High quality infra-structure.

DESTIA
BUILDING THE BIGGER PICTURE

Destia Financial Statements bulletin 2016

10.2.2017

Destia's financial statements bulletin 2016

DESTIA'S REVENUE AND OPERATING PROFIT INCREASED

- Revenue was MEUR 493.2 (462.8), showing an increase of 6.6%.
- The operating profit was MEUR 14.1 (12.9).
- The order book at the end of the year was MEUR 708.0 (717.4).
- The return on investment was 11.1% (9.4%) while the equity ratio stood at 33.5% (31.2%).
- Occupational safety continued to improve: the accident frequency reached a new year-level record low, 5.9 (7.6).
- The company made the redemption of the Bond prematurely for the full outstanding amount in accordance with the terms and conditions of the bond, and Destia's bond was delisted from Nasdaq Helsinki on 21 December 2016.
- Destia's revenue and operating profit for 2017 is expected to grow slightly from the previous year.

Group **Key figures (IFRS), MEUR**	**10-12/2016**	**10-12/2015**	**1-12/2016**	**1-12/2015**
Revenue	141.1	130.9	493.2	462.8
Operating result	3.9	5.0	14.1	12.9
% of revenue	2.7	3.8	2.9	2.8
Result for the period	-1.0	3.1	5.7	6.7
% of revenue	-0.7	2.4	1.2	1.5
Return on investment, %			11.1	9.4
Earnings per share, EUR			50.13	56.14
Equity ratio, %			33.5	31.2
Net gearing, %			35.3	32.6
Average personnel			1,492	1,505
Occupational accidents resulting in absence from work*)			5.9	7.6
Order book at the end of review period			708.0	717.4

*) Occupational accidents per one million working hours

The financial statements bulletin is based on the audited financial statements for 2016.

President & CEO Hannu Leinonen comments on the financial year:

"For Destia, 2016 was better than the previous year. The construction industry boosted the entire Finnish economy. In late 2015, the infrastructure market showed slight signs of recovery after a period of long economic downturn, and this positive trend strengthened in 2016. This had a favourable impact on Destia's revenue development. Market recovery also contributed to securing our order book, and we managed to keep the order book at a good level. Despite the increasing overall demand, the competitive situation remained challenging due to intense competition for tenders.

Our strong investments in the development of personnel expertise, customer work and occupational safety have yielded results. Our investments in customer work are evident, first and foremost, in the improvement of customer satisfaction. We have developed occupational safety determinedly, and last year, we reached an excellent level: 5.9 occupational accidents per million working hours. We also intensively continued the digitalisation of our operations and the development of model-based production and work machine automation.

Destia's strategy extending until 2022 is divided into three three-year operating periods. The year 2016 saw the end of the first three-year business planning period. Of the focus areas for the past period, railway construction and maintenance as well as rock construction strengthened their market positions as planned. We are especially satisfied with our success in railway maintenance. The goal is to consolidate our position in these focus areas. In energy infrastructure, we are continuing the efforts to strengthen our market position."

Operating environment

The Finnish economy developed positively in 2016, with the construction industry acting as a driver of growth. The infrastructure market also developed favourably, driven by the strong growth in building construction but also by the additional investments by the Finnish Government targeted at reducing the repair backlog and developing the traffic network. Forecasts predict growth for at least 2017 and in the road operations, if stimulus programmes are realised, also for 2018.

According to its estimate published in October, the Confederation of Finnish Construction Industries RT forecasts that this year, the construction growth rate will fall to the moderate level of 1.5%. The workload in infrastructure construction is maintained by regional construction projects and an increase in foundation work for residential construction, but their pace is expected to slow down this year. The public sector is the most significant employer in the industry: especially the rate of municipal investments has increased in recent years. Competition is expected to continue to be intense and the market will strongly polarise to the advantage of growth centres. The road projects announced by the Finnish Government in its discussion on spending limits in spring 2016 improved the outlook for the industry: the MEUR 600 investment in reducing the road repair backlog brings additional MEUR 200 for fundamental road maintenance this year. According to RT, road network financing focuses strongly on the maintenance of the existing network instead of new investments.

According to the construction confidence indicators published by the Confederation of Finnish Industries (EK), in January the confidence in construction remained virtually unchanged. The confidence is described being currently steadier than its long-term average. According to EK, the order book is slightly below average, but some workforce growth is predicted. In January, the confidence of Finnish construction companies was close to the EU average.

According to Statistics Finland, the costs of the civil engineering industry increased by 1.2% from December 2015 to December 2016. The annual change in costs varied by sub-index from 6.4% in surfacing to -0.5% in rock structures. The increase in the total index was particularly affected by the increasing prices of bitumen, fuels and energy. The increase in costs was mitigated by a decrease in the price of purchased transport services and labour costs in the previous year's December.

IFRS financial statements

The consolidated financial statements and interim reports with their related comparative data were prepared in accordance with the International Financial Reporting Standards (IFRS). In June 2015, Destia Group Plc listed on the main list of Nasdaq Helsinki Ltd a MEUR 65 bond targeted at institutional investors. In December 2016, Destia Group Plc made the redemption of the bond prematurely for the full outstanding amount in accordance with the terms and conditions of the bond and Nasdaq Helsinki Ltd approved Destia Group Plc's application to delist Destia's bond.

Destia's business operations comprise services covering the entire life cycle of the road and track network and other infrastructure projects from design through implementation to maintenance. Destia's business structure is based on consistent business processes. Due to the nature and administrative structure of the company's business, the operating segment reported is the entire Group.

Order book and the most significant new orders

Strong investments in personnel expertise and customer work can be seen in the development of Destia's order book. The order book at the end of December was at a good level, amounting to MEUR 708.0 (717.4). The order book is spread over several years.

The most significant new contracts valued at no less than one million euros and signed during the fourth quarter:

- Maintenance Area 9 track and safety equipment maintenance in 2017–2020
- Construction contract for the Utö ferry pier, will be completed in August 2017
- Civil engineering contract in Sotkamo, will be completed in August 2017

- Service contracts for road lighting in Pirkanmaa in 2017–2022
- Construction of the Nostavantie pedestrian and bicycle route in Hollola, will be completed in October 2017
- Aggregates delivery contract for 2016–2031

Decisions on 1st and 2nd round road upkeep and maintenance contracts were made in December 2016. Destia won two of the contracts: Kiuruvesi and Merikarvia. The contracts are five years in duration.

The most significant new contracts valued at no less than three million euros and signed in 2016:

- Maintenance Area 6 track and safety equipment maintenance in 2016–2021
- Construction of the Laitaatsalmi deep-water channel on National Road 14 at Savonlinna, will be completed in 2019
- Regional main road contracts for 2016–2021: Ii, Kangasala, Karstula, Orivesi, Pietarsaari, Raahe-Ylivieska, Raasepori and Ranua
- Regional main road contracts for 2017–2022: Merikarvia and Kiuruvesi
- Maintenance Area 9 track and safety equipment maintenance in 2017–2020
- Container wharf extension contract at the Port of Rauma, will be completed by the end of 2017
- Quarrying contract for the Espoonlahti metro station and metro rail line tunnel, will be completed by the end of 2017
- Aggregates delivery contract for 2016–2031
- Upgrading of National Road 8 Hangassuo–Niittymaa, will be completed by the end of 2017
- Manager and maintenance contract for a shoreside tunnel on National Road 12 in Tampere to be carried out by the project management method during 2016–2022
- Construction contract for the Utö ferry pier, will be completed in August 2017
- Construction of track to the mill area in Äänekoski, will be completed in August 2017
- Construction of Pohjoisbaana in Helsinki between Ratapihantie and Käpylä Station, will be completed in September 2017
- Bridge upkeep and maintenance work in Uusimaa in 2016−2019
- Bridge upkeep and maintenance work in South Karelia in 2016−2019
- Bridge renovation contract for the City of Helsinki in 2016

Revenue development

In the fourth quarter, the Group's revenue was MEUR 141.1 (130.9), and in the financial year, it was MEUR 493.2 (462.8).

Destia Group's other operating income during the financial year amounted to MEUR 4.5 (8.1). This mainly includes sales income from fixed assets and sales and rental profit from property. In addition to these, the figure for the comparison period includes a business transaction carried out in 2015.

Result development

Destia's operating profit for the financial period was MEUR 14.1 (12.9), and in the fourth quarter, it was MEUR 3.9 (5.0). The Group's result for the financial period was MEUR 5.7 (6.7), and in the fourth quarter, it was MEUR -1.0 (3.1). The result for the reporting period was improved by an easier winter season than the previous year in terms of maintenance and individual ongoing projects that were remarkably successful. The result was weakened by two ongoing projects with overrun costs, one of them with exceptionally significant impact.

The operating profit for the financial period includes items affecting comparability related to business and property transactions, amounting to a total of MEUR 1.6 (5.5).

Destia Group's income taxes in the financial year totalled MEUR 0.1 (1.9).

Balance sheet, cash flow and financing

Total assets on Destia's balance sheet were MEUR 257.1 (266.3) at the end of the financial year. Return on investment (ROI) was 11.1% (9.4%), equity ratio was 33.5% (31.2%), and net gearing was 35.3% (32.6%).

As a result of successful working capital management, operating cash flow remained good and stable throughout the financial year. Owing to the seasonality of construction, the demand for working capital is usually at its greatest in the second and third quarters. The cash flow of the financial year comprised operating cash flow of MEUR +19.0 (+10.8), investment cash flow of MEUR -14.0 (-2.1) and financial cash flow of MEUR -31.9 (-3.5). The financial cash flow for the reporting period includes the re-arrangement of financing carried out in December. Destia Group Plc made the redemption of the MEUR 65 bond, issued on 19 June 2014, prematurely for the full outstanding amount in accordance with the terms and conditions of the bond, and the MEUR 65 interest rate swap related to the bond was terminated. The arrangements resulted in a non-recurring MEUR 3.2 financial cost. In connection with the financial arrangements, a total of MEUR 40 in variable-rate, three-year bullet-type loans were withdrawn, and the loans were hedged in full by means of interest rate swaps. In addition, the financial cash flow includes the group contribution of MEUR 2.3 paid to Ahlström Capital Oy, and the payment of interest of MEUR 1.2 on a hybrid loan in accordance with a decision made at the Extraordinary General Meeting. For the comparison period, the figures include the amortisation by MEUR 2.0 of hybrid loans and interest payments of some MEUR 1.5, in accordance with the decision made at the Annual General Meeting.

The Group's financial position remained moderate after the financial arrangements. The financial assets on the balance sheet were MEUR 16.0 (42.9) 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, the amount of interest-bearing liabilities decreased by MEUR 23.8 and was MEUR 43.0 (66.8). Of all loans, 0.8% (0.3%) was short-term and 99.2% (99.7%) long-term. The Group's interest-bearing net liabilities at the end of the reporting period were MEUR 27.0 (23.9).

In accordance with the decision by the Extraordinary General Meeting, in August MEUR 0.5 of the hybrid loan was amortised to Ahlström Capital and the MEUR 15.0 hybrid loan from AC Infra Oy was converted into the invested unrestricted equity fund. At the end of the reporting period, consolidated shareholders' equity includes equity hybrid loans from Ahlström Capital Group of MEUR 11.5 (27.0), and the interest rate on the loans is 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 after the conversion of a MEUR 15 hybrid loan during the reporting period, and a MEUR 11.5 hybrid loan from Ahlström Capital.

Investments and divestments

In the financial year, Destia Group's gross investments were MEUR 17.9 (9.2), which amounted to 3.6% (2.0%) of revenue. Investments were mainly fleet investments, the most significant being the acquisition of the universal tamping machine, which supports the performance of track maintenance, construction work and reliability. The investments also include the corporate acquisition carried out on 1 April 2016, in which Destia acquired a majority 51% interest in ITS-Vahvistus Oy. 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.

In the comparison period, Destia concluded the sales of its measuring, drilling and laboratory services to Mitta Oy.

Personnel

Destia's average number of personnel during the financial year was 1,492 (1,505). At the end of December, the number of personnel was 1,504 (1,492), of whom 1,394 (1,403) were permanent and 110 (89) temporary employees. Due to the seasonality of the business, the number of personnel varies during the year, peaking in the summer.

Collective agreements for infrastructure industry employees and salaried personnel were signed on 27 February 2014. Both agreements are in their second contractual period (1 February 2016–31 January 2017).

On 30 September 2015, Destia's Board of Directors decided on the structure and principle of a bonus scheme for 2016 covering all personnel. The numerical objectives of the bonus scheme were confirmed on 16 December 2015. The bonus scheme forms part of the overall personnel reward scheme. The bonus scheme brings a supportive, in-house co-operation- and strategy-enhancing control and reward element to compensation. The scheme will support the development of the company's profitability and operating conditions. The target group for the new bonus scheme is comprised of five different personnel groups: 1) personnel working on Destia projects; 2) work supervisors; 3) support function personnel and business unit support personnel; 4) business unit managers, and 5) Executive Vice Presidents.

Destia Group Plc has a management 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 bonus system. 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 criterion is the value increase of the company. The criteria for the long-term incentive scheme are the same for all people belonging to the scheme. These criteria apply to the whole Group and differ from the bonus scheme criteria. Remuneration accumulated in the earnings period will be paid in cash no later than in 2019. Based on the scheme, a cost of MEUR 1.0 (1.6) was entered for 2016, after which the balance sheet includes a total liability of MEUR 3.7 (2.7) in relation to the incentive scheme.

In 2016, personnel costs were somewhat higher than in the previous year at MEUR 93.4. (88.2), or 18.9% (19.1%) of revenue. The costs include MEUR 6.3 (5.3) in performance and incentive bonuses for all personnel.

In the financial year, the annual personnel survey was carried out by an external organisation, the results of which continued to develop positively. The trend has been positive for several years now. The response rate was high at 78% (76%). The overall average of the survey increased compared to the previous year and was 3.91 (3.81). The grades that Destia received as a company and as an employer increased to 4.10 (4.01).

Human resource development is one of Destia's strategic focus areas, and investments in it continued during the financial year. In 2016, all business officials and all support function personnel took part in the OTE training that supports coaching management approach. In the Voima project, the development of a new ERP system continued, and the system will proceed to the implementation phase in the first quarter of 2017. Measures to improve occupational safety were continued with monthly video-oriented safety briefings and an updating of the crisis communication guidelines. The determined investments in occupational safety are evident in the positive development of the accident frequency that has continued for several years now. In 2016, yet another new year-level record low was reached: 5.9 (7.6) occupational accidents per million working hours.

Destia is strongly involved in increasing the number of new professionals in the sector by offering interesting challenges to graduates and students throughout the entire life cycle of infrastructure. In the financial year, there were a record 212 trainees and summer workers employed at Destia. The company's safe and wide-ranging work environment also arouses more extensive interest among future experts: Destia was one of the climbers in 2016 (rising 40 places from its position the previous year) when students of technology and natural sciences listed Finland's most attractive employers in a student survey carried out annually by Universum.

Organisational structure and management

Destia's organisation comprises 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.

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 Southern Finland business unit also includes the Rock Construction business unit, the Eastern Finland business unit includes the Railway Construction and Maintenance business unit, the Western Finland business unit includes the Aggregates business unit and the Northern Finland business unit includes the Fleet business unit. The business of the national Consulting Services business unit comprises planning, road network surveys and international consultancy. Destia's business operations are also supported nationwide by Destia Engineering with regard to demanding foundation engineering and engineer construction.

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 2016, Destia's Management Team comprised President & CEO Hannu Leinonen, who served as Chairman, and Executive Vice Presidents Heidi Erha, Minna Heinonen, Pasi Kailasalo, Marko Vasenius and Seppo Ylitapio as well as Laura Ahokas (until 6 October 2016) and Taru Salo (as of 28 November) Executive Vice President, Human Resources, General Counsel Aki Markkola, CFO Pirkko Salminen, Executive Vice President, Corporate Planning Timo Vikström (until 3 October 2016), and personnel representative Kimmo Laaksola.

As of 1 January 2017, Destia's Management Team comprises President & CEO Hannu Leinonen, who serves as Chairman, and Executive Vice Presidents Heidi Erha, Minna Heinonen, Pasi Kailasalo, Marko Vasenius and Seppo Ylitapio as well as General Counsel Aki Markkola, CFO Pirkko Salminen, Executive Vice President, Human Resources Taru Salo and personnel representative Jouko Korhonen.

Decisions of the General Meetings

The Annual General Meeting of Destia Group Plc held on 17 March 2016 confirmed the company's financial statements for 2015 and discharged the President & CEO and members of the Board from liability for the financial period 1 January–31 December 2015. 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 2015.

The meeting decided that the number of Board members would be seven and elected Arto Räty as Chairman of the Board. Marcus Ahlström, Jacob af Forselles, Matti Mantere and Tero Telaranta were re-elected as the members of the Board of Directors. Hans Sohlström and Sebastian Burmeister were elected as new members of the Board of Directors. At the organising meeting of the Board of Directors, Hans Sohlström was appointed Vice Chairman and it was decided that no separate committees would be formed.

According to an assessment of the independence of the Board of Directors, Board members Marcus Ahlström and Matti Mantere are independent of the company and its owner, and Sebastian Burmeister, Jacob af Forselles, Hans Sohlström and Tero Telaranta are not independent of the owner. Arto Räty is independent neither of the company nor the owner.

In accordance with the decision made at the Annual General Meeting, the Chairman of the Board of Directors is paid EUR 3,300 per month, the Vice Chairman EUR 1,800 per month and each Board member EUR 1,500 per month. In addition, each of them is paid EUR 600 as a participation fee for every meeting of the Board of Directors. No monthly compensations or participation 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 2016 financial period, with Virpi Halonen (APA) as the auditor with principal responsibility.

By the unanimous decision of Destia Group Plc's shareholder, Marjukka Virkki was appointed a new member of the Board of Directors as of 11 April 2016. Virkki works as Senior Vice President, Country service manager, Finland at ABB Oy, and is independent of the company and its owner.

Destia Group Plc held an Extraordinary General Meeting on 10 August 2016. In accordance with a proposal by the Board of Directors, the meeting decided that the interest of EUR 1,216,666.64 accrued on a hybrid loan be paid to Ahlström Capital Oy. In accordance with a proposal by the Board of Directors, it was also decided to amortise the hybrid loan from Ahlström Capital by EUR 537,436.46 and to convert the MEUR 15 hybrid loan from AC Infra Oy into the invested unrestricted equity fund.

Litigation and disputes

At the end of 2015, Destia initiated a lawsuit against Länsimetro Oy at Espoo District Court concerning a dispute over contract payments. Länsimetro has issued a countersuit. The processing of the case will continue at Espoo District Court in 2017.

In April 2016, Tuusula District Court imposed unit fines on the three Destia employees and a corporate fine of EUR 50,000 on Destia and ordered Destia to lose the financial benefit resulting from the offence, some EUR 86,000, with regard to criminal charges pressed against Destia employees in December 2015 about environmental offences at the Harjula soil area in Mäntsälä between autumn 2010 and summer 2012. The decision is not yet legally binding as all persons convicted have appealed to the Court of Appeal where the case is still being processed.

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 input prices 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. Risks are also associated with the updating of the Group's ERP system, as part of which the company is carrying out separate risk examination and monitoring.

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.

Corporate responsibility

Destia's corporate responsibility work is based on the company's mission, vision, values and strategy. Destia's vision is to be the number one choice for its customers and the number one in the infrastructure sector in Finland, which requires responsible operations, both from the company and from those who work with it. The company's operations have a significant impact on society, the environment and the company's stakeholders, making the field of Destia's corporate responsibility multifaceted.

Destia divides its corporate responsibility into financial, social and environmental responsibility. These fields are further split into materiality aspects which, in addition to the ethical guidelines, also control the implementation of responsibility in the daily work of the Group.

In corporate responsibility reporting, Destia follows the reporting guidelines of Global Reporting Initiative (GRI) and its G4 version at the core level. Destia reports on its corporate responsibility as a part of the annual report, which also contains a GRI compilation.

Environmental issues

Destia holds the international combined ISO 9001 and 14001 quality and environmental certificate, covering all services of Destia Ltd and Destia Rail Ltd: infrastructure construction, infrastructure maintenance, consulting and aggregates services and the railway business. Through procedures which are in line with the certification requirements, we ensure for our customers and stakeholders that our operations are of high quality and take into account the well-being of the environment.

In the financial year, operational focus was placed on use of natural resources and materials as well as on material efficiency, the planning of operating methods and logistics, with attention paid to biodiversity and the areas near locations where Destia operates. Towards the end of the year, Destia's efforts to preserve biodiversity in aggregates areas was recognised at the Sustainable Development Awards competition organised by the European Aggregates Association UEPG. Destia received the award in the Environmental Best Practice category for its efforts to create a replacement habitat for the chequered blue butterfly in the quarrying area in Risten, Lohja.

Destia's environmental issues are reported more closely in the annual report.

Research and development

Destia's research and development activities are divided into four entities: model-based production, maintenance process digitalisation and production method development, bridge and concrete construction technologies and methods, as well as real-time mobile information collection and sharing which is an aspect that is increasingly associated with all of the above-mentioned entities. In 2016, Destia had more than 50 model-based construction projects ongoing, and model-based production automation was utilised in nearly all large infrastructure projects.

R&D costs totalled MEUR 0.9 (0.9). Also ongoing were several significant development projects aimed at digitalising the company's operations. The most significant of these was an enterprise resource planning (ERP) system development project. The development costs of these activities were MEUR 2.0 (1.5).

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

Corporate Governance Statement

Destia Group Plc's Corporate Governance Statement will be published in the company's 2016 annual report on Destia's website at www.destia.fi.

Events following the reporting period

Tendering for 19 road maintenance contracts is arranged as five rounds during autumn 2016 and spring 2017. In the 3rd round, Destia has won two contracts: the contracts for Alavus and Pielavesi are five years in duration.

Strategy and financial targets

The Group's Board of Directors has confirmed Destia Group's strategy up to 2022 and set the financial targets for the business planning period 2017−2019. 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.

In the past operating period 2014–2016, the company succeeded in increasing the volume of private sector orders in its order book, which shows that the development of customer and sales work has been fruitful. Execution models in the industry have developed, and the number of Destia's projects carried out based on the alliance model increased. Destia is a pioneer in model-based design and production as well as in work machine automation, and their utilisation in infrastructure projects has been increased systematically. Of the growth spearheads for the past period, railway construction and maintenance as well as rock construction strengthened their market positions. Destia was particularly successful in railway maintenance. The goal is to consolidate our position in these growth spearheads. In energy infrastructure, the efforts to strengthen the market position continue.

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 coming three-year period 2017–2019 are the strengthening of profitability, personnel development, ensuring the prerequisites for efficient production, for example by digitalising operations, and the strengthening the market position in the capital region.

The financial targets set by Destia's Board of Directors by the end of 2019 are:
- Average annual growth 4%
- Operating profit over 4%
- Return on investment 15%
- Equity ratio 35%.

Outlook for 2017

The positive development of the Finnish economy will continue and the positive ripple can also be seen in the operating environment in the construction industry. The demand for infrastructure construction will probably increase slightly from the previous year due to some large private and public sector projects as well as additional funding, announced by the state, for fundamental road infrastructure maintenance and the reduction of the repair backlog.

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

Destia's revenue and operating profit for 2017 is expected to grow slightly from the previous year.

Proposal by the Board on the use of distributable assets

Destia Group Plc's FAS-compliant loss for the financial year was EUR 364,899.80, which is proposed to be recorded on the retained earnings account. Destia Group Plc's distributable assets total EUR 50,519,903.30 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 2016.

Vantaa, 9 February 2017

Destia Group Plc

Board of Directors

More information
Destia's President and CEO Hannu Leinonen, tel. +358 20 444 4000, and CFO Pirkko Salminen, tel. +358 50 302 2485

Financial reporting in 2017

2 March 2017	Annual report 2016, including the financial statements and the Corporate Governance Statement
27 April 2017	Business Review 1–3/2017
11 August 2017	Half year financial report 1–6/2017
24 October 2017	Business Review 1–9/2017

All figures have been rounded up or down, so the sums of individual figures may differ from the sums shown.

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
IFRS

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Revenue	**141.1**	**130.9**	**493.2**	**462.8**
Other operating income	2.4	5.1	4.5	8.1
Materials and services	96.0	91.2	342.9	324.7
Employee related expenses	28.7	26.2	93.4	88.2
Depreciations	2.8	2.5	9.6	9.1
Other operating expenses	12.1	11.0	37.6	36.1
Operating result	**3.9**	**5.0**	**14.1**	**12.9**
Financial income	0.1	0.0	0.4	0.1
Financial expense	5.4	1.2	8.7	4.3
Result before taxes	**-1.5**	**3.8**	**5.8**	**8.7**
Income taxes	-0.4	0.7	0.1	1.9
Result for the period	**-1.0**	**3.1**	**5.7**	**6.7**
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)	-0.4	2.0	-0.4	2.0
	-0.4	2.0	-0.4	2.0
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges	1.0	-0.2	1.0	-0.2
	1.0	-0.2	1.0	-0.2
Other comprehensive income net of tax	**0.7**	**1.8**	**0.7**	**1.8**
Comprehensive income for the period, total	**-0.3**	**4.9**	**6.4**	**8.5**

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

CONSOLIDATED BALANCE SHEET
IFRS
MEUR

ASSETS

	31.12.2016	31.12.2015
Non-current assets		
Property, plant and equipment	61.7	54.6
Goodwill	83.6	82.8
Other intangible assets	2.6	2.2
Financial assets available-for-sale	2.1	2.1
Deferred tax assets	2.6	2.8
Non-current assets, total	**152.8**	**144.5**
Current assets		
Inventories	17.4	17.5
Accounts and other receivables	71.1	61.3
Cash and cash equivalents	16.0	42.9
Current assets, total	**104.4**	**121.7**
Assets, total	**257.1**	**266.3**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent company		
Share capital	0.1	0.1
Invested non-restricted equity fund	53.0	38.0
Hybrid loans	11.5	27.0
Other items	0.0	-1.1
Retained earnings	12.0	9.3
Equity, total	**76.5**	**73.3**
Non-current liabilities		
Deferred tax liabilities	2.8	1.5
Pension liabilities	0.6	0.2
Provisions	15.1	13.2
Financial liabilities	42.7	64.9
Other liabilities	3.7	2.7
Non-current liabilities, total	**64.9**	**82.5**
Current liabilities		
Accounts payable and other liabilities	81.1	73.3
Provisions	5.5	5.5
Financial liabilities	0.3	0.4
Advances received	28.7	31.3
Current liabilities, total	**115.7**	**110.4**
Equity and liabilities, total	**257.1**	**266.3**

CONSOLIDATED CASH FLOW STATEMENT
IFRS
MEUR

	10-12/2016	10-12/2015	1-12/2016	1-12/2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	152.3	174.9	481.5	465.8
Expenses paid to suppliers and personnel	-137.1	-139.8	-457.9	-450.2
Interests paid	-0.9	-0.8	-3.5	-3.4
Dividends received			0.0	0.0
Interest received	0.0		0.1	0.1
Other financial items	-0.2	-0.1	-0.4	-0.4
Tax paid	0.4		-0.8	-1.1
Net operating cash flow	**14.6**	**34.1**	**19.0**	**10.8**
CASH FLOWS FROM INVESTING ACTIVITIES				
Investments in intangible and tangible assets	-4.5	-3.3	-15.4	-8.8
Sale of intangible and tangible assets	2.3	4.3	2.8	6.8
Subsidiary shares acquired			-1.3	
Investments in other assets				-0.4
Proceeds from the sale of other investments				0.4
Net investment cash flow	**-2.2**	**1.0**	**-14.0**	**-2.1**
CASH FLOWS FROM FINANCING ACTIVITIES				
Decrease in non-current loans from financial institutions (-)	-65.1		-65.2	
Increace in non-current loans from financial institutions (+)	40.0		40.0	
Decrease in non-current financial instrument classified as equity instruments (-)				-2.0
Group contributions granted			-2.3	
Interests and other financial items paid	-3.1		-4.4	-1.5
Net financial cash flow	**-28.2**	**0.0**	**-31.9**	**-3.5**
Change in cash and cash equivalents	**-15.8**	**35.2**	**-26.9**	**5.2**
Cash and cash equivalents at the beginning of the period	31.8	7.7	42.9	37.7
Cash and cash equivalents at the end of the period	**16.0**	**42.9**	**16.0**	**42.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
IFRS
MEUR

	Equity attributable to equity holders of the parent company						
	Share capital	Hedge instrument fund	Invested non-restricted equity fund	Hybrid loans	Translation differences	Retained earnings	Total
Equity 1 Jan 2015	**0.1**	**-0.9**	**38.0**	**29.0**	**0.0**	**2.5**	**68.7**
Other comprehensive income							
Result for the financial period						6.7	6.7
Other comprehensive income							
Translation differences					0.0		0.0
Cash flow hedges		-0.2					-0.2
Items resulting from redefinition of the benefit-based net liability (or asset item)						2.0	2.0
Comprehensive profit and loss for the financial period, total		**-0.2**			**0.0**	**8.7**	**8.5**
Transactions with owner							
Amortisation of hybrid loan				-2.0			-2.0
Group contribution						-2.3	-2.3
Other changes						0.4	0.4
Equity total 31 Dec 2015	**0.1**	**-1.1**	**38.0**	**27.0**	**0.0**	**9.3**	**73.3**

	Equity attributable to equity holders of the parent company						
	Share capital	Hedge instrument fund	Invested non-restricted equity fund	Hybrid loans	Translation differences	Retained earnings	Total
Equity 1 Jan 2016	**0.1**	**-1.1**	**38.0**	**27.0**	**0.0**	**9.3**	**73.3**
Deferred tax adjustment						-1.3	-1.3
Other comprehensive income							
Result for the financial period						5.7	5.7
Other comprehensive income							
Translation differences					0.0		0.0
Cash flow hedges		1.0					1.0
Items resulting from redefinition of the benefit-based net liability (or asset item)						-0.4	-0.4
Comprehensive profit and loss for the financial period, total		**1.0**			**0.0**	**5.4**	**6.4**
Transactions with owner							
Amortisation of hybrid loan				-0.5			-0.5
Interest of hybrid loan						-1.2	-1.2
Convert of hybrid loan			15.0	-15.0			
Other changes						-0.1	-0.1
Equity total 31 Dec 2016	**0.1**	**0.0**	**53.0**	**11.5**	**0.0**	**12.0**	**76.5**

Notes

This financial statements bulletin has been prepared in accordance with the IFRS accounting and valuation principles and it is in line with the IAS 34 standard. The new standards and interpretations adopted on 1 January 2016 have not affected the figures presented for the reporting period.

In June 2015, Destia Group Plc listed on the main list of Nasdaq Helsinki Ltd a MEUR 65 bond targeted at institutional investors. In December 2016, Destia Group Plc made the redemption of the bond prematurely for the full outstanding amount in accordance with the terms and conditions of the bond and Nasdaq Helsinki Ltd approved Destia Group Plc's application to delist Destia's bond.

The chief operating decision-maker, Destia's Board of Directors (the Board), makes all major operative decisions. The Chairman of the Board and the President & CEO prepare and present proposals for resolution to the Board of Directors.

Destia's business operations comprise services covering the entire life cycle of the road and track network and other infrastructure projects from design through implementation to maintenance. Destia's business structure is based on consistent business processes. Due to the nature and administrative structure of the company's business, the operating segment reported is the entire Group. With regard to operating segment reporting, information about the largest customer groups that account for at least 10% of the Group's total revenue are reported as a part of the notes to the financial statements. Other than this, segment reporting has no impact on the presentation of the financial statements.

Acquired businesses

Through corporate acquisition completed on 1 April 2016, Destia acquired a majority 51% interest in ITS-Vahvistus Oy from the company's executive management. 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 Group's liabilities increased by MEUR 2.8. In other respects, the combined figures have not had a fundamental impact on the Group. The allocation of the corporate acquisition is targeted at fixed assets and intangible rights. MEUR 0.8 of goodwill resulted from the transaction.

CONSOLIDATED INCOME STATEMENT; QUARTERLY FIGURES

IFRS MEUR	**10-12/2016**	**7-9/2016**	**4-6/2016**	**1-3/2016**	**10-12/2015**	**7-9/2015**	**4-6/2015**	**1-3/2015**
Revenue	**141.1**	**152.0**	**116.8**	**83.4**	**130.9**	**152.2**	**105.3**	**74.3**
Other operating income	2.4	0.8	0.7	0.6	5.1	2.0	0.6	0.4
Materials and services	96.0	108.4	78.5	60.0	91.2	110.4	71.3	51.8
Employee related expenses	28.7	21.7	22.9	20.1	26.2	21.7	22.3	17.9
Depreciations	2.8	2.6	2.3	1.9	2.5	2.2	2.2	2.2
Other operating expenses	12.1	8.7	9.3	7.5	11.0	8.5	9.0	7.6
Operating result	**3.9**	**11.4**	**4.4**	**-5.7**	**5.0**	**11.5**	**1.1**	**-4.8**
Financial income	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.2
Financial expense	5.4	1.1	1.1	1.0	1.2	1.1	1.1	1.0
Result before taxes	**-1.5**	**10.4**	**3.4**	**-6.6**	**3.8**	**10.4**	**0.1**	**-5.7**
Income taxes	-0.4	2.0	0.5	-1.9	0.7	2.1	0.3	-1.1
Result for the quarterly period	**-1.0**	**8.4**	**3.0**	**-4.7**	**3.1**	**8.3**	**-0.1**	**-4.5**

CONSOLIDATED BALANCE SHEET; QUARTERLY FIGURES

IFRS

MEUR

	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015	31.3.2015
ASSETS								
Non-current assets								
Property, plant and equipment	61.7	60.4	60.4	53.5	54.6	54.1	55.5	55.1
Goodwill	83.6	83.6	83.6	82.8	82.8	83.2	83.2	83.2
Other intangible assets	2.6	2.7	3.0	2.0	2.2	1.7	1.7	1.6
Financial assets available-for-sale	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Deferred tax assets	2.6	2.6	2.8	2.9	2.8	3.6	3.6	3.6
Non-current assets, total	**152.8**	**151.4**	**151.9**	**143.4**	**144.5**	**144.7**	**146.1**	**145.6**
Current assets								
Inventories	17.4	17.3	16.2	16.4	17.5	18.2	17.8	19.9
Accounts and other receivables	71.1	74.3	64.9	43.3	61.3	92.2	72.5	46.8
Cash and cash equivalents	16.0	31.8	16.1	38.0	42.9	7.7	5.7	14.6
Current assets, total	**104.4**	**123.4**	**97.2**	**97.6**	**121.7**	**118.0**	**96.0**	**81.3**
Assets, total	**257.1**	**274.8**	**249.1**	**240.9**	**266.3**	**262.7**	**242.0**	**226.9**

	31.12.2016	30.9.2016	30.6.2016	31.3.2016	31.12.2015	30.9.2015	30.6.2015	31.3.2015
EQUITY AND LIABILITIES								
Equity attributable to equity holders of the parent company								
Share capital	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Invested non-restricted equity fund	53.0	53.0	38.0	38.0	38.0	38.0	38.0	38.0
Hybrid loans	11.5	11.5	27.0	27.0	27.0	27.0	27.0	27.0
Other items	0.0	-1.3	-1.5	-1.4	-1.1	-0.9	-0.7	-1.0
Retained earnings	12.0	14.7	7.4	4.5	9.3	6.4	-1.9	-1.8
Equity, total	**76.6**	**77.9**	**71.0**	**68.2**	**73.3**	**70.6**	**62.5**	**62.3**
Non-current liabilities								
Deferred tax liabilities	2.8	1.4	1.5	1.2	1.5	1.1	0.9	0.8
Pension liabilities	0.6	0.2	0.2	0.2	0.2	2.8	2.8	2.8
Provisions	15.1	13.4	13.4	13.4	13.2	13.1	13.6	13.7
Financial liabilities	42.7	68.0	68.1	65.4	64.9	64.6	64.2	64.6
Other liabilities	3.7	3.5	3.2	2.9	2.7	1.1	1.1	1.1
Non-current liabilities, total	**64.9**	**86.4**	**86.4**	**83.1**	**82.5**	**82.6**	**82.6**	**83.0**
Current liabilities								
Accounts payable and other liabilities	81.1	85.5	63.8	51.1	73.3	82.7	65.2	49.5
Provisions	5.5	4.6	5.0	5.5	5.5	5.5	5.9	5.3
Financial liabilities	0.3	0.4	0.4	0.3	0.4	0.3	0.2	0.3
Advances received	28.7	20.0	22.5	32.8	31.3	20.9	25.6	26.5
Current liabilities, total	**115.7**	**110.5**	**91.7**	**89.7**	**110.4**	**109.5**	**96.9**	**81.6**
Equity and liabilities, total	**257.1**	**274.8**	**249.1**	**240.9**	**266.3**	**262.7**	**242.0**	**226.9**

CONSOLIDATED CASH FLOW STATEMENT; QUARTERLY FIGURES
IFRS

MEUR	10-12/2016	7-9/2016	4-6/2016	1-3/2016	10-12/2015	7-9/2015	4-6/2015	1-3/2015
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash receipts from customers	152.3	138.1	86.1	105.0	174.9	125.9	80.3	84.8
Expenses paid to suppliers and personnel	-137.1	-118.9	-98.3	-103.6	-139.8	-124.8	-85.2	-100.3
Interest paid	-0.9	-0.9	-0.9	-0.9	-0.8	-0.8	-0.9	-0.8
Dividends received		0.0	0.0			0.0	0.0	
Interest received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial items	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Tax paid	0.4	0.2	-0.9	-0.6	0.0	0.7	-0.8	-0.9
Net operating cash flow	**14.6**	**18.5**	**-14.1**	**-0.1**	**34.1**	**0.8**	**-6.8**	**-17.3**
CASH FLOWS FROM INVESTING ACTIVITIES								
Investments in intangible and tangible assets	-4.5	-1.6	-6.7	-2.6	-3.3	-0.7	-2.5	-2.4
Sale of intangible and tangible assets	2.3	0.1	0.4	0.0	4.3	2.1	0.3	0.1
Subsidiary shares acquired			-1.3					
Investments in other investments						-0.4		
Proceeds from the sale of other investments						0.4		
Net investment cash flow	**-2.2**	**-1.5**	**-7.7**	**-2.5**	**1.0**	**1.3**	**-2.1**	**-2.3**
CASH FLOWS FROM FINANCING ACTIVITIES								
Decrease in non-current loans from financial institutions (-)	-65.1	0.0	-0.1					
Increase in non-current loans from financial institutions (+)	40.0							
Decrease in non-current financial instrument classified as equity instruments (-)								-2.0
Group contributions granted				-2.3				
Interests and other financial items paid	-3.2	-1.2						-1.5
Net financial cash flow	**-28.2**	**-1.3**	**-0.1**	**-2.3**	**0.0**	**0.0**	**0.0**	**-3.5**
Change in cash and cash equivalents	**-15.8**	**15.7**	**-21.9**	**-4.9**	**35.1**	**2.1**	**-8.9**	**-23.1**
Cash and cash equivalents at the beginning of the quarter	31.8	16.1	38.0	42.9	7.7	5.7	14.6	37.7
Cash and cash equivalents at the end of the quarter	16.0	31.8	16.1	38.0	42.9	7.7	5.7	14.6

GROUP´S KEY FIGURES

IFRS

MEUR

	10-12/2016	**10-12/2015**	**1-12/2016**	**1-12/2015**
Revenue	141.1	130.9	493.2	462.8
Change from previous year, % *)	7.8	4.4	6.6	7.2
Operating result for the period	3.9	5.0	14.1	12.9
% of revenue	2.7	3.8	2.9	2.8
Operating result, comparable	2.3	0.6	12.5	7.4
% of revenue	1.6	0.5	2.5	1.6
Result for the period	-1.0	3.1	5.7	6.7
% of revenue	-0.7	2.4	1.2	1.5
EBITDA 1)	5.1	3.2	22.2	16.4
% of revenue	3.6	2.4	4.5	3.6
Gross investments			17.9	9.2
% of revenue			3.6	2.0
Balance sheet total			257.1	266.3
Equity			76.5	73.3
Equity ratio, % 2)			33.5	31.2
Net gearing, % 3)			35.3	32.6
Interest-bearing liabilities			43.0	66.8
Current Ratio 4)			0.9	1.1
Quick Ratio 5)			0.9	1.2
Return on equity, % 6)			7.6	9.5
Return on investment, % 7)			11.1	9.4
Earnings per share, EUR **)			50.13	56.14
Equity per share, EUR			956.09	916.21
Average personnel			1,492	1,505
Occupational accidents resulting in absence from work ***)			5.9	7.6
Order book			708.0	717.4
Research and development expenses			0.9	0.9
% of other operating expenses			2.4	2.6

*) The 2015 revenue change figures have been calculated from the Destia subgroup´s figures, excluding the last quarter.
**) The profit for the reporting period belonging to the shareholders of the parent company of Destia Group Plc, deducted by the interest on the hybrid loan adjusted for tax, divided based on the weighted average of the shares. Destia Group Plc has 80,000 shares.
***) Occupational accidents per one million working hours.

Formulas:
1) Operating result + 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 points 6 and 7 the result has been converted into yearly result (12 months back), from the reporting on 30 September 2015 on

GROUP´S GUARANTEES AND CONTINGENT LIABILITIES

IFRS

MEUR	**31.12.2016**	**31.12.2015**
Debt secured by mortgages		
Real estate mortgages	0.4	
Business mortgages	0.8	
Guarantees on behalf of group companies	84.0	94.8
Lease agreements		
Within one year	3.0	3.0
Within more than one year and less than five years	5.3	5.4
After more than five years	0.4	0.9
Total	8.8	9.4
Interest liabilities accured from equity hybrid loans	3.7	2.8

GROUP´S CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES IFRS

MEUR

	31.12.2016	31.12.2015
Financial assets		
Financial assets available-for-sale		
Financial assets available-for-sale (level 3)	2.1	2.1
Financial assets at fair value through profit or loss		
Other derivatives, not in hedge accounting (level 2)	0.1	
Current		
Accounts and other receivables (level 2)	57.6	48.6
Cash and cash equivalents (level 2)	16.0	42.9
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Interest rate swaps, in hedge accounting (level 2)	0.0	1.3
Other derivatives, not in hedge accounting (level 2)		0.2
Financial liabilities valued at amortized cost		
Non-current		
Bonds, interest-bearing (level 2)		63.3
Loans from financial institutions, interest-bearing (level 2)	40.5	
Financial lease liability, interest-bearing (level 2)	0.1	0.3
Other liabilities, interest-bearing (level 2)	1.9	
Current		
Loans from financial institutions, interest-bearing (level 2)	0.2	
Financial lease liability, interest-bearing (level 2)	0.1	0.2
Accounts payable and other liabilities (level 2)	77.5	75.2

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.

DESTIA GROUP PLC, SHARES AND SHAREHOLDERS SINCE 1 JULY 2014

Shareholder	Number of shares	%	Voting right	Share capital EUR
AC Infra Oy (Ahlström Capital)	80,000	100.0	1 vote/share	80 ,00