are between 1-7 years.
Minimun leases paid on the basis of non-cancellable lease agreements:

EUR 1,000	2017	2016
Within one year	3,705	2,968
Within more than one year and less than five years	5,648	5,347
After more than five years		448
Total	**9,354**	**8,763**

During the financial year, lease expenses of EUR 3,874 thousand (2016: EUR 3,296 thousand) for other lease agreements were recorded through profit and loss.

33. CONTINGENT LIABILITIES AND ASSETS

EUR 1,000	2017	2016
Guarantees and contingent liabilities		
Real estate mortgages	350	350
Business mortgages	780	780
Counterobligations of bank guarantees related to contractual agreements	77,020	84,074
Interest liabilities accured from equity hybrid loans	1,112	3,694

Disputes and litigation
The Group has on-going disputes related to projects, which have been provided for to the extent that the Group deems the disputes substantial and the claims justified.

34. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiaries, Ahlström Capital Oy and its subsidiaries, joint ventures and associated companies (including AC Infra Oy).

In addition, the related parties includes the members of the Board and of the Management Team, including the President & CEO and their family members.

In 2017, companies belonging to the Ahlström Capital Group also had EUR 1,700 of billing (2016: EUR 18,900) and EUR 1,300 of purchases (2016: EUR 38,200).

Interest of MEUR 1.2 was paid to Ahlström Capital Oy for the hybrid loan (2016: MEUR 1.2) and amortisation MEUR 1.5 (2016: MEUR 0.5). The amount of hybrid loan on 31 December 2017 is MEUR 10.0 (2016: MEUR 11.5). In 2017 group contribution of MEUR 2.2 was granted to Ahlström Capital Oy (2016: MEUR 0) and in 2016, group contribution of 2015 MEUR 2.3 was paid.

Interest of MEUR 2.5 was paid to AC Infra Oy for the hybrid loan (2016: MEUR 0.0) and in 2016 MEUR 15.0 of hybrid loan was converted into the invested non-restricted equity fund.

The President & CEO and members of the Management Team belong to the management long-term incentive scheme, described in Note 28.

The Group´s parent company and subsidiary relations in the year 2017 were as follows:

Company	Country	Group´s share of ownership and votes%	Parent company´s share of ownership and votes%
31 Dec 2017			
Destia Group Plc, parent company	Finland		
Destia Ltd, parent company of the subgroup	Finland	100	100
Destia Ltd, subsidiaries			
Destia Eesti AS	Estonia	100	100
Destia Engineering Oy	Finland	50,79	50,79
Turgel Grupp AS	Estonia	100	100
Destia Rail Oy	Finland	100	100
Destia Sverige AB	Sweden	100	100
Destia International Oy	Finland	100	100
Finnroad Oy	Finland	100	100

Consortia have also been established for large and long-term projects, which also involves external parties. The parties have committed to joint and several liability for the obligations and liabilities of the consortia. The most significant ongoing consortia are Pulteri II and Metro 2.

Management´s employee benefits

EUR 1,000	2017	2016
Salaries and other short-term employee benefits	1,962	2,059
Salaries and remuneration:		
President & CEOs	638	663
Members of the Board of Directors	137	132

It has been agreed that the retirement age of the President & CEO was 63.

35. EVENTS AFTER THE END OF THE REPORTING PERIOD

Nothing to report.

Group's key figures, IFRS

MEUR	2017	2016	2015	1 July - 31 Dec 2014
Revenue	478.7	493.2	462.8	261.8
Change from previous year, % *)	-2.9	6.6	7.2	
Operating profit for the period	13.1	14.1	12.9	12.5
% of revenue	2.7	2.9	2.8	4.8
Operating profit for the period, comparable	15.1	12.5	7.4	14.4
% of revenue	3.2	2.5	1.6	5.5
Result for the period	12.6	5.7	6.7	5.5
% of revenue	2.6	1.2	1.5	2.1
EBITDA 1)	25.4	22.1	16.4	19.1
% of revenue	5.3	4.5	3.6	7.3
Gross investments	8.8	17.9	9.2	72.5
% of revenue	1.8	3.6	2.0	27.7
Balance sheet total	264.3	257.1	266.3	264.6
Equity	82.0	76.5	73.3	68.7
Equity ratio, % 2)	34.5	33.5	31.2	29.4
Net gearing, % 3)	28.5	35.3	32.6	42.4
Interest-bearing liabilities	44.2	43.0	66.8	66.8
Current Ratio 4)	1.0	0.9	1.1	1.0
Quick Ratio 5)	1.0	0.9	1.2	1.0
Return on equity, % 6)	15.9	7.6	9.5	8.0
Return on investment, % 7)	10.7	11.1	9.4	9.2
Earnings per share, EUR **)	146.60	50.13	56.14	53.77
Equity per share, EUR	1,024.51	956.09	916.21	858.32
Average personnel	1,572	1,492	1,505	1,502
Occupational accidents resulting in absence from work ***)	10.5	5.9	7.6	9.3
Order book	696.2	708.0	717.4	628.2
Research and development expenses	0.9	0.9	0.9	0.5
% of other operating expenses	2.4	2.4	2.6	2.1

Destia Group´s financial figures from year 2014 excluding balance sheet exist only from the second half of the year, 1 July-31 December 2014.

*) The comparative figure is the revenue figure from the Destia subgroup MEUR 431.5 in 2014.
**) The profit for the financial period belonging to he shareholders of the parent company of Destia Group Plc, deducted by the interest on the hybrid loan adjusted for tax, divided vased on the weighted average of the shares. Destia Group Plc has 80,000 shares.
***) Occupational accidents per one million working hours. Since the beginning of the year 2017 the number also covers Destia Engineering.

Formulas:
1) Operating profit + depreciation, amortisation and impairment losses. Not IFRS key figure. EBITDA adjusted by comparable items.
2) (Equity/(balance sheet total - advances received))*100
3) ((Interest-bearing liabilities - cash and cash equivalents and held-to-maturity investments/equity)*100
4) (Inventories + liquid assets) / current liabilities
5) Financial assets without receivables from uncompleted contracts/ current liabilities without advance payments
6) (Result for the period/average equity)*100 (opening and closing balance)
7) (Result before taxes + interest costs and other financial expenses/ (invested capital average)*100 (balance sheet total - non-interest-bearing liabilities - provisions, opening and closing balance)

Under items 6 and 7 the value of equity and the balance sheet values of 31 December 2014 have been used as the balance sheet values on Destia Group.

Destia Group Plc, income statement, FAS

EUR 1,000	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Revenue	**1,652**	**2,080**
Other operating income		10
Personnel expenses		
Salaries and wages	2,493	1,398
Personnel related expenses		
Pension expenses	649	438
Other personnel expenses	69	57
Personnel expenses	**3,211**	**1,894**
Other operating expenses	**650**	**1,011**
Operating result	**-2,208**	**-814**
Financial income and expenses		
Interest income from Group companies		887
Interest income	0	0
Interest expenses to Group companies	2,719	2,211
Interest and other financial expenses	235	8,316
Financial income and expenses	**-2,955**	**-9,640**
Profit/loss before appropriations and taxes	**-5,163**	**-10,454**
Appropriations		
Group contributions received	4,700	10,000
Group contributions granted	2,200	
Appropriations	**2,500**	**10,000**
Income and deferred taxes	**532**	**90**
Profit/loss for the financial year	**-2,131**	**-365**

Destia Group Plc, balance sheet, FAS

EUR 1,000	31 Dec 2017	31 Dec 2016
ASSETS		
NON-CURRENT ASSETS		
INVESTMENTS		
Holdings in Group companies	108,815	108,815
Investments, total	**108,815**	**108,815**
NON-CURRENT ASSETS TOTAL	**108,815**	**108,815**
CURRENT ASSETS		
RECEIVABLES		
Receivables from Group companies	4,700	10,000
Deferred tax assets	1,585	1,032
Other receivables	0	8
Prepaid expenses and accrued income	11	3
Receivables, total	**6,295**	**11,044**
Cash and cash equivalents	**49**	**257**
CURRENT ASSETS TOTAL	**6,344**	**11,301**
ASSETS TOTAL	**115,159**	**120,116**

EUR 1,000	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80	80
Other funds		
Reserve for invested non-restricted equity	53,000	53,000
Retained earnings	-2,480	-2,115
Profit/loss for the period	-2,131	-365
Equity, total	**48,469**	**50,600**
Provisions	**42**	
LIABILITIES		
Non-current liabilities		
Loans classified as equity	10,000	11,463
Loans from financial institutions	20,000	20,000
Non-current liabilities, total	**30,000**	**31,463**
Current liabilities		
Accounts receivables	46	41
Liabilities to Group companies	34,548	36,995
Other liabilities	123	234
Accrued expenses and deferred income	1,932	784
Current liabilities, total	**36,649**	**38,054**
LIABILITIES TOTAL	**66,649**	**69,517**
EQUITY AND LIABILITIES TOTAL	**115,159**	**120,116**

Destia Group Plc, cash flow statement, FAS

EUR 1,000	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	48	1,140
Cash paid to suppliers of goods/services and to personnel	-2,668	-2,587
Net cash flow before financial items and taxes	-2,619	-1,448
Interest paid on operating activities	-314	-3,487
Interest income on operating activities	0	887
Other financial items from operating activities	-11	-75
Taxes paid on operating activties	-178	-243
Net cash flows from operating activities	**-3,122**	**-4,366**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from repayment of loans		20,937
Net cash flows from investing activities	**0**	**20,937**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in current loans (+)	8,370	34,190
Decrease in current loan (-)	-300	
Increase in non-current loans (+)		20,000
Decrease in non-current loans (-)	-1,463	-65,000
Interests and other financial items paid	-3,694	-4,389
Granted and paid group contributions		-1,300
Net cash flows from financing activities	**2,914**	**-16,499**
Change in cash and cash equivalents	**-209**	**73**
Cash and cash equivalents at the end of the financial period	49	257
Cash and cash equivalents at the beginning of the financial period	257	185

Destia Group Plc, notes to financial statements, FAS

Accounting principles (FAS)

Basic information about the Group
Destia Group Plc is 100% owned by AC Infra Oy, which is part of the Ahlström Capital Group.

Destia Group Plc is Destia Ltd's parent company, which was established 22 Apr 2014 in connection with the ownership arrangement of Destia Ltd and which owns 100% of Destia Ltd's shares. Destia Group Plc's financial statement from 1 Jan - 31 Dec 2017 and comparative year 1 Jan - Dec 31 2016 have been prepared in accordance with the Finnish Acoounting Act. Destia Group prepared its consolidated financial statement in accordance with the International Financial Reporting Standards (IFRS).

Measurement of investments
Investments have been valued at acquisition cost.

Financial assets
Financial assets have been valued at acquisition price, or at the expected market value if this is lower than the acquisition cost.

Financial liabilities
Interest from equity-instruments has been recognised by using the accrual basis.

Derivative instruments
The fair value of derivative contracts used to hedge cash flows to be generated in future financials years has been recognised as an off-balance-sheet-liability.

Group contributions
Group contributions have been recovered as appropriations in the income statement.

Pensions
Personnel pensions have been ensured by means of insurance with an external pension insurance company. Pension expenses have been recorded as expenses in the year they were incurred.

Related parties
The Group´s related parties include its parent company, subsidiaries and Ahlström Capital Oy and its subsidiaries, joint ventures and associates.

In addition, related parties include the members of the Board and of the Management Team, including the President & CEO and their family members.

During the financial year following essential related party transactions incurred:

MEUR	Destia Ltd	AC Infra Oy	Ahlström Capital Oy
Sales	1.7		
Purchases	0.1		
Amortisations of loans paid	11.9		1.5
Interest received	1.7	2.5	2.3
Loans received	8.5		

Destia Group Plc, notes to income statement, FAS

EUR 1,000	2017	2016
Revenue		
Revenue from Group companies	1,652	2,080
Revenue, total	**1,652**	**2,080**
Average number of personnel	**4**	**4**
Personnel at the end of the financial year	**5**	**4**
Management salaries and wages		
President and CEO	638	663
Members of the Board of Directors	137	132
Management salaries and wages, total	**775**	**794**
Auditor´s fees		
Audit expense	59	59
Other services	42	46
Auditor's fees, total	**101**	**105**
Other operating expenses		
Travel expenses	12	10
Administrative expenses	530	291
Insurances	15	31
Other operating expenses	93	677
Other operating income, total	**650**	**1,011**

EUR 1,000	2017	2016
Financial income		
From others	0	0
Interest income from Group companies		887
Financial income, total	**0**	**887**
Financial expenses		
Interest expenses		
To Group companies	2,719	2,211
To others	225	5,191
Financial expenses, total	**2,944**	**7,402**
Other financial expenses		
Other borrowings costs	10	1,705
Other financial expenses	1	1,420
Other financial expenses, total	**11**	**3,125**

Destia Group Plc, notes concerning the balance sheet, FAS

EUR 1,000	2017	2016
Non-current assets		
Investments		
Holdings in Group companies 1 Jan	108,815	109,352
Decreases		-537
Holdings in Group companies 31 Dec	**108,815**	**108,815**
Current assets		
Receivables from Group companies		
Group contributions receivable	4,700	10,000
Receivables from Group companies, total	**4,700**	**10,000**
Receivables		
Other receivables	0	8
Accrued income	11	3
Receivables, total	**11**	**12**
Deferred tax assets		
Deferred tax assets	1,585	1,032

EUR 1,000	2017	2016
Equity and liabilities		
Equity		
Restricted equity		
Share capital 1 Jan	80	80
Share capital 31 Dec	80	80
Restricted equity, total	**80**	**80**
Non-restricted equity		
Fund for invested non-restricted equity 1 Jan	53,000	38,000
Convert of hybrid loan		15,000
Fund for invested non-restricted equity 31 Dec	53,000	53,000
Retained earnings		
Retained earnings 1 Jan	-2,480	-2,115
Retained earnings 31 Dec	-2,480	-2,115
Profit/loss for the period	-2,131	-365
Non-restricted equity, total	**48,389**	**50,520**
Equity, total	**48,469**	**50,600**
Calculation regarding distributable equity		
Fund for invested non-restricted equity	53,000	53,000
Retained earnings	-2,480	-2,115
Profit/loss for the period	-2,131	-365
Distributable non-restricted equity, total	**48,389**	**50,520**

Destia Group Plc, notes concerning the balance sheet, FAS

Shares and shareholders

Registered	Shareholder	%	Share capital
22 Apr 2014	AC Infra Oy (Ahlström Capital)	100	80,000

EUR 1,000	**2017**	**2016**
Non-current liabilities		
Provisions	**42**	
Loans classified as equity	10,000	11,463
Loans from financial institutions	20,000	20,000
Non-current liabilites, total	**30,000**	**31,463**
Current liabilities		
Liabilities to Group companies		
Accounts payable	15	68
Current loans	29,700	33,145
Accrued interests	2,633	3,782
Group contribution liabilities	2,200	
Liabilities to Group companies, total	**34,548**	**36,995**
Accounts payable	**46**	**41**
Other liabilities	**123**	**234**
Material items relating to accrued expenses and deferred income		
Accrued interest	8	11
Personnel related accruals	534	595
Other accruals and deferred income	1,391	178
Accruals and deferred income, total	**1,932**	**784**

EUR 1,000	**2017**	**2016**
Guarantees and contingent liabilities		
Lease contracts		
Payable during the following financial year	14	15
Payable in later years	23	4
Derivative contracts		
Interest derivatives		
Nominal value	20,000	20,000
Fair value	-29	-19

Nominal values and fair values are presented as net amounts. The fair value is an estimate of the gains and losses that would have been realised, if the derivative contracts had been terminated at the balance sheet date.

The intrest of loan has been hedged by interest rate swap up to the time of loan maturity. Additional information is provided in Notes 26 and 32 in Group´s financial statements.

Proposal by the Board on the use of distributable assets

Destia Group Plc`s FAS- compliant loss for the financial year was EUR 2,131,379.74, which is proposed to be recorded on the retained earnings account. Destia Group Plc`s distributable assets total EUR 48,388,523.56 including the EUR 53,000,000 in the invested unrestricted equity fund.

Destia Group Plc's Board of Directors proposes to the Annual General Meeting that no dividend or repayment of capital be paid for the financial period that ended on 31 December 2017.

Signatures to the financial statements

Vantaa, 6 February 2018

Arto Räty
Chairman of the Board

Marcus Ahlström
Member of the Board of Directors

Pasi Koota
Member of the Board of Directors

Juha Nurmi
Member of the Board of Directors

Hans Sohlström
Member of the Board of Directors

Tero Telaranta
Member of the Board of Directors

Arto Pohjonen
Member of the Board of Directors,
Acting President and CEO

Auditor´s Note

An auditor´s report based on the audit performed has been issued today.

Helsinki, 6 February 2018

KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant, KHT

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Destia Group Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Destia Group Plc (business identity code 2617172-1) for the year ended 31 December, 2017. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Basis for Opinion

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

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

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

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

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

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO'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.

Other Reporting Requirements

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the report of the Board of Directors.

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 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. 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, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki February 6, 2018

KPMG OY AB

Virpi Halonen
Authorised Public Accountant, KHT

DESTIA

BUILDING THE BIGGER PICTURE

FINNISH SERVICE

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