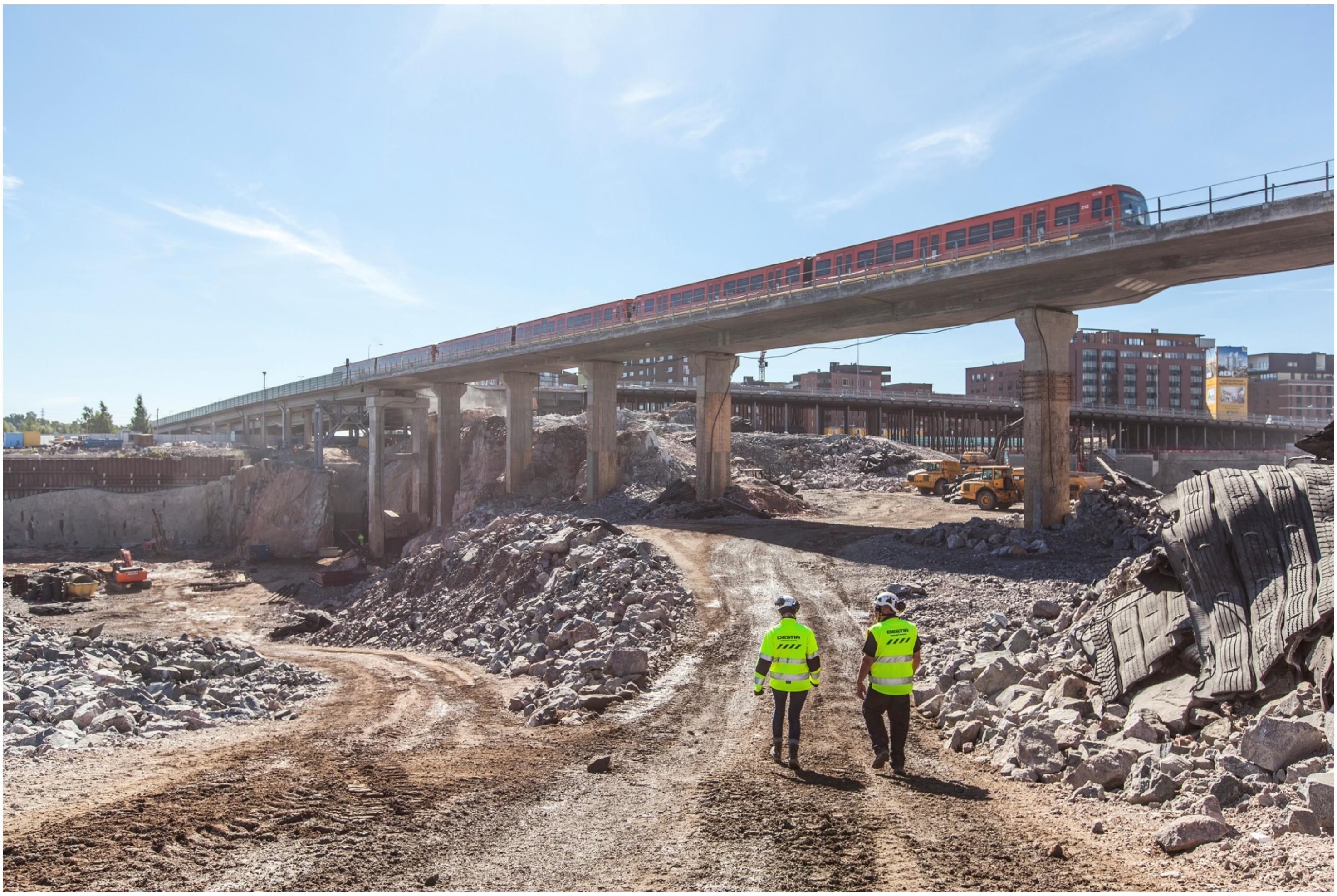
# DESTIA'S INTERIM REPORT

JANUARY – SEPTEMBER
2016



DESTIA
BUILDING THE BIGGER PICTURE

**Destia's interim report for January–September 2016**

## DESTIA'S REVENUE AND OPERATING RESULT INCREASED, ORDER BOOK STRONG

- Revenue increased by 6.1 per cent, to MEUR 352.1 (331.8).
- Operating result increased by over 30 per cent, to MEUR 10.2 (7.9).
- The order book was MEUR 749.0 (753.0).
- Occupational safety remained at an excellent level: the accident frequency was 7.5 (7.1).
- Destia's revenue for 2016 is expected to grow, and operating profit is expected to be on the same level as the previous year.

**Market guidance for 2016 changed**

- *New market guidance:* Destia's revenue for 2016 is expected to grow, and operating profit is expected to be on the same level as the previous year.
- *Previous market guidance:* Destia's revenue for 2016 is expected to grow, and operating profit is expected to fall short of the previous year, because other operating income is expected to be less than the previous year.

| **Key figures (IFRS), MEUR** | **7-9/2016** | **7-9/2015** | **1-9/2016** | **1-9/2015** | **1-12/2015** |
|---|---|---|---|---|---|
| Revenue | 152.0 | 152.2 | 352.1 | 331.8 | 462.8 |
| Operating result | 11.4 | 11.5 | 10.2 | 7.9 | 12.9 |
| % of revenue | 7.5 | 7.6 | 2.9 | 2.4 | 2.8 |
| Result for the period | 8.4 | 8.3 | 6.7 | 3.6 | 6.7 |
| % of revenue | 5.5 | 5.5 | 1.9 | 1.1 | 1.5 |
| Return on investment, % | | | 10.7 | 8.2 | 9.4 |
| Earnings per share, EUR | | | 65.90 | 24.49 | 56.14 |
| Equity ratio, % | | | 30.6 | 29.2 | 31.2 |
| Net gearing, % | | | 48.6 | 83.5 | 32.6 |
| Average personnel | | | 1,485 | 1,505 | 1,505 |
| Occupational accidents resulting in absence from work*) | | | 7.5 | 7.1 | 7.6 |
| Order book at the end of review period | | | 749.0 | 753.0 | 717.4 |

*) Occupational accidents per one million working hours

**President & CEO Hannu Leinonen comments on the reporting period:**
"Destia's revenue and operating result increased in comparison with the same period the previous year as a result of a recovering infrastructure market. I am satisfied with the development of our order book despite intense competition. As the number of large projects has declined, we have succeeded in increasing our number of private customers as a result of investments we have made in customer work. During the summer gone by, Destia employed a record number of trainees and summer workers to support our professionals, which shows that there are future experts interested in the sector.

Destia's strategy extending until 2022 is divided into three three-year operating periods. This year sees the end of the first three-year business planning period. During this period, we have succeeded in increasing our share in the growth spearheads of the period, track construction and maintenance, and rock construction. With regard to energy construction, we are continuing to prepare to achieve growth.

The results of the annual personnel survey carried out by an external organisation during the reporting period are positive. The overall average of the survey on a scale of 1 to 5 was 3.91, and it has been increasing for several years now. The grades that Destia received as a company and as an employer were also good. Overall, the results were also clearly better than those achieved by similar companies. The results of the personnel survey show that the steps taken to develop personnel are bearing fruit.

In the reporting period, we set the targets for the new three-year period and determined the focus areas in order to reach them."

## Operating environment

The positive ripple in the construction-industry operating environment continued during the third quarter of the year. The infrastructure market also developed positively, in part thanks to the additional planned investments by the Finnish Government targeted at reducing the repair backlog and developing the network. Forecasts predict growth at least for the next few years.

An economic report published by the Ministry of Finance forecasts growth for the earthworks sector: this year, civil engineering investments will increase by 2.9 per cent and next year by 2.6 per cent. According to the Ministry, the order book is on a good average level, even though the capacity utilisation rate was only 74 per cent in the spring. The downward turn in the price of crude oil and the easing of price pressures are also seen as positive news in the sector, where the weighting of oil in costs is great. According to the Ministry, there are many civil engineering projects, both in the pipeline and already started, and several new projects will be initiated in 2017. According to the report, the Finnish Government will invest about MEUR 600 MEUR in fundamental road maintenance in the 2016−2018 period.

A report for the 2016−2017 period by Raksu, the economic work group for construction appointed by the Ministry of Finance, forecasts that civil engineering production will increase this year by 2−3 per cent. The group forecasts that the overall infrastructure investments by the State will also remain rather unchanged next year, but the fact that the number of projects increases and their average size decreases will boost the need for design and tender calculation capacity.

According to the confidence indicators by the Confederation of Finnish Industries (EK), in August confidence in construction was stronger than the average for EU countries. EK describes the order book as strengthening close to the average level, but the number of personnel is not expected to show any major changes during the next three months.

The Confederation of Finnish Construction Industries RT (CFCI) forecasts a 6−7 per cent growth in construction this year, and says that the positive development of employment in the sector will create growth throughout the Finnish economy. In the second half of the year, civil engineering investments increased by 4.5 per cent, with the public sector being the most significant employer in the industry. According to CFCI, the workload in infrastructure construction has improved over the past year, and this year it is maintained by regional construction projects and an increase in foundation work for residential construction. Competition is expected to continue to be intense and the market will strongly polarise to the advantage of growth centres.

## Order book and new orders

The order book at the end of September was MEUR 749.0 (753.0), MEUR 0.5 lower than the same time the previous year. Destia's order book increased by 4.4 per cent compared to the end of 2015, in spite of intense competition.

**The most significant new contracts valued at no less than three million euros and signed during the third quarter:**

- Construction of the Laitaatsalmi deep-water channel on National Road 14 at Savonlinna, will be completed in 2019
- Construction of Pohjoisbaana in Helsinki between Ratapihantie and Käpylä Station, will be completed in September 2017
- Bridge repair and maintenance contract in Uusimaa for 2016−2017
- Bridge upkeep and maintenance work in South Karelia in 2016−2019

In addition, Destia signed a great number of smaller new contracts during the reporting period.

## Revenue development

In the reporting period, Destia's revenue was MEUR 352.1 (331.8), and in the third quarter it was MEUR 152.0 (152.2). Revenue was increased by the construction volume of the reporting period, which was greater than the previous year.

Other operating income amounted to MEUR 2.1 (3.1), and in the third quarter it was MEUR 0.8 (2.0). Income consisted of sales income from fixed assets and rental profit. Figures for the comparison period also include sales profit from property.

## Result development

In the reporting period, operating profit was MEUR 10.2 (7.9), and in the third quarter it was MEUR 11.4 (11.5). 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 particularly successful. However, one ongoing project with significant overrun costs weakens the result for the reporting period.

In the reporting period, Group net financial costs were MEUR 3.0 (3.0). Financial costs for the third quarter were MEUR 1.0 (1.1). Income taxes in the reporting period were MEUR 0.5 (1.2). Income taxes for the third quarter were MEUR 2.0 (2.1).

The Group's result for the reporting period was MEUR 6.7 (3.6), and in the third quarter it was MEUR 8.4 (8.3).

Due to the seasonality of the construction business, the accumulation of profit mostly focuses on the second half of the year. Result from the maintenance business is focused on the winter season.

## Balance sheet, cash flow and financing

Total assets on the consolidated balance sheet were MEUR 274.8 (262.7) at the end of the reporting period. Return on investment (ROI) was 10.7 per cent (8.2), equity ratio was 30.6 per cent (29.2), and gearing was 48.6 per cent (83.5).

As a result of successful working capital management, operating cash flow developed well at the end of 2015. In the early part of the year, the development of cash flow continued very well in relation to the comparison period, taking into account seasonal fluctuation. Owing to the seasonality of construction, the demand for working capital is at its greatest in the second and third quarters. The cash flow for the reporting period comprised operating cash flow of MEUR 4.3 (-23.4), investment cash flow of MEUR -11.7 (-3.1) and financial cash flow of MEUR -3.7 (-3.5). Financial cash flow in the reporting period 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 good. The financial assets on the balance sheet were MEUR 31.8 (7.7) at the end of the reporting period. Destia's MEUR 150 commercial paper programme and short-term credit limit of MEUR 10.3 were not used. At the end of the reporting period, interest-bearing liabilities were MEUR 69.7 (66.6). Long-term liabilities increased as a result of the corporate acquisition of Destia Engineering Ltd. Of all loans, 0.5 per cent (0.3) were short-term and 99.5 per cent (99.7) long-term. Interest-bearing net liabilities at the end of the reporting period were MEUR 37.9 (58.9).

The MEUR 65 bond released to institutional investors by Destia Group Plc on 19 June 2014 has been listed on the Helsinki Stock Exchange maintained by Nasdaq Helsinki Oy. This bond is unsecured and will mature in full in June 2019. The loan coupon has a variable interest rate based on the three-month Euribor rate, and the loan margin is 4.5 per cent. It is hedged in the Group by means of an interest rate swap up to the time of its maturity.

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 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), and the interest rate on the loans is 10.0 per cent.

## Investments and acquisitions

In the reporting period, gross investments stood at MEUR 14.0 (4.6), which amounts to 4.0 per cent (1.4) of revenue, and in the third quarter they were MEUR 2.3 (1.5), or 1.5 per cent (1.0) 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 per cent 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 per cent into the Destia Group.

## Personnel

The Group's average number of personnel during the reporting period was 1,485 (1,505). At the end of September, the number of personnel was 1,497 (1,526), of which permanent staff totalled 1,350 (1,394) and temporary employees 147 (132). Due to the seasonality of the business, the number of personnel varies during the year, peaking in the summer.

This summer, Destia participated for the third time in the Responsible Summer Job campaign, in which the employers involved are committed to the principles of responsible summer work. In the construction period that ended during the reporting period, there were a record 212 trainees and summer workers employed at Destia. According to the principles of the Responsible Summer Job campaign, trainees and summer workers were asked for feedback on their work experience; based on the feedback collected, the calculated average of summer work experience was good at 3.59 on a scale of 1−4.

In the reporting period, 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 per cent (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).

In the reporting period, Destia continued investments in human resource development, as one of the company's strategic focus areas. OTE training supporting coaching management approach continued and, at the end of the reporting period, all personnel in different support functions and business officials have taken part in the trainings. In the Voima project, the development of a new ERP system progressed to large-scale testing. Measures to improve occupational safety were continued with monthly video-oriented safety briefings and an updating of the crisis communication guidelines. Destia's accident frequency remained at an excellent level at 7.5 (7.1) occupational accidents per one million working hours.

## 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.

## Extraordinary General Meeting and its decisions

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.

## 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.

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.

The Destia subgroup's freedom from net liabilities has significantly reduced financial risks. Financial risks related to the financing of the parent company, Destia Group Plc, 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.

## Strategy and financial targets

At the end of the reporting period, the Group's Board of Directors 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.

Destia's vision continues as is 'We are the number one choice for our customers and 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 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 per cent
- Operating profit over 4 per cent
- Return on investment 15 per cent
- Equity ratio 35 per cent.

## Events following the reporting period

Timo Vikström resigned from his position on 3 October 2016. He had worked as Executive Vice President of Corporate Planning since 2015 and had been a member of the Management Team since 2016.

On 5 October 2016, Taru Salo was appointed Executive Vice President Human Resources and a member of the Management Team. Salo will begin work at Destia by 28 November 2016. Laura Ahokas, who had previously held the position, left the company on 7 October 2016.

## Outlook for 2016

The Finnish economy is expected to grow slightly this year, particularly supported by construction investments. Demand for infrastructure construction is expected to remain approximately the same as in the early part of the year. Regionally, construction is focused on the capital region, but the action programme formulated in the government discussion on spending limits in the spring will balance the situation by including projects from around Finland. As the number of large infrastructure projects declines, a great number of smaller projects will be put out to tender. This is expected to keep the situation in the infrastructure market unchanged.

The prospects for the infrastructure sector and Destia's order book, which extends over several years, provide a good basis for the positive development of revenue. The measures that have been taken towards improving customer work and project management will help to keep business volumes and cash flow on a moderate level, in spite of intense competition.

## Market guidance for 2016

Destia's revenue for 2016 is expected to grow, and operating profit is expected to be on the same level as the previous year.

Market guidance for 2016 changed:

- *New market guidance:* Destia's revenue for 2016 is expected to grow, and operating profit is expected to be on the same level as the previous year.
- *Previous market guidance:* Destia's revenue for 2016 is expected to grow, and operating profit is expected to fall short of the previous year, because other operating income is expected to be less than the previous year.

Vantaa, 25 October 2016

Destia Group Plc

Board of Directors

**More information**
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**Financial reporting**
Destia will publish its 2016 financial statements on 10 February 2017.

**CONSOLIDATED INCOME STATEMENT AND**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| **IFRS**<br>MEUR | **7-9/2016** | **7-9/2015** | **1-9/2016** | **1-9/2015** | **1-12/2015** |
|---|---|---|---|---|---|
| **Revenue** | **152.0** | **152.2** | **352.1** | **331.8** | **462.8** |
| Other operating income | 0.8 | 2.0 | 2.1 | 3.1 | 8.1 |
| | | | | | |
| Materials and services | 108.4 | 110.4 | 246.9 | 233.5 | 324.7 |
| Employee related expenses | 21.7 | 21.7 | 64.7 | 61.9 | 88.2 |
| Depreciations | 2.6 | 2.2 | 6.8 | 6.6 | 9.1 |
| Other operating expenses | 8.7 | 8.5 | 25.5 | 25.1 | 36.1 |
| **Operating result** | **11.4** | **11.5** | **10.2** | **7.9** | **12.9** |
| | | | | | |
| Financial income | 0.0 | 0.0 | 0.2 | 0.2 | 0.1 |
| Financial expense | 1.1 | 1.1 | 3.2 | 3.2 | 4.3 |
| **Result before taxes** | **10.4** | **10.4** | **7.2** | **4.8** | **8.7** |
| | | | | | |
| Income taxes | 2.0 | 2.1 | 0.5 | 1.2 | 1.9 |
| **Result for the period** | **8.4** | **8.3** | **6.7** | **3.6** | **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) | | | | | 2.0 |
| | | | | | 2.0 |
| **Items that may be subsequently reclassified to profit or loss** | | | | | |
| Cash flow hedges | 0.1 | -0.3 | -0.3 | 0.0 | -0.2 |
| | 0.1 | -0.3 | -0.3 | 0.0 | -0.2 |
| | | | | | |
| Other comprehensive income net of tax | **0.1** | **-0.3** | **-0.3** | **0.0** | **1.8** |
| | | | | | |
| **Comprehensive income for the period, total** | **8.5** | **8.1** | **6.5** | **3.6** | **8.5** |

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

**CONSOLIDATED BALANCE SHEET**

**IFRS**

MEUR

**ASSETS**

| | 30.9.2016 | 30.9.2015 | 31.12.2015 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 60.4 | 54.1 | 54.6 |
| Goodwill | 83.6 | 83.2 | 82.8 |
| Other intangible assets | 2.7 | 1.7 | 2.2 |
| Financial assets available-for-sale | 2.1 | 2.1 | 2.1 |
| Deferred tax assets | 2.6 | 3.6 | 2.8 |
| **Non-current assets, total** | **151.4** | **144.7** | **144.5** |
| | | | |
| **Current assets** | | | |
| Inventories | 17.3 | 18.2 | 17.5 |
| Accounts and other receivables | 74.3 | 92.2 | 61.3 |
| Cash and cash equivalents | 31.8 | 7.7 | 42.9 |
| **Current assets, total** | **123.4** | **118.0** | **121.7** |
| | | | |
| **Assets, total** | **274.8** | **262.7** | **266.3** |

**EQUITY AND LIABILITIES**

| | | | |
|---|---|---|---|
| **Equity attributable to equity holders of the parent company** | | | |
| Share capital | 0.1 | 0.1 | 0.1 |
| Invested non-restricted equity fund | 53.0 | 38.0 | 38.0 |
| Hybrid loans | 11.5 | 27.0 | 27.0 |
| Other items | -1.3 | -0.9 | -1.1 |
| Retained earnings | 14.7 | 6.4 | 9.3 |
| **Equity, total** | **77.9** | **70.6** | **73.3** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 1.4 | 1.1 | 1.5 |
| Pension liabilities | 0.2 | 2.8 | 0.2 |
| Provisions | 13.4 | 13.1 | 13.2 |
| Financial liabilities | 68.0 | 64.6 | 64.9 |
| Other liabilities | 3.5 | 1.1 | 2.7 |
| **Non-current liabilities, total** | **86.4** | **82.6** | **82.5** |
| | | | |
| **Current liabilities** | | | |
| Accounts payable and other liabilities | 85.5 | 82.7 | 73.3 |
| Provisions | 4.6 | 5.5 | 5.5 |
| Financial liabilities | 0.4 | 0.3 | 0.4 |
| Advances received | 20.0 | 20.9 | 31.3 |
| **Current liabilities, total** | **110.5** | **109.5** | **110.4** |
| | | | |
| **Equity and liabilities, total** | **274.8** | **262.7** | **266.3** |

**CONSOLIDATED CASH FLOW STATEMENT**
**IFRS**

MEUR

| | 7-9/2016 | 7-9/2015 | 1-9/2016 | 1-9/2015 | 1-12/2015 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash receipts from customers | 138.1 | 125.9 | 329.2 | 290.9 | 465.8 |
| Expenses paid to suppliers and personnel | -118.9 | -124.8 | -320.8 | -310.4 | -450.2 |
| Interests paid | -0.9 | -0.8 | -2.6 | -2.6 | -3.4 |
| Dividends received | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Interest received | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Other financial items | -0.1 | -0.1 | -0.2 | -0.3 | -0.4 |
| Tax paid | 0.2 | 0.7 | -1.2 | -1.1 | -1.1 |
| **Net operating cash flow** | **18.5** | **0.8** | **4.3** | **-23.4** | **10.8** |
| | | | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Investments in intangible and tangible assets | -1.6 | -0.7 | -10.9 | -5.6 | -8.8 |
| Sale of intangible and tangible assets | 0.1 | 2.1 | 0.6 | 2.5 | 6.8 |
| Subsidiary shares acquired | | | -1.3 | | |
| Investments in other assets | | -0.4 | | -0.4 | -0.4 |
| Proceeds from the sale of other investments | | 0.4 | | 0.4 | 0.4 |
| **Net investment cash flow** | **-1.5** | **1.3** | **-11.7** | **-3.1** | **-2.1** |
| | | | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Decrease in non-current loans from financial institutions (-) | 0.0 | | -0.2 | | |
| Decrease in non-current financial instrument classified as equity instruments (-) | | | | -2.0 | -2.0 |
| Group contributions granted | | | -2.3 | | |
| Interests and other financial items paid | -1.2 | | -1.2 | -1.5 | -1.5 |
| **Net financial cash flow** | **-1.3** | **0.0** | **-3.7** | **-3.5** | **-3.5** |
| | | | | | |
| **Change in cash and cash equivalents** | **15.7** | **2.1** | **-11.1** | **-29.9** | **5.2** |
| Cash and cash equivalents at the beginning of the period | 16.1 | 5.7 | 42.9 | 37.7 | 37.7 |
| **Cash and cash equivalents at the end of the period** | **31.8** | **7.7** | **31.8** | **7.7** | **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 period | | | | | | 3.6 | 3.6 |
| Other comprehensive income | | | | | | | |
| Translation differences | | | | | 0.0 | | 0.0 |
| Cash flow hedges | | 0.0 | | | | | 0.0 |
| **Comprehensive profit and loss for the period, total** | | **0.0** | | | **0.0** | **3.6** | **3.6** |
| **Transactions with owner** | | | | | | | |
| Amortisation of hybrid loan | | | | -2.0 | | | -2.0 |
| Other changes | | | | | | 0.3 | 0.3 |
| **Equity total 30 Sep 2015** | **0.1** | **-0.9** | **38.0** | **27.0** | **0.0** | **6.4** | **70.6** |

| | 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** |
| **Other comprehensive income** | | | | | | | |
| Result for the period | | | | | | 6.7 | 6.7 |
| Other comprehensive income | | | | | | | |
| Translation differences | | | | | 0.0 | | 0.0 |
| Cash flow hedges | | -0.3 | | | | | -0.3 |
| **Comprehensive profit and loss for the period, total** | | **-0.3** | | | **0.0** | **6.7** | **6.5** |
| **Transactions with owner** | | | | | | | |
| Amortisation of hybrid loan | | | | -0.5 | | | -0.5 |
| Interest of hybrid loans | | | | | | -1.2 | -1.2 |
| Convert of hybrid loan | | | 15.0 | -15.0 | | | |
| Other changes | | | | | | -0.1 | -0.1 |
| **Equity total 30 Sep 2016** | **0.1** | **-1.3** | **53.0** | **11.5** | **0.0** | **14.7** | **77.9** |

**Notes**

This half year financial report has been prepared in accordance with the IFRS accounting and valuation principles and it is in line with the IAS 34 standard. The report should be read together with the 2015 financial statements. The new standards and interpretations adopted on 1 January 2016 have not affected the figures presented for the reporting period.

**Acquired businesses**

Through corporate acquisition completed on 1 April 2016, Destia acquired a majority 51 per cent 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 per cent into the Destia Group. The Group's external liabilities increased by MEUR 2.8. In other respects, the combined figures have not had a fundamental impact on the Group. The preliminary allocation of the corporate acquisition is targeted at fixed assets and intangible rights. Tentatively, MEUR 0.8 of goodwill resulted from the transaction.

**CONSOLIDATED INCOME STATEMENT; QUARTERLY FIGURES**

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

**CONSOLIDATED BALANCE SHEET; QUARTERLY FIGURES**
**IFRS**

MEUR

| | 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 | 60.4 | 60.4 | 53.5 | 54.6 | 54.1 | 55.5 | 55.1 |
| Goodwill | 83.6 | 83.6 | 82.8 | 82.8 | 83.2 | 83.2 | 83.2 |
| Other intangible assets | 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 |
| Deferred tax assets | 2.6 | 2.8 | 2.9 | 2.8 | 3.6 | 3.6 | 3.6 |
| **Non-current assets, total** | **151.4** | **151.9** | **143.4** | **144.5** | **144.7** | **146.1** | **145.6** |
| **Current assets** | | | | | | | |
| Inventories | 17.3 | 16.2 | 16.4 | 17.5 | 18.2 | 17.8 | 19.9 |
| Accounts and other receivables | 74.3 | 64.9 | 43.3 | 61.3 | 92.2 | 72.5 | 46.8 |
| Cash and cash equivalents | 31.8 | 16.1 | 38.0 | 42.9 | 7.7 | 5.7 | 14.6 |
| **Current assets, total** | **123.4** | **97.2** | **97.6** | **121.7** | **118.0** | **96.0** | **81.3** |
| **Assets, total** | **274.8** | **249.1** | **240.9** | **266.3** | **262.7** | **242.0** | **226.9** |

| | 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 |
| Invested non-restricted equity fund | 53.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 |
| Hybrid loans | 11.5 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 |
| Other items | -1.3 | -1.5 | -1.4 | -1.1 | -0.9 | -0.7 | -1.0 |
| Retained earnings | 14.7 | 7.4 | 4.5 | 9.3 | 6.4 | -1.9 | -1.8 |
| **Equity, total** | **77.9** | **71.0** | **68.2** | **73.3** | **70.6** | **62.5** | **62.3** |
| **Non-current liabilities** | | | | | | | |
| Deferred tax liabilities | 1.4 | 1.5 | 1.2 | 1.5 | 1.1 | 0.9 | 0.8 |
| Pension liabilities | 0.2 | 0.2 | 0.2 | 0.2 | 2.8 | 2.8 | 2.8 |
| Provisions | 13.4 | 13.4 | 13.4 | 13.2 | 13.1 | 13.6 | 13.7 |
| Financial liabilities | 68.0 | 68.1 | 65.4 | 64.9 | 64.6 | 64.2 | 64.6 |
| Other liabilities | 3.5 | 3.2 | 2.9 | 2.7 | 1.1 | 1.1 | 1.1 |
| **Non-current liabilities, total** | **86.4** | **86.4** | **83.1** | **82.5** | **82.6** | **82.6** | **83.0** |
| **Current liabilities** | | | | | | | |
| Accounts payable and other liabilities | 85.5 | 63.8 | 51.1 | 73.3 | 82.7 | 65.2 | 49.5 |
| Provisions | 4.6 | 5.0 | 5.5 | 5.5 | 5.5 | 5.9 | 5.3 |
| Financial liabilities | 0.4 | 0.4 | 0.3 | 0.4 | 0.3 | 0.2 | 0.3 |
| Advances received | 20.0 | 22.5 | 32.8 | 31.3 | 20.9 | 25.6 | 26.5 |
| **Current liabilities, total** | **110.5** | **91.7** | **89.7** | **110.4** | **109.5** | **96.9** | **81.6** |
| **Equity and liabilities, total** | **274.8** | **249.1** | **240.9** | **266.3** | **262.7** | **242.0** | **226.9** |

## CONSOLIDATED CASH FLOW STATEMENT; QUARTERLY FIGURES
IFRS

| MEUR | 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 | 138.1 | 86.1 | 105.0 | 174.9 | 125.9 | 80.3 | 84.8 |
| Expenses paid to suppliers and personnel | -118.9 | -98.3 | -103.6 | -139.8 | -124.8 | -85.2 | -100.3 |
| Interest paid | -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 |
| Other financial items | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 |
| Tax paid | 0.2 | -0.9 | -0.6 | 0.0 | 0.7 | -0.8 | -0.9 |
| **Net operating cash flow** | **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 | -1.6 | -6.7 | -2.6 | -3.3 | -0.7 | -2.5 | -2.4 |
| Sale of intangible and tangible assets | 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** | **-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 (-) | 0.0 | -0.1 | | | | | |
| Decrease in non-current financial instrument classified as equity instruments (-) | | | | | | | -2.0 |
| Group contributions granted | | | -2.3 | | | | |
| Interests and other financial items paid | -1.2 | | | | | | -1.5 |
| **Net financial cash flow** | **-1.3** | **-0.1** | **-2.3** | **0.0** | **0.0** | **0.0** | **-3.5** |
| | | | | | | | |
| **Change in cash and cash equivalents** | **15.7** | **-21.9** | **-4.9** | **35.1** | **2.1** | **-8.9** | **-23.1** |
| | | | | | | | |
| Cash and cash equivalents at the beginning of the quarter | 16.1 | 38.0 | 42.9 | 7.7 | 5.7 | 14.6 | 37.7 |
| Cash and cash equivalents at the end of the quarter | 31.8 | 16.1 | 38.0 | 42.9 | 7.7 | 5.7 | 14.6 |

**GROUP´S KEY FIGURES**
**IFRS**

MEUR

| | 7-9/2016 | 7-9/2015 | 1-9/2016 | 1-9/2015 | 1-12/2015 |
|---|---|---|---|---|---|
| Revenue | 152.0 | 152.2 | 352.1 | 331.8 | 462.8 |
| Change from previous year, % *) | -0.1 | 11.6 | 6.1 | 8.4 | 7.2 |
| Operating result for the period | 11.4 | 11.5 | 10.2 | 7.9 | 12.9 |
| % of revenue | 7.5 | 7.6 | 2.9 | 2.4 | 2.8 |
| Result for the period | 8.4 | 8.3 | 6.7 | 3.6 | 6.7 |
| % of revenue | 5.5 | 5.5 | 1.9 | 1.1 | 1.5 |
| EBITDA 1) | 14.1 | 13.7 | 17.1 | 14.4 | 22.0 |
| % of revenue | 9.3 | 9.0 | 4.8 | 4.3 | 4.7 |
| Gross investments | 2.3 | 1.5 | 14.0 | 4.6 | 9.2 |
| % of revenue | 1.5 | 1.0 | 4.0 | 1.4 | 2.0 |
| Balance sheet total | | | 274.8 | 262.7 | 266.3 |
| Equity | | | 77.9 | 70.6 | 73.3 |
| Equity ratio, % 2) | | | 30.6 | 29.2 | 31.2 |
| Net gearing, % 3) | | | 48.6 | 83.5 | 32.6 |
| Interest-bearing liabilities | | | 69.7 | 66.6 | 66.8 |
| Current Ratio 4) | | | 1.1 | 1.1 | 1.1 |
| Quick Ratio 5) | | | 0.9 | 0.9 | 1.2 |
| Return on equity, % 6) | | | 13.0 | 8.2 | 9.5 |
| Return on investment, % 7) | | | 10.7 | 8.2 | 9.4 |
| Earnings per share, EUR **) | | | 65.90 | 24.49 | 56.14 |
| Equity per share, EUR | | | 974.33 | 881.96 | 916.21 |
| Average personnel | | | 1,485 | 1,505 | 1 ,505 |
| Occupational accidents resulting in absence from work ***) | | | 7.5 | 7.1 | 7.6 |
| Order book | | | 749.0 | 753.0 | 717.4 |
| Research and development expenses | | | 0.5 | 0.6 | 0.9 |
| % of other operating expenses | | | 2.1 | 2.5 | 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
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 | **30.9.2016** | **30.9.2015** | **31.12.2015** |
|---|---|---|---|
| Debt secured by mortgages | | | |
| Real estate mortgages | 0.4 | | |
| Business mortgages | 0.7 | | |
| Guarantees on behalf of group companies | 84.8 | 94.9 | 94.8 |
| Lease agreements | | | |
| Within one year | 3.0 | 3.2 | 3,0 |
| Within more than one year and less than five years | 5.2 | 5.4 | 5,4 |
| After more than five years | 0.6 | 1.2 | 0,9 |
| Total | 8.7 | 9.8 | 9,4 |
| Interest liabilities accured from equity hybrid loans | 3.4 | 1.4 | 2.8 |

## GROUP´S CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES
**IFRS**

| MEUR | **30.9.2016** | **30.9.2015** | **31.12.2015** |
|---|---|---|---|
| **Financial assets** | | | |
| Financial assets available-for-sale | | | |
| Financial assets available-for-sale (level 3) | 2.1 | 2.1 | 2.1 |
| Financial assets at fair value through profit or loss | | | |
| Other derivatives, not in hedge accounting (level 2) | 0.0 | | |
| Current | | | |
| Accounts and other receivables (level 2) | 46.5 | 63.6 | 48.6 |
| Cash and cash equivalents (level 2) | 31.8 | 7.7 | 42.9 |
| **Financial liabilities** | | | |
| Financial liabilities at fair value through profit or loss | | | |
| Interest rate swaps, in hedge accounting (level 2) | 1.7 | 1.2 | 1.3 |
| Other derivatives, not in hedge accounting (level 2) | | 0.1 | 0.2 |
| Financial liabilities valued at amortized cost | | | |
| Non-current | | | |
| Bonds, interest-bearing (level 2) | 63.7 | 63.2 | 63.3 |
| Loans from financial institutions, interest-bearing (level 2) | 0.6 | | |
| Financial lease liability, interest-bearing (level 2) | 0.1 | 0.2 | 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) | 0.2 | 0.2 | 0.2 |
| Accounts payable and other liabilities (level 2) | 65.5 | 62.0 | 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 | 80,000 |

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

*The information provided in the report has not been audited.*