

LEHTO GROUP PLC
BALANCE SHEET BOOK
1 Jan. 2015 to 31 Jan. 2015

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Annual report from the Board of Directors 2015

Financial development in January–December

GROUP	1-12/2015	1-12/2014
Net sales, EUR million	275.6	171.1
Change in net sales, %	61.1%	50.8%
Operating profit, EUR million	27.2	5.8
Operating profit, % of net sales	9.9%	3.4%
Profit for the financial year, EUR million	21.2	4.1
Order backlog at year end, EUR million	195.0	173.4
Earnings per share, EUR	1.03	0.14
Cash and other liquid assets, EUR million	24.6	5.9
Interest-bearing liabilities, EUR million	17.0	14.3
Equity ratio, %	37.2%	27.3%
Net gearing ratio, %	-22.9%	50.9%

Group net sales grew strongly despite the adverse cyclical conditions in the construction industry. Net sales grew by 61.1% to EUR 275.6 million (EUR 171.1 million in 1-12/2014). Net sales grew in all service areas; business premises, social care and educational premises, housing and renovation. Profitability remained at a good level as well and operating profit was EUR 27.2 million (EUR 5.8 million in 2014).

NET SALES BY SERVICE AREA	2013	2014	2015
Business premises	64.3	95.3	109.8
Social care and educational premises	3.3	17.7	38.4
Housing	20.1	28.5	69.5
Renovation	25.8	29.6	58.0
Total	113.4	171.1	275.6

Our growth is based on several factors. Lehto has succeeded in meeting customer demands by making it easy for the customer to purchase an apartment or premises or to carry out renovation work. Easy purchase and renovation includes project planning, implementation and, if necessary, the arrangement of financing. The company has also managed to keep costs at a low level utilising sensible module and concept based planning and production.

Order backlog at year end was approx. EUR 195.0 million (EUR 173.4 million at 31 December 2014), most of which is expected to be recognised during 2016. The Order backlog indicates the proportion of firm undelivered orders and started developer contracting projects that has not been recognised as net sales. A construction project is included in the Order backlog once the contract for the construction project has been signed or, in the case of developer contracting projects, once the decision to start construction has been made and the contract has been signed.

Business premises

Several significant business premises projects were completed during the financial year, the largest of which were also logistics centre in Pirkkala, Grundfors business property in Vantaa, Itella logistics centre in Lieto, Premium Park Alfa in Vantaa and two Halpa-Halli properties. In addition to these, the company constructed several smaller business properties across Finland.

The business premises Order backlog at year end was approx. EUR 57.5 million.

Social care and educational premises

The construction of social care and educational premises is growing and has expanded into nationwide operations. 10 social care and educational properties were completed during the 2015 financial year and at the end of the period, 14 properties were under construction. Co-operation with key customers is ongoing and demand for premises is expected to grow in the future. Order backlog at year end was approx. EUR 15.2 million.

Housing

13 new construction premises were completed during 2015, totalling 469 apartments. At the time of completion, 97% of the apartments in these properties had been sold. The Group had 16 developer contracting housing companies under construction, totalling nearly 750 apartments. Nearly 90% of the apartments under construction have been sold. Completed properties had 14 unsold apartments. A number of new construction projects are planned or under advance marketing.

The number of unsold apartments under construction has remained very moderate and the percentage of sale is actively monitored to minimise balance sheet risk. The growth in own housing production is reflected in the growth in inventories, as net sales are only recognised upon delivery.

The housing construction Order backlog at year end was approx. EUR 103.9 million. The housing production Order backlog includes the proportion of started developer contracting projects that has not been recognised as net sales. A construction project is included in the Order backlog once the decision to start construction has been made and the contract has been signed.

Renovation

Several renovation projects were carried out during the financial year, such as plumbing renovations, bathroom renovations and roof renovations. Towards the end of the financial year, the company completed a housing renovation project, As Oy Lauttasaarenranta, with 72 apartments. The renovation project of As Oy Helsingin Genoa was completed in July 2015. The site has 61 apartments. The renovation Order backlog at year end was approx. EUR 18.4 million.

Main events during the reporting period

In February, the company acquired the entire share capital of Insinööritoimisto Mäkeläinen Oy. The acquired company carries out construction design and it had 16 employees at the time of acquisition. The acquisition strengthened the Group's design competence.

In February, the company acquired the business operations of Rakennusliike Valkia Oy. The acquisition strengthened the Group's space element-based housing production. 20 employees were kept on after the acquisition of business operations.

In September, Osuuskunta PPO granted Lehto Group Plc a convertible capital loan of EUR 5.0 million. In accordance with the loan agreement, the loan may be converted into equity. The loan enables the company to develop production activities.

In October, the company decided to start building a production facility of its own in Oulainen for the production of modules and components. The facility will have an area of approx. 8,700 sq.m. and it is estimated to be completed in late summer 2016.

In November-December, Lehto Group Plc acquired the minority shares in Optimikodit Oy and the participation of one shareholder in Koivukoski Oy. The sellers of the minority interest will continue working in the company.

At the start of December, Lehto Group Plc carried out an exchange of shares with the minority shareholders in Rakennusliike Lehto Oy, Rakennusliike Koivukoski Oy and Remonttipartio Oy. In the exchange, the minority shareholders in the subsidiaries received new shares issued by Lehto Group Plc and the number of shares in Lehto Group Plc grew from the previous number (20,428,571) by 2,226,631 to a total of 22,655,202. After the arrangement, Lehto Group Plc holds 100% of the shares in all of its operative subsidiaries.

In December, the name of the parent company was changed. The new business name, Lehto Group Plc, was entered in the Trade Register on 18 December 2015.

Balance sheet and financing

Balance sheet, EUR million	31 December 2015	31 December 2014
Intangible assets	4.2	2.1
Property, plant and equipment	1.7	1.3
Investments	1.1	1.1
Inventories	51.3	47.1
Deferred tax assets	2.8	2.9
Other receivables	51.9	37.0
Cash and cash equivalents	24.6	5.9
Non-current assets held for sale	0.0	1.7
Assets total	137.6	99.1
Equity	33.4	16.5
Provisions	1.3	0.9
Interest-bearing liabilities	17.0	14.3
Non-interest-bearing liabilities	86.0	66.3
Non-current liabilities related to assets held for sale	0.0	1.0
Liabilities total	137.6	99.1

Consolidated equity strengthened as a result of good profit development and a capital investment of EUR 5.0 million by Pohjanmaan Puhelinosuuskunta. Equity at year end was approx. EUR 33.4 million and equity ratio at 37.2%.

Growth in intangible assets is primarily attributable to acquisition cost capitalised in connection with business acquisitions and growth in tangible assets to increases of machinery and equipment.

Inventories grew moderately and include costs of own production to the extent work in progress is not yet recorded in net sales. Advances received include payments received for projects under construction to the extent these are not yet recorded in net sales. Interest-bearing liabilities include normal bank loans as well as loans drawn by housing companies to the extent these are allocated to unsold apartments.

A major part of the growth in other receivables is due to the growth in stage-of-completion revenue recognition receivables of long-term projects, the amount of which grew from EUR 9.9 million last year to EUR 25.3 million. Other receivables include trade receivables of EUR 19.1 million.

The Group's cash and cash equivalents at the end of the financial year were EUR 24.6 million. Interest-bearing liabilities amounted to EUR 17.0 million, EUR 4.2 million of which is related to unsold shares in housing companies, EUR 3.6 million to developer contracting projects and EUR 9.1 million to other building projects and working capital needs.

Cash flow statement, EUR million	1-12/2015	1-12/2014
Cash flow from operating activities	21.3	-8.1
Cash flow from investments	-5.1	-1.0
Cash flow from financing	2.5	5.3
Change in cash	18.7	-3.8

Liquid assets grew by EUR 18.7 million during the financial year. Net cash from operating activities was EUR 21.3 million positive, which includes a negative impact of EUR 2.3 million due to the growth in working capital.

Net cash from investments was EUR 5.1 million negative, which includes a loan of EUR 4.0 million which Lehto granted to an investor partner in a developer contracting project. Investments in intangible and tangible assets were EUR 1.0 million.

Net cash from financing activities was EUR 2.5 million positive, which includes, among other things, a loan of EUR 8.0 million drawn for a developer contracting project, an equity loan of EUR 5.0 million drawn and cash expenses of EUR 6.9 million due to dividends paid.

At the end of the financial period the Group had credit limits of EUR 2.0 million available with Danske Bank and EUR 2.0 million with Nordea Bank. The credit limits are in force until further notice and no credit limits were in use at the end of the financial period.

Risks and factors of uncertainty

In its business operations, Lehto is exposed to operative risks as well as risks relating to the availability of financing, overall economic trends and political decision-making and other risks relating to the activities of the public sector.

Lehto's business is partly so-called traditional contracting and partly its own production, where the final customer is not always known when starting the construction project. These two business models involve different risks.

In traditional contracting, project income is recognised according to the degree of completion. The main risk in this model is that total costs for the project exceed the estimated costs or the completion of the project is delayed.

The main risk in own production is that the company is not able to sell the production within the planned time schedule or at the planned price. In addition, project costs can exceed the estimated costs.

Failure in project pricing, technical implementation, estimating costs and time schedule, selling the property or finding financing can have a negative impact on the company's result and financial position.

The project business the Group carries out is characterised by variation, which can potentially be significant, of profit between different reporting periods due to the accounting methods of projects. The Group's cash flow is usually generated in step with a project's degree of completion, however such that the last instalment payable after the completion is bigger than the other instalments. Thereby a delay of an individual project can have an effect on the sufficiency of working capital.

Changing building regulations or zoning policies can also have significant effects on the company's business.

Lehto aims to control risks at each level of the organisation. Risk management includes risk identification, estimation and plans to avoid them.

Personnel

The average number of personnel during the financial year was 402. The number of personnel at year end was 423 (326). About 53% of the Group's personnel are salaried employees and 47% employees working at construction sites.

Research and development

The Group develops building components and modules, such as factory-made bathroom, bathroom/kitchen and technical building systems units and large roof elements. The purpose of developing modules is to enhance building quality and to accelerate the construction process.

The Group continued developing modules during the financial year. All direct costs from the development work, totalling EUR 769 thousand, are recorded as an expense in the income statement.

Environmental aspects

Lehto is committed to responsibly develop its operations and it seeks to minimise the adverse effects on the environment of its operations. The amount of waste produced at construction sites is minimised through careful planning, guidance and increasing recycling and recovery.

Restructuring and financing arrangements

Lehto Group Plc, as the Group's parent company, is responsible for arranging common support functions for the Group, such as financial administration, information management and human resources. The parent company also co-ordinates functions substantial to Group operations, such as planning, financing and business development. In addition to the parent company, the Group comprises at the end of the financial year eight fully owned operative subsidiaries and temporary shareholdings in real-estate companies. The operative subsidiaries are Rakennusliike Lehto Oy, Rakennuskartio Oy, Rakennusliike Koivukoski Oy, OptimiKodit Oy, Remonttipartio Oy, Takuelementti Oy, Insinööritoimisto Mäkeläinen Oy and Lehto Bygg AB.

On 27 February 2015 the Board of Directors made a decision pursuant to an authorisation by the General Meeting of Shareholders on 10 December 2014 on a directed share issue relating to the acquisition of Insinööritoimisto Mäkeläinen Oy. 428,571 new shares were issued in the share issue. The shares'

subscription price was approx. EUR 3.50 per share and the total subscription price of EUR 1,500,000 was recorded in the invested non-restricted equity reserve.

On 23 April 2015 the Annual General Meeting authorised the Board of Directors to issue 3,700,000 new shares for acquiring shares in Group companies. The authorisation is valid until 30 April 2016. The Board of Directors made a decision on 8 December 2015 pursuant to the authorisation by the General Meeting of Shareholders on issuing 2,226,631 new shares to minority shareholders in the subsidiaries determined in the exchange of shares agreement. The total subscription price of EUR 4,029,621 was recorded in the invested non-restricted equity reserve. At the end of the financial year the authorisation by the General Meeting of Shareholders was unused to a total of 1,473,369 shares.

The General Meeting of Shareholders on 4 September 2015 authorised the Board of Directors to decide on one or more share issues as well as on granting special rights entitling to shares pursuant to Companies Act, Chapter 10, Section 1. Pursuant to the authorisation, a maximum of 1,459,184 new shares can be issued, and the authorisation is valid until 31 December 2015. On 7 September 2015, the Board of Directors decided to take a convertible capital loan of EUR 5,000,000 from Osuuskunta PPO. According to the terms and conditions of the loan agreement, Osuuskunta PPO is entitled and obliged to use the loan receivable to redeem new shares in Lehto Group Plc when the agreed conditions are met. The convertible capital loan is presented as borrowed capital in the parent company's financial statements and classified as equity in the consolidated financial statements.

Decisions by the Annual General Meeting 2015

The Annual General Meeting held on 23 April 2015 adopted the company's financial statements for the financial year 1 January – 31 December 2014 and decided to distribute dividends of EUR 0.25 per share, totalling EUR 5,000,000.

The Annual General Meeting fixed the number of Board members to six (6). Pertti Huuskonen (chairman), Hannu Lehto, Martti Karppinen, Mikko Räsänen and Päivi Timonen were re-elected as members of the Board of Directors. Tomi Koivukoski was elected a new member of the Board of Directors.

The Annual General Meeting elected the firm of authorised public accountants KPMG Oy Ab as the company's auditor with Tapio Raappana, Authorised Public Accountant, as the principal auditor.

The General Meeting of Shareholders authorised the Board of Directors to decide on issuing a maximum of 3,700,000 new shares. The authorisation is valid until 30 April 2016. The previous authorisation of 10 December 2014 has expired.

The Annual General Meeting 2016

The Annual General Meeting of Lehto Group Plc is held on Wednesday 30 March 2016 at 9.00 a.m. in the company's premises in Kempele at the address Voimatie 6B.

Events after the reporting period

No such events have occurred after the end of the reporting period that would have a significant or exceptional effect on the company's result, financial position or business development.

Future prospects

During the 2016–2020 strategy period, Lehto aims at achieving annual growth in net sales of about 10–15%. In 2016, growth in net sales is forecasted to be at least in accordance with the average growth target, and operating profit is forecasted to be approximately 8–10% of net sales.

The key factors affecting net sales and operating profit are the deliveries based on the time of delivery of developer contracting housing production, number of apartments sold, and sales and launch of social care and educational premises and other business premises projects.

Board proposal for the use of the profit shown on the balance sheet and for deciding on payment of dividends

The parent company's distributable funds on the balance sheet of 31 December 2015 are EUR 25,452,833.84, of which the operating profit is EUR 8,013,128.07.

The Board of Directors proposes to the Annual General Meeting on 30 March 2016 that the dividend payable for the financial year 1 January – 31 December 2015 be EUR 0.35 per share, totalling EUR 7,929,320.70. The dividend shall be paid to shareholders who on the record date for the dividend payment, 1 April 2016, are recorded in the shareholders' register held by Euroclear Finland Oy. The Board of Directors proposes that the dividend payment date be 8 April 2016.

Kempele, 8 March 2016

*Lehto Group Plc
Board of Directors*

Consolidated statement of comprehensive income	Note	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Net sales	2	275,631	171,089
Other operating income	3	976	467
Changes in inventories of finished goods and work in progress		716	17,114
Capitalised production		229	265
Raw materials and consumables used		-94,326	-71,003
External services		-119,640	-84,226
Employee benefit expenses	4	-26,231	-19,814
Depreciation and amortisation	5	-1,408	-574
Other operating expenses	6	-8,733	-7,471
Operating profit		27,213	5,847
Financial income	7	105	37
Financial expenses	7	-549	-725
Share of associated company profits (losses)	13	31	-15
Profit before taxes		26,800	5,144
Income taxes	8, 16	-5,557	-1,072
Profit for the financial year		21,243	4,073
Profit attributable to			
Equity holders of the parent company		21,242	2,704
Non-controlling interest		1	1,369
		21,243	4,073
Earnings per share calculated from the profit attributable to equity holders of the parent company, EUR per share	9		
Basic earnings per share		1.03	0.14
Diluted earnings per share		1.03	0.14

Consolidated balance sheet	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Goodwill	10	1,682	1,682
Other intangible assets	10	2,557	372
Property, plant and equipment	11	906	546
Investment properties	12	779	782
Investments in associated companies	13	793	762
Other financial assets	14	277	314
Receivables	15	4,680	288
Deferred tax assets	16	2,896	2,915
Non-current assets total		14,570	7,662
Current assets			
Inventories	17	51,253	47,110
Trade and other receivables	18	47,148	36,431
Current tax assets	18	2	243
Cash and cash equivalents	19	24,616	5,927
Current assets total		123,019	89,710
Non-current assets held for sale	20		1,726
TOTAL ASSETS		137,589	99,098
TOTAL EQUITY AND LIABILITIES			
Equity			
Share capital		100	100
Invested non-restricted equity reserve		5,830	300
Equity loans		4,992	0
Translation adjustment		1	0
Retained earnings		1,189	11,800
Profit for the financial year		21,242	2,704
Capital attributable to equity holders of the parent company		33,354	14,904
Non-controlling interest		38	1,635
Equity, total	21	33,391	16,539
Non-current liabilities			
Deferred tax liabilities	16	97	40
Provisions	22	1,265	931
Financial liabilities	23	8,244	7,553
Other non-current liabilities		1,683	
Non-current assets, total		11,288	8,524
Current liabilities			
Advances received	24	47,901	38,433
Trade and other payables	24	33,594	26,144
Current income tax liabilities	24	2,703	1,666
Financial liabilities	23	8,712	6,787
Current assets, total		92,910	73,030
Liabilities related to non-current assets held for sale	20		1,006
Liabilities, total		104,198	82,560
TOTAL EQUITY AND LIABILITIES		137,589	99,098

Consolidated cash flow statement	Note	31 December 2015	31 December 2014
Cash flow from operating activities			
Profit for the financial year		21,243	4,073
<i>Adjustments:</i>			
Non-cash items	22	334	821
Depreciation and amortisation		1,408	574
Share of associated company profits (losses)		-31	15
Financial income and expenses		1,000	696
Capital gains	3	-375	-115
Dividends received			-8
Income taxes		5,557	1,072
<i>Changes in working capital:</i>			
Change in trade and other receivables		-10,074	-21,984
Change in inventories		-4,143	-20,043
Change in trade and other payables		11,896	29,226
Interest paid and other financial expenses		-1,007	-762
Financial income received		104	29
Income taxes paid		-4,565	-1,719
Net cash from operating activities		21,347	-8,126
Cash flow from investments			
Property, plant and equipment		-704	-376
Other intangible assets		-354	-376
Sale of subsidiaries		849	50
Acquisition of subsidiaries		-830	0
Purchases of available-for-sale financial assets and proceeds		284	-115
Loans granted		-4,391	-186
Dividends received			8
Net cash from investments		-5,147	-995
Cash flow from financing			
Long-term loans drawn/repaid		8,000	4,487
Short-term loans drawn		17,457	17,248
Short-term loans repaid		-19,197	-13,679
Equity loans drawn		4,992	
Acquisition (-) / sale (+) of non-controlling interest		-1,816	115
Dividends paid (-)		-6,948	-2,871
Net cash used in financing activities		2,489	5,300
Change in cash and cash equivalents (+/-)		18,689	-3,821
Cash and cash equivalents related to non-current asset held for sale			3
Cash and cash equivalents at the beginning of the financial year		5,927	9,751
Cash and cash equivalents at the end of the financial year	19	24,616	5,927

Consolidated statement of changes in equity

	Capital attributable to equity holders of the parent company						Equity, total
	Share capital	Invested non-restricted equity reserve	Equity loans	Retained earnings	Capital attributable to equity holders of the parent company	Non-controlling interest	
Equity at 1 Jan. 2014	100	300		13,121	13,521	1,747	15,269
Total comprehensive income							
Profit or loss for the financial year				2,704	2,704	1,369	4,073
Total comprehensive income for the financial year				2,704	2,704	1,369	4,073
Transactions with equity holders							
Distribution of dividends				-1,400	-1,400	-1,471	-2,871
Other changes				10	10	-10	
Transactions with equity holders, total				-1,390	-1,390	-1,481	-2,871
Changes in holdings in subsidiaries							
Sale of non-controlling interest not resulting in change in control				68	68		68
Equity at 31 Dec. 2014	100	300		14,504	14,904	1,635	16,539
Equity at 1 Jan. 2015	100	300		14,504	14,904	1,635	16,539
Total comprehensive income							
Profit or loss for the financial year				21,242	21,242	1	21,243
Total comprehensive income for the financial year				21,242	21,242	1	21,243
Transactions with equity holders							
Distribution of dividends				-5,000	-5,000	-1,948	-6,948
Share issue		5,530			5,530		5,530
Other changes				1	1		1
Transactions with equity holders, total		5,530		-4,999	530	-1,948	-1,418
Equity loans			4,992		4,992		4,992
Changes in holdings in subsidiaries							
Acquisitions of non-controlling interest not resulting in change in control				-8,315	-8,315	350	-7,965
Equity at 31 Dec. 2015	100	5,830	4,992	22,432	33,354	38	33,391

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Group basic information

Lehto Group is a construction and real estate group. The parent company is Lehto Group Plc, domiciled in Kempele. The registered address is Voimatie 6 B, 90440 Kempele, Finland. Lehto Group Plc is the Group's parent company and its business operations are organised for its subsidiaries.

Copies of the consolidated financial statements are available from the parent company headquarters at the address Voimatie 6 B, 90440 Kempele, Finland. Lehto Group Plc's Board of Directors approved the financial statements to be published on 8 March 2016. Pursuant to the Finnish Companies Act, shareholders have a possibility to approve or reject the financial statements in a general meeting of shareholders to be held after the publication. The general meeting of shareholders also has a possibility to make a decision on amending the financial statements.

Accounting principles for the financial statements

Basis of preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) by applying IAS and IFRS standards and their SIC and IFRIC interpretations, which were in force as at 31 December 2015. International Financial Reporting Standards refer to the standards, their interpretations, approved for application in the EU in accordance with the procedures in the EU regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation, complementing the IFRS regulations.

The Group adopted the IFRS in the financial reporting on 1 January 2013 and applied in this connection IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The date of transition was 1 January 2012.

The consolidated financial statements are prepared on historical cost basis except for available-for-sale financial assets which are measured at fair value. The financial information is presented in thousands of euro.

Principles of consolidation

The consolidated financial statements include the parent company Lehto Group Plc and all subsidiaries in which the parent company directly or indirectly holds more than 50% of the voting rights or in which the Group otherwise has control. The criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries acquired are consolidated from the date when the Group obtains control. Mutual holdings are eliminated using the acquisition method. All intra-Group transactions and internal profits, receivables and liabilities are eliminated in the consolidated financial statements. The amount of shareholders' equity attributable to non-controlling shareholders is shown as a separate item under shareholders' equity.

Property, plant and equipment

Property, plant and equipment are measured at the original acquisition price less accumulated depreciation and impairments. They are depreciated in straight-line instalments during their estimated useful lives. The Group's property, plant and equipment include machinery and equipment as well as other tangible assets, which mainly consist of capitalised renovation expenses for rental apartments. The estimated useful lives are 3-5 years. The residual value, useful lives and method of depreciation of property, plant and equipment are reassessed at the end of each financial year and, as necessary, adjusted to reflect the changes in the expected economic benefit.

Goodwill and other intangible assets*Goodwill*

Goodwill arising in business combinations is measured as the excess of the total of the consideration transferred, the non-controlling interest in the acquiree and the previously held interest over the fair value of the acquired net assets.

The Group has applied a relief in accordance with IFRS 1 from applying IFRS 3 on business transactions before the transition date; therefore, the deemed cost of goodwill is measured at carrying amount in accordance with previous GAAP.

Goodwill is tested for impairment annually and whenever there is any indication that an asset may be impaired. For this purpose, goodwill is allocated to cash-generating units. Goodwill is recognised at cost less accumulated impairment losses.

Other intangible assets

An intangible asset is recognised in the balance sheet at the original acquisition cost if its acquisition cost can be determined reliably and it is likely that an expected economic benefit will flow to the Group from it.

Intangible rights are software and licenses as well as customer relationships based on agreements acquired through business combinations. Customer relationships based on agreements acquired in business combinations are recognised at the fair value at the acquisition date. Their useful lives are finite, so they are recognised in the balance sheet at acquisition cost less accumulated amortisation. The group's intangible assets have finite useful lives and they are amortised in straight-line instalments during their estimated useful lives.

The amortisation period for intangible rights and other intangible assets is 3–5 years. The residual value, useful lives and method of amortisation are reassessed at the end of each financial year and, as necessary, adjusted to reflect the changes in the expected economic benefit.

Investment properties

Investment properties are properties which the Group holds in order to obtain rental income or appreciation in value or both. At inception investment properties are recognised at acquisition cost, which includes transaction costs. Investment properties are subsequently valued at the original acquisition price less accumulated depreciation and impairments. Investment properties are depreciated in straight-line instalments during their estimated useful lives. Land areas are not depreciated. Investment properties are business and residential properties and the estimated useful life of buildings and structures on these properties is 20 years. The residual value, useful lives and method of depreciation of investment properties are reassessed at the end of each financial year and, as necessary, adjusted to reflect the changes in the expected economic benefit.

The fair values of investment properties are disclosed in the notes to the financial statements. Rental income obtained from investment properties is recorded on a straight-line basis over the period of the lease.

Impairment of intangible assets and property, plant and equipment

At the end of each reporting period the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount from the asset item is estimated. Goodwill's recoverable amount is estimated annually regardless of whether there is any indication of impairment. Goodwill is also tested for impairment whenever there is any indication that the value of a unit may be impaired. Goodwill is tested for impairment at the level of individual cash-generating units, which is the lowest unit level mainly independent of other units and the cash flows of which are separable and mainly independent of cash flows of other corresponding units. A cash-generating unit is the lowest level within the Group at which goodwill is monitored for the purposes of internal management.

Recoverable amount is the higher of a unit's fair value less costs of disposal and its value in use. Value in use is the estimated discounted future net cash flows expected to be derived from the cash-generating unit. The discount rates used are pre-tax and reflect current market assessments of the time value of money and specific risks relating to the relevant asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is recognised as an expense. An impairment loss on a cash-generating unit is first allocated to reduce the carrying amount of any goodwill

allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets of the unit pro rata. At recognition of the impairment loss, the useful life of the depreciated assets is reassessed. Impairment loss of other assets than goodwill is reversed in the case that a change has occurred in the estimates used in measuring the recoverable amount of the asset. A reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Impairment losses on goodwill are never reversed.

Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continued use, and its sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amounts or their fair value less the costs of sell. The company had non-current assets classified as held for sale during the comparative period. These assets were sold during the financial year.

Associated companies

Associated companies are companies over which the Group has significant influence. Significant influence exists when the Group owns more than 20% of the company's voting power or when it otherwise has significant influence but not control. Associated companies have been consolidated using the equity method of accounting.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. There are two types of joint arrangements: joint operations and joint ventures. Joint ventures arise where the Group has rights to the net assets of the arrangement, whereas joint operations arise where the Group has rights to the assets and obligations relating to the liabilities of the arrangement. Joint ventures are consolidated using the equity method of accounting. The Group has no such companies. The Groups interest in joint operations are consolidated in proportion to holding. Each item of assets, liabilities, income and expenses of jointly controlled entities are consolidated line by line into corresponding assets in the consolidated financial statement in proportion to holding.

Inventories

Inventories are valued at the lower of acquisition cost and expected net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are comprised of sites under construction, completed sites intended for sale and raw materials and supplies used in the operations. The acquisition cost of these comprises the value of the plot and other raw materials, borrowing costs, planning costs, direct costs of labour and other direct and indirect costs relating to the construction projects.

Financial assets and liabilities

Financial assets

The Group has classified its financial assets into the following categories: loans and other receivables and available-for-sale financial assets. Financial assets are classified according to their purpose when acquired and at the time of acquisition. Transaction costs have been included in the original carrying amount. Purchases and sales of financial assets and liabilities are recognised on the trade date at fair value. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not held for sale or not specifically classified as available-for-sale at the time of original recognition. Their valuation is based on the amortised cost using the effective interest method. These are included in the balance sheet according to their nature in current or, if they mature in more than 12 months, in non-current assets.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the end of the reporting period, whereby they are included in current assets. Available-for-sale

financial assets may comprise shares and interest-bearing investments. Change in fair value is recognised in other comprehensive income and presented under shareholder's equity within the fair value reserve included in the item Other reserves, net of tax.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Items included in cash and cash equivalents have original maturities of three months or less.

Financial liabilities

Financial liabilities are recognised initially at fair value. Transaction costs are included in the original carrying amount of financial liabilities at periodised acquisition cost. Financial liabilities are subsequently carried at amortised cost using the effective interest method. Financial liabilities are classified as non-current or current. The latter group comprises all those financial liabilities for which the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Derivatives

Derivatives are originally carried at fair value at the trade date and are subsequently measured at fair value. The Group does not apply hedge accounting on derivatives. At the balance sheet date the Group had no derivatives.

Capitalisation of borrowing costs

Borrowing costs directly arising as a result of the acquisition, construction or manufacturing of a qualifying asset are capitalised as part of the acquisition cost of the asset in question. A qualifying asset is one that takes a substantial period of time to complete for its intended purpose. Capitalisation commences when the company first incurs expenditures for a qualifying asset giving rise to borrowing costs, and when it undertakes activities that are necessary for preparation of the asset for its intended use or for sale. Capitalisation ceases when all activities necessary to complete the asset for its intended use or sale have been carried out. In developer contracting housing projects, borrowing costs are capitalised in construction stage and recorded above operating profit as project cost upon delivery.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Group's provisions are guarantee provisions based on estimated supplementary work expenses of completed contracts. The amount of a guarantee provision is estimated on the basis of experience of the materialisation of such guarantee expenses. If guarantee provisions materialise in an amount greater than estimated, the portion in excess is recorded as expense at the same time. If the provision is deemed excessive after the end of the guarantee period, the provision is released through profit or loss.

10-year liabilities in own building developments are presented as provisions to the extent their realisation is deemed probable and the amount of liability arising from them can be estimated reliably.

Provision is made for onerous contracts when the amount of expenditure required by the agreement to fulfil the obligations exceeds the benefits that may be derived from it.

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is only confirmed by one or more uncertain future events not wholly within the control of the group or when there is an obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required or the amount of the obligation cannot be reliably estimated. Contingent liabilities are not recognised, but disclosed in the notes to the financial statements. At the balance sheet date the Group had no contingent liabilities.

Leases***Group as lessee***

Property, plant and equipment leases in which a significant portion of the risks and rewards of ownership are transferred to the Group are classified as finance leases. Lease agreements concerning assets in which the Group holds a material share of the risks and benefits of ownership are treated as other lease agreements. Rents paid on other lease agreements are expensed in even instalments in the income statement over the duration of the rental period. All of the Group's lease agreements are classified as other lease agreements.

Revenue recognition principles***Long-term construction contracts and service agreements***

Income from a construction project is recognised according to the stage of completion of the project if the project meets the criteria for a construction contract and its outcome can be estimated reliably. Construction contract projects are especially negotiated agreements and the buyer can influence on project features before construction start-up or during construction. If the outcome of the project cannot be reliably estimated, income is recognised only to the extent the amount corresponding to actually occurred costs are probably recoverable and expenses are recognised during the financial year they occur. The stage of completion is determined mainly as the ratio of actually incurred costs to estimated total costs if it does not materially differ from the physical degree of completion of construction. If physical stage of completion is applied in revenue recognition, the stage of completion is based on a stage of completion certificate issued by a third party. If it is likely that the total costs of project completion exceed the total income from the project, the expected loss is recorded entirely as an expense.

Revenue recognition for sales of new housing units

Income from property construction projects where the buyer has no right to influence the main features of the property is recognised upon completion in accordance with revenue recognition principles for sale of goods when risks and benefits related to the property have been transferred to the buyer. For apartments sold in construction phase, risks and benefits are deemed to have transferred upon completion, and for completed apartments, upon sale.

Sales of real estate properties and goods

Income from sales of real-estate properties and goods is recorded when the significant risks and benefits associated with the ownership of the goods have transferred to the buyer. This mainly refers to the point of time when the product is delivered to the customer in accordance with the agreed terms and conditions. Net sales include income recorded at fair value, adjusted with indirect taxes and any discounts granted.

Recognition of interest and dividend income

Interest income is recognised using the effective interest method. Dividends are recorded when the right to receive payment is established.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group has defined it as follows: operating profit is the net sum which is formed by adding other operating income to net sales and then deducting changes in the inventory of finished goods and work in progress, raw materials and consumables used, external services, cost of employee benefits, depreciation, amortisation and possible impairment losses and other operating expenses. All other items of income statement are presented below operating profit.

Employee benefits***Pension obligations***

Group companies have pension plans. The plans are classified as either defined benefit plans or defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the pension benefits. All arrangements that do not meet these criteria are defined benefit plans. Payments made to the defined contribution plans are recognised in the income statement in the period in which they were incurred. All of the Group's pension plans are defined contribution plans.

Related party transactions

The Group's related parties include Group companies, members of the Board of Directors, the managing director and members of the Management Board as well as entities on which related parties have influence through ownership or management. Related parties also include associated companies and joint ventures. Transactions with related parties are disclosed in Note 30.

Income taxes

Tax expenses on the consolidated income statement include taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred tax liabilities and assets. Tax consequences relating to items recognised directly in equity are similarly recognised as equity.

Changes in deferred taxes are calculated on temporary differences between the carrying amount and taxable value on the basis of the tax rate in force at the balance sheet date or confirmed tax rates entering into force subsequently. Deferred tax assets have been recognised to the extent that it is probable that taxable income against which the temporary difference can be applied will materialise in the future. The most significant temporary differences arise from unused taxable losses, revenue recognised for construction contracts by stage of completion and capitalisation of and financial expenses.

Tax-deductible losses have been taken into account as deferred tax assets to the extent that it is probable that the company can use them in the near future. No deferred taxes are calculated on goodwill that is not deductible in taxation.

Accounting principles requiring management judgement and the main factors of uncertainty affecting the estimates

When financial statements are prepared, the management must make estimates and exercise judgement in the application of the accounting policies. These estimates and decisions have an effect on the amounts of assets, liabilities, income and expenses and contingent liabilities recorded for the reporting period. The estimates and assumptions are based on historical experience and other justifiable assumptions deemed reasonable in the conditions where items entered in the financial statements have been estimated.

Management has exercised judgement in determining the economic lives of intangible assets and property, plant and equipment and investment properties. The most significant estimates at the balance sheet date and assumptions about the future relating to stage of completion revenue recognition, inventories, provisions and impairment testing. Below are presented the most significant items of the financial statements where management judgement and estimates were required.

Stage of completion revenue recognition

In construction contracts recognised using the stage of completion method revenue is based generally on the contract and revenue projections for the projects are estimated on a regular basis. Project total costs are based on the management's best estimate of the trend in total cost of project completion. The actual income and costs incurred and the estimated end result are monitored regularly on a monthly basis.

Inventories

The Group assess the valuing of inventory and possible decrease in value on its best estimate on a regular basis. The value of finished, unsold sites included in inventories is the lower of their acquisition cost and the probable selling price. When estimating the probable selling price, the management takes into account the market situation and possible demand for the site.

Provisions

Provisions mainly consist of guarantee provisions typical for the industry. The amount is estimated on the basis of experience of the materialisation of such guarantee expenses.

Goodwill impairment testing

Goodwill is tested for impairment annually. Recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The cash flows in value-in-use calculations are based on the management's best estimate of profit and market development. Estimates used in goodwill testing are disclosed in Note 11.

New and revised standards and interpretations

The Group has applied the following new and amended standards as from 1 January 2015:

IFRIC 21 Levies

Amendments to IAS 19 Employee Benefits

Annual improvements to IFRSs, 2011–2013 cycle and 2010–2012 cycle

These standards had impact on the consolidated financial statements mainly through changed requirements for the notes to the financial statements.

The following new and amended standards relating to preparing consolidated financial statements must be applied on financial periods starting on 1 January 2016 or thereafter.

Amendment to IAS 1 Presentation of Financial Statements

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures

Amendments to IFRS 11 Joint Arrangements

New IFRS 14 Regulatory Deferral Accounts

Annual improvements to IFRSs, 2012–2014 cycle

In the Group's opinion, the above new or amended standards have no significant impact on the consolidated financial statements.

The Group is estimating the impact on the financial statements of the following new standards:

IFRS 15 Revenue from Contracts with Customers

IFRS 9 Financial Instruments

Notes to the consolidated financial statements

NOTE 1.

OPERATING SEGMENTS

The Group has one operating segment, Building Services. The segment's operations consist of providing new construction and renovation services. Costs in ownership interest not allocated to the segment are presented under Group items. The company operates geographically mainly in Finland only.

The Group Management Team is the chief operating decision-making body responsible for estimating the profitability of the operating segment and for resourcing decisions. Group management reporting is based on financial statements prepared in accordance with the IFRS standards.

2015	Building Services	Group items	Total
Profit or loss			
Net sales	275,631	0	275,631
Other operating income	491	485	976
Other operating expenses	-246,801	-1,184	-247,985
Depreciation and amortisation	-1,161	-247	-1,408
Operating profit	28,159	-946	27,213
Interest income	99	6	105
Interest costs	-412	-137	-549
Shares of associated company profits (losses)	31		31
Segment's profit/loss before income taxes	27,878	-1,078	26,800
Assets			
Segment's assets	125,404	12,185	137,589
Investments in associated companies	793	0	793
Investments	3,952	71	4,023
Liabilities			
Segment's liabilities	101,712	2,485	104,198
2014	Building Services	Group items	Total
Profit or loss			
Net sales	171,089	0	171,089
Other operating income	42	425	467
Other operating expenses	-163,566	-1,569	-165,135
Depreciation and amortisation	-434	-139	-574
Operating profit	7,131	-1,284	5,847
Interest income	24	13	37
Interest costs	-546	-178	-725
Shares of associated company profits (losses)	-15		-15
Segment's profit/loss before income taxes	6,594	-1,449	5,144
Assets			
Segment's assets	96,475	2,624	99,098
Investments in associated companies	762	0	762
Investments	895	84	979
Liabilities			
Segment's liabilities	80,451	2,109	82,560

Main customers

Revenue of the Building Services segment from the three largest customers was a total of EUR 62.0 million in 2015 (EUR 29.7 million in 2014), corresponding to approx. 22% (17%) of the segment's net sales. In 2015, the share of net sales of the largest individual customer was 9% and 8% in 2014.

NOTE 2.

NET SALES	2015	2014
Long-term construction contracts and service agreements	181,976	142,171
Revenue recognition for sales of new housing units	93,609	28,773
Rental income	46	145
Total	275,631	171,089

By the end of the financial year, costs incurred and recognised profits (net of losses) for construction contracts in progress amounted to EUR 77.1 million (EUR 66.8 million in 2014) and receivables (Note 18) to EUR 25.3 million (EUR 9.9 million) and advances received (Note 24) to EUR 8.9 million (EUR 1.4 million).

NOTE 3.

OTHER OPERATING INCOME	2015	2014
Rental income	311	255
Subsidies	105	79
Damages	159	
Capital gains	395	115
Other income	7	18
Total	976	467

Other operating income included the gain on sale of the subsidiary Koy Vatialan Veturi recorded in 2015 and the gain on sale of the subsidiary Vahinkopartio Oy recorded on the reporting period.

NOTE 4.

EMPLOYEE BENEFIT EXPENSES	2015	2014
Salaries and wages	20,963	16,017
Pension costs– defined contribution plans	4,708	2,829
Other personnel costs	560	968
Total	26,231	19,814

Number of personnel at the end of the financial year, Group

Salaried employees	224	156
Workers	199	170
Total	423	326

NOTE 5.

DEPRECIATION AND AMORTISATION	2015	2014
Depreciation of property, plant and equipment		
Machinery and equipment	387	362
Other tangible assets	6	8
Total	393	369

Amortisation of intangible assets

Software and licences	248	132
Customer relationships	765	
Total	1,013	132

Depreciation of investment properties

Buildings and structures	3	72
Total	3	72
Depreciation and amortisation, total	1,408	574

NOTE 6.

OTHER OPERATING EXPENSES	2015	2014
Voluntary personnel expenses	780	598
Business premises expenses	1,309	789
Equipment expenses	1,046	540
Travel expenses	1,584	1,344
Product development expenses	739	210
Office expenses	494	304
Marketing expenses	604	579
Administrative services	839	673
Other operating expenses	1,338	2,433
Total	8,733	7,471
Other operating expenses include auditors' fees:	2015	2014
Audit fees	42	18
Other services	37	42
Total	79	59

NOTE 7.

FINANCIAL INCOME AND EXPENSES	2015	2014
Financial income		
Dividend income from available-for-sale financial assets	0	8
Other financial income	104	29
Total	105	37
Financial expenses		
Interest costs	826	618
Capitalised interest costs	-556	-91
Other financial expenses	279	198
Total	549	725
Financial income and expenses, total	-444	-688

NOTE 8.

INCOME TAXES	2015	2014
Current income tax	-5,481	-3,360
Change deferred tax assets	-19	2,307
Change deferred tax liabilities	-57	-18
Total	-5,557	-1,072

Reconciliation of the tax expense in the income statement and taxes calculated at the tax rate of Group domicile country

	2015	2014
Tax rate	20.0%	20.0%
Profit before taxes	26,800	5,144
Taxes calculated at the tax rate of the domicile country	5,360	1,029
Tax-exempt income	-0	-12
Non-deductible expenses	21	6
Amortisation of intangible assets from business combination	152	4
Taxes for the previous financial years	-17	23
Other items	41	22
Total	5,557	1,072

NOTE 9.

EARNINGS PER SHARE	2015	2014
Profit for the financial year attributable to equity holders of the parent company	21,242	2,704
Weighted average number of shares during the financial year (shares)	20,531,279	20,000,000
Basic and diluted earnings per share (EUR/share)	1.03	0.14

NOTE 10.**OTHER INTANGIBLE ASSETS**

Intangible assets 2015	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition cost at 1 Jan. 2015	1,682		545	2,227
Increases		2,782	416	3,198
Acquisition cost at 31 Dec. 2015	1,682	2,782	961	5,425
Accumulated depreciation and amortisation at 1 Jan. 2015			-173	-173
Depreciation and amortisation		-765	-248	-1,013
Accumulated depreciation and amortisation at 31 Dec. 2015		-765	-421	-1,186
Carrying amount at 1 Jan. 2015	1,682		371	2,054
Carrying amount at 31 Dec. 2015	1,682	2,017	540	4,239
Intangible assets 2014	Goodwill	Customer relationships	Other intangible assets	Total
Acquisition cost at 1 Dec. 2014	1,682		170	1,853
Increases			383	383
Decreases			-8	-8
Acquisition cost at 31 Dec. 2014	1,682		545	2,227
Accumulated depreciation and amortisation at 1 Jan. 2014			-49	-49
Depreciation and amortisation			-132	-132
Accumulated depreciation on decreases			7	7
Accumulated depreciation and amortisation at 31 Dec. 2014			-173	-173
Carrying amount at 1 Jan. 2014	1,682		121	1,776
Carrying amount at 31 Dec. 2014	1,682		371	2,054

Allocation of goodwill

In the IFRS financial statements the Group applied the relief according to IFRS 1 First-time Adoption of International Financial Reporting Standards from applying IFRS 3 Business Combinations retroactively.

Cash-generating unit: Building Services	2015	2014
Goodwill	1,682	1,682

Allocation of and recording impairment losses

There was no indication of impairment within the Group.

Impairment tests

Goodwill is allocated to the cash-generating unit, Building Services. For the purposes of impairment testing, recoverable amounts at company level have been determined based on value-in-use calculations. Cash flow forecasts are based on forecasts accepted by the management, covering the time span of two years. Cash flows after the forecast period accepted by the management have been extrapolated at a constant growth factor of 2 per cent in the relevant units based on the estimate of future level of inflation. Key assumptions used in value-in-use calculation were the following:

1. Budgeted operating profit – Determined based on the management's estimate of the development of company-level expenses and the actual average operating profit level in applying the concept of economically driven construction. No material changes are expected for operating profit.
2. Budgeted net sales – Determined based on the market share according to the materialised industry statistics from the previous year and the management's estimate of future market development. The market share is not expected to change substantially.
3. Discount rate – Determined with weighted average cost of capital (WACC) which describes the total cost of equity and borrowed capital, taking into account special risks relating to asset items. The discount rate is determined before taxes.
4. Growth rate during the period – The growth factor used corresponds to the management's estimate of the future development of the companies during the next two financial years.

	2015	2014
Discount rate	7.20%	9.00%
Growth rate	2.00%	2.00%

Sensitivity analysis

According to sensitivity analyses prepared by the management no reasonably possible change in any of the key assumptions used would result in a situation where the recoverable amounts of the units would fall below their carrying amounts.

NOTE 11.**PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment 2015	Machinery and equipment	Other tangible assets	Total
Acquisition cost at 1 Jan. 2015	1,505	13	1,517
Increases	612	141	753
Acquisition cost at 31 Dec. 2015	2,117	153	2,270
Accumulated depreciation and amortisation at 1 Jan. 2015	-967	-4	-971
Depreciation and amortisation	-387	-6	-393
Accumulated depreciation and amortisation at 31 Dec. 2015	-1,354	-10	-1,364
Carrying amount at 1 Jan. 2015	537	9	546
Carrying amount at 31 Dec. 2015	763	143	906
Property, plant and equipment 2014	Machinery and equipment	Other tangible assets	Total
Acquisition cost at 1 Dec. 2014	1,571	71	1,642
Increases	395		395
Decreases	-461	-58	-520
Acquisition cost at 31 Dec. 2014	1,505	13	1,517
Accumulated depreciation and amortisation at 1 Jan. 2014	-968	-52	-1,020
Depreciation and amortisation	-362	-8	-369
Accumulated depreciation on decreases	362	56	419
Accumulated depreciation and amortisation at 31 Dec. 2014	-967	-4	-971
Carrying amount at 1 Jan. 2014	603	19	622
Carrying amount at 31 Dec. 2014	537	9	546

NOTE 12.**INVESTMENT PROPERTIES**

Investment properties 2015	Undeveloped land	Properties	Other items	Total
Acquisition cost at 1 Jan. 2015	202	808		1,011
Acquisition cost at 31 Dec. 2015	202	808		1,011
Accumulated depreciation and amortisation at 1 Jan. 2015		-228		-228
Depreciation and amortisation		-3		-3
Accumulated depreciation and amortisation at 31 Dec. 2015		-231		-231
Carrying amount at 1 Jan. 2015	202	580		782
Carrying amount at 31 Dec. 2015	202	577		779
Investment properties 2014	Undeveloped land	Properties	Other items	Total
Acquisition cost at 1 Dec. 2014	202	2,340	189	2,731
Transfers to non-current assets held for sale		-1,531	-189	-1,720
Acquisition cost at 31 Dec. 2014	202	808		1,011
Accumulated depreciation and amortisation at 1 Jan. 2014		-155		-155
Depreciation and amortisation		-73		-73
Accumulated depreciation and amortisation at 31 Dec. 2014		-228		-228
Carrying amount at 1 Jan. 2014	202	2,185	189	2,576
Carrying amount at 31 Dec. 2014	202	580		782

Net rental income	2015	2014
Rental income from investment properties	79	79
Direct maintenance costs for investment properties	12	12
	67	67

Fair values of investment properties

The Group's investment properties are properties available for rent. Investment properties are recognised using the acquisition cost method and they are not valued at fair value through profit and loss.

Balance sheet values and fair values of investment properties	Valuation method	Balance sheet value 2015	Fair value 2015	Level
Business property	Acquisition cost	577	618	3
Land area	Acquisition cost	202	202	3
		779	820	

The fair values of investment properties are determined by the company itself using the cash flow method. Fair values of level 3 asset items are based on input data concerning the asset item, which are not based on verifiable market information but are based substantially on management estimates and their use in generally accepted valuation models.

NOTE 13.

INVESTMENTS IN ASSOCIATED COMPANIES	2015	2014
Investments in associated companies at 1 Jan.	762	745
Share of profit or loss for the financial year	31	-15
Increases	0	33
Investments in associated companies at 31 Dec.	793	762

Associated companies

2015	Koy Limingan Arvokiinteistöt	Koy Haukiputaan Arvokiinteistöt
Holding	38.10%	29.41%
Assets	3,948	4,497
Liabilities	1,858	4,495
Net sales	277	185
Profit/loss for the financial year	92	0

Associated companies owned by the Group are immaterial investments from the Group's viewpoint, when considered separately.

NOTE 14.**OTHER FINANCIAL ASSETS**

Available-for-sale financial assets	2015	2014
Available-for-sale financial assets at 1 Jan.	314	197
Increases	1	117
Decreases	-39	
Available-for-sale financial assets at 31 Dec.	277	314

Available-for-sale financial assets are listed and unlisted share investments and housing-company shares in the Group's own use or in rental use. The shares are recognised at acquisition cost because there is no quoted price for fully similar instruments in active market. Available-for-sale financial assets are classified at level 3 in the hierarchy. Shares in the housing company Asuntoruukki Oy were sold during the financial year. The gain on sale of EUR 244 thousand is presented in other operating income.

NOTE 15.**NON-CURRENT RECEIVABLES**

	2015	2014
Receivables from associated companies	500	176
Loan receivables	4 000	
Other receivables	180	112
Total	4 680	288

NOTE 16.**DEFERRED TAX ASSETS AND LIABILITIES**

Changes in deferred taxes during 2015:	1 January 2015	Recognised in income statement	31 December 2015
Deferred tax assets			
Investment property internal margin	28	-28	
Inventory item internal margin	25	-2	23
Confirmed losses	561	237	797
Temporary differences from stage-of-completion revenue recognition and depreciation and amortisation	2,301	-225	2,076
Total	2,915	-19	2,896
Deferred tax liabilities			
Temporary differences from capitalisation of financial expenses	40	-6	34
Other temporary differences		64	64
Total	40	57	97
Changes in deferred taxes during 2014:			
	1 January 2014	Recognised in income statement	31 December 2014
Deferred tax assets			
Investment property internal margin	28		28
Inventory item internal margin		25	25
Confirmed losses	340	221	561
Temporary differences from stage-of-completion revenue recognition and depreciation and amortisation	239	2,062	2,301
Total	607	2,307	2,915
Deferred tax liabilities			
Temporary differences from capitalisation of financial expenses	22	18	40
Total	22	18	40

NOTE 17.

INVENTORIES	2015	2014
Materials and supplies	240	60
Work in progress	39,976	39,312
Completed products	3,504	3,019
Inventory shares	6,183	2,903
Other inventories	1,349	1,817
Total	51,253	47,110

NOTE 18.

TRADE AND OTHER RECEIVABLES	2015	2014
Trade receivables	19,189	19,849
Loan receivables	65	541
Current tax assets	2	243
Other receivables	2,346	4,438
Receivables from customers for constructing contracts	25,276	9,909
Adjusting entries for assets	272	1,693
Total	47,150	36,673
Ageing analysis of trade receivables		
	2015	2014
Not yet due	15,974	14,410
Due for		
less than 30 days	2,228	3,705
30–60 days	173	794
61–90 days	123	664
more than 90 days	692	276
Total	19,189	19,849

No significant concentrations of credit risk are associated with the receivables. The balance sheet values equal reasonably to fair values.

NOTE 19.

CASH AND CASH EQUIVALENTS	2015	2014
Cash in hand and at banks	24,616	5,927
Total	24,616	5,927

NOTE 20.**NON-CURRENT ASSETS HELD FOR SALE**

During the comparative year the Group included the real estate company Koy Vatialan Veturi in Kangasala, and was negotiating for the sale of shares of the company. During the comparative year, the housing company's assets and liabilities were presented as a non-current asset held for sale. The sale of the share capital was carried out during 2015. The Group sold the housing company as not belonging to core operations. The gain on sale of EUR 3 thousand is presented in other operating income.

Assets and liabilities of the non-current asset held for sale	2014
Investment properties	1,723
Receivables	3
Total assets	1,726
Loans from financial institutions	999
Trade and other payables	7
Liabilities, total	1,006
Net balance sheet value	721

NOTE 21.

EQUITY	Number of shares (shares)	Share capital	Equity funds	Total
31 December 2013	1,000	100	300	400
Bonus issue on 10 March 2014	19,999,000			
31 December 2014	20,000,000	100	300	400
Directed share issue on 27 February 2015	428,571		1,500	1,500
Directed share issue on 3 December 2015	2,226,631		4,030	4,030
31 December 2015	22,655,202	100	5,830	5,930

Shares and share capital

The company's Board of Directors made a decision on 27 February 2015 on a directed share issue relating to the acquisition of Insinööritoimisto Mäkeläinen pursuant to the authorisation by the General Meeting of Shareholders on 10 December 2014. The total number of shares issued was 428,571 shares. After the share issues and on the balance sheet date the company has a total of 22,655,202 shares outstanding. The company's share capital is EUR 100,000. The company has one share class and all shares are of the same class. Each share entitles its holder to one vote and to an equal amount of dividend.

The General Meeting of Shareholders on 23 April 2015 authorised the Board of Directors to issue a maximum of 3,700,000 new shares in a directed share issue in order to acquire minority interests in subsidiaries. The company carried out an exchange of shares with the minority shareholders in Rakennusliike Lehto Oy, Rakennusliike Koivukoski Oy and Remonttipartio Oy on 3 December 2015. In the exchange, the minority shareholders in the subsidiaries received a total of 2,226,631 new shares issued by Lehto Group Plc. After the arrangement, Lehto Group Plc holds 100% of the shares in these subsidiaries.

Invested non-restricted equity reserve

The invested non-restricted equity reserve contains equity investments and that part of the share subscription price that has not specifically been allocated to share capital.

The company had no share-based payments.

Equity loans

Equity loans (convertible capital loan) include an equity loan granted by Osuuskunta PPO in September 2015 less transaction costs. The annual interest rate is 5.5% during the first year. Subsequently the annual interest rate increases by 1.5 percentage points after each year, such that from the beginning of the fifth year the interest rate is 12-month Euribor plus a margin of 10%. The rent becomes due for payment if the Annual General Meeting decides to pay out dividend. If the company does not pay the interest, the interest can be converted into capital. The loan has no

due date. The company can repay the loan without expenses as a one-off payment no earlier than four years from the date the loan was drawn. In the consolidated financial statement the loan is classified as equity and interest paid is presented according to its nature as distribution of dividend.

Acquisition of non-controlling interest

In November-December 2015, the parent company acquired the minority shares Optimikodit Oy and the participation of one shareholder in Koivukoski Oy. The acquisition price for these was a total of EUR 2.3 million. The acquisitions are subject to a possible additional purchase price which is estimated at approx. EUR 1.6 million. Additional purchase prices are recorded in current and non-current liabilities at their value.

At the start of December, the parent company carried out an exchange of shares with the minority shareholders in Rakennusliike Lehto Oy, Rakennusliike Koivukoski Oy and Remonttipartio Oy. In the exchange, the minority shareholders in the subsidiaries received new shares issued by Lehto Group Plc and the number of shares in Lehto Group Plc grew from the previous number (20,428,571) by 2,226,631 to a total of 22,655,202. After the arrangement, Lehto Group Plc holds 100% of the shares in all of its subsidiaries.

The acquisitions are presented in the Group's statement of changes in equity on row Acquisitions of non-controlling interest not resulting in change in control.

NOTE 22.

PROVISIONS	2015	2014
Provisions at 1 Jan.	931	110
Increases	844	931
Decreases	-511	-110
Provisions at 31 Dec.	1,265	931

The provisions for the financial year include estimated supplementary work expenses for construction projects completed during the financial year and actual supplementary work expenses incurred for construction projects completed during the previous financial year as a decrease. The provision is based on experience from previous years. Provisions are recorded as an expense in the item in which they are expected to materialise.

NOTE 23.

FINANCIAL LIABILITIES	2015	2014
Non-current financial liabilities	8,244	7,523
Other financial liabilities		30
Total	8,244	7,553
Current financial liabilities	8,712	6,787
Total	8,712	6,787
Financial liabilities, total	16,956	14,340

Financial liabilities are mainly market loans with a floating rate and their carrying amounts correspond to their fair values.

NOTE 24.

TRADE PAYABLES AND OTHER NON-INTEREST-BEARING LIABILITIES	2015	2014
Advances received		
From customers for constructing contracts	8,927	1,396
For projects with revenue recognised upon delivery	38,266	36,824
Other advances received	708	212
Trade payables	17,221	10,649
Other liabilities		
Liabilities paid to the Tax Administration	7,449	4,882
Other liabilities	955	1,410
Adjusting entries for liabilities		
Accrued liabilities due to employee benefits	5,346	3,098
Income tax debt	2,703	1,666
Other adjusting entries for liabilities	2,622	6,105
Total	84,197	66,243

NOTE 25.**FINANCIAL RISK MANAGEMENT****Foreign exchange risk**

The Group is not active in international market and therefore the foreign exchange risk is currently minimal. The Group's income and expenses are mainly in euros. If an order is agreed on in a foreign currency, the method of hedging the exchange rate and the hedge ratio is determined separately in each case. Foreign exchange differences arising from hedging is recorded in the income statement under financial income and expenses.

The Group's functional currency is euro. The Group had no significant liabilities denominated in foreign currency at the balance sheet date. The Group had receivables denominated in foreign currency totalling EUR 67 thousand at 31 December 2015 (EUR 0 thousand in 2014).

Interest rate risk

Due to the relatively small amount of interest-bearing non-current liabilities, interest rate risk is not very significant for the Group. Interest rate risk is mainly included in interest-bearing liabilities on the balance sheet, which mainly consist of market loans with a floating rate. If necessary, the Group can convert the loans into fixed-rate loans of 2–10 years by rearranging its loan portfolio, with interest rate swaps or with other derivative instruments. The hedge ratio can vary between 0 and 100 per cent. The company monitors the interest rate risk of its loan portfolio and can change the interest rate duration as necessary.

Sensitivity analysis for loans with floating rates

	2015		2014	
Change, %	1%	-1%	1%	-1%
Impact on profit/loss after taxes	80	-80	84	-84

Credit risk

The credit risk is managed by only granting customers regular payment terms. Payment terms applied in the Group currently range from 7 days to 30 days and the most typical payment term is 14 days. Furthermore, arrangements can be made in individual projects where the payment term for trade receivables is long and the payment is made as a one-off payment at the end of the project.

Liquidity risk

The liquidity risk is managed through adequate planning of financing, monitoring and cash flow management. To secure immediate liquidity the Group has credit and guarantee limits available, totalling EUR 49.3 million. The amount of credit and guarantee limits outstanding at 31 December 2015 was EUR 12.8 million (EUR 5.2 million in 2014).

Analysis of debt maturity

2015	31 December 2015	less than 1 year	1–5 years	more than 5 years
Financial liabilities	16,956	8,712	1,683	
Trade payables and other non-interest-bearing liabilities	25,626	25,626		
2014	31 December 2014	less than 1 year	1–5 years	more than 5 years
Financial liabilities	6,787	6,787		
Trade payables and other non-interest-bearing liabilities	16,941	16,941		

Capital management

The objective of the Group's capital management is to support business operations through an optimal capital structure and to increase shareholder value with the objective of achieving the best possible return. Another aim with optimal capital structure is to guarantee smaller capital costs. The most significant covenant relating to bank loans are the amount of equity and the stability of holding.

Net liabilities	2015	2014
Interest-bearing liabilities	16,956	14,340
Cash and cash equivalents and interest-bearing receivables	24,616	5,927
	-7,660	8,412
Equity, total	33,391	16,539
Gearing	32.6%	48.8%
Net gearing ratio	-22.9%	50.9%

NOTE 26.**JOINT ARRANGEMENTS**

The Group has a 50% holding in two joint operations, Työyhteenliittymä Kastelli-Optimikodit Kirkkonummen Aurinkopuisto and Työyhteenliittymä Rakennuskartio/Kastellitalot Oy. The joint operations are consolidated in proportion to holding. The joint operations had no actual activities during the financial year.

Assets, liabilities, expenses and revenue of joint operations included in the consolidated balance sheet and the comprehensive income statement were as follows:

	2015	2014
Current assets	25	94
Current liabilities	0	101
Revenue	20	1,227
Expenses	5	1,298

NOTE 27.**OTHER LEASES****Group as lessee**

The Group has leased office premises and other premises necessary for business operations. The lease agreements were mainly cancellable lease agreements with a period of notice not exceeding 12 months.

Minimum lease payments payable for non-cancellable other leases:

	2015	2014
During one year	659	403
Total	659	403

Lease expenses for other lease agreements were recorded in the income statement in 2015 to a total amount of EUR 1,094 thousand (EUR 474 thousand in 2013).

NOTE 28.**LIABILITIES AND GUARANTEES****Loans covered by pledges on assets**

	2015	2014
Loans from financial institutions	12,460	7,510
Debts on shares in unsold housing company shares	4,742	7,794
Instalment debts	11	34
Total	17,213	15,338

Guarantees

	2015	2014
Corporate mortgages	1,751	8,904
Real-estate mortgages	12,250	9,310
Pledges	4,648	3,859
Absolute guarantees	282	10,262
Total	18,931	32,335

Contract guarantees

	2015	2014
Production guarantees	19,870	12,393
Warranty guarantees	4,667	5,299
RS guarantees	13,366	8,886
Payment guarantees	180	
Total	38,083	26,578

The collateral for instalment debt is the financed equipment. Absolute guarantees include contract guarantees given on behalf of another Group company and loan guarantees for housing companies under construction. Pledges are inventory items and other financing assets pledged as collateral for financial institution loans and loans for housing companies under construction. Pledges are presented at carrying amount. Furthermore, a right of claim to a lease agreement entered into by the company was given as a collateral for a loan to a subsidiary.

NOTE 29.**DISCLOSURE OF INTERESTS IN OTHER ENTITIES**

The Lehto Group is a sub-group, the main owner of which is Lehto Invest Oy with a 52.1% holding. Lehto Invest Oy is the ultimate controlling party in the Lehto Group.

Group parent/subsidiary relationships

Company	Country of domicile	Parent company	Holding, %	Share of votes, %
Rakennusliike Lehto Oy	Finland	Lehto Group Plc	100%	100%
Rakennusliike Koivukoski Oy	Finland	Lehto Group Plc	100%	100%
Rakennuskartio Oy	Finland	Lehto Group Plc	100%	100%
OptimiKodit Oy	Finland	Lehto Group Plc	100%	100%
Takuuelementti Oy	Finland	Lehto Group Plc	100%	100%
Remonttipartio Oy	Finland	Lehto Group Plc	100%	100%
Insinööritoimisto Mäkeläinen Oy	Finland	Lehto Group Plc	100%	100%
Kiinteistö Oy Ylivieskan Arvokiinteistö	Finland	Lehto Group Plc	80%	80%
Kiinteistö Oy Oulun Eteläkeskus	Finland	Lehto Group Plc	100%	100%
Lehto Bygg AB	Sweden	Lehto Group Plc	100%	100%

During the financial year, Koy Lehto Kiinteistöt merged with its parent company, Rakennusliike Lehto Oy, and Koy Kartio Arvokiinteistöt merged with its parent company Rakennuskartio Oy. The mergers were carried out for operative reasons.

In November-December 2015, the parent company acquired the minority shares Optimikodit Oy and the participation of one shareholder in Koivukoski Oy. The acquisition price for these was a total of EUR 2.3 million. The acquisitions are subject to a possible additional purchase price which is estimated at approx. EUR 1.6 million. Additional purchase prices are recorded in current and non-current liabilities at their value.

At the start of December, the parent company carried out an exchange of shares with the minority shareholders in Rakennusliike Lehto Oy, Rakennusliike Koivukoski Oy and Remonttipartio Oy. In the exchange, the minority shareholders in the subsidiaries received new shares issued by Lehto Group Plc and the number of shares in Lehto Group Plc grew from the previous number (20,428,571) by 2,226,631 to a total of 22,655,202. After the arrangement, Lehto Group Plc holds 100% of the shares in all of its subsidiaries. The acquisitions are presented in the Group's statement of changes in equity on row Acquisitions of non-controlling interest not resulting in change in control.

A list of associated companies is presented in Note 13 "Investments in associated companies" and a list of joint ventures is presented in Note 26 "Joint arrangements".

A summary of financial information on subsidiaries with a substantial non-controlling interest

As at 21 December 2015, the Group no longer has subsidiaries with a substantial non-controlling interest. Below is the information of subsidiaries in which the Group still had a substantial non-controlling interest at 31 January 2014.

2014	Rakennusliike Koivukoski Oy	OptimiKodit Oy	Remonttipartio Oy	Other *)
Country of domicile	Finland	Finland	Finland	Finland
Non-controlling interest	40.00%	25.31%	22.48%	
Assets	7,726	10,396	4,071	
Equity	3,077	-449	1,534	
Liabilities	4,648	10,844	2,537	
Net sales	32,251	9,021	14,567	
Operating profit	3,120	52	1,727	
Profit for the financial year	2,493	-426	1,362	
Share of profits attributable to the owners of the parent company	1,496	-318	1,055	
Share of profits, non-controlling interest	997	-108	306	173
Share of equity, non-controlling interest	1,231	-114	345	173
Dividends paid to holders of non-controlling interest	800	127	303	241
Net cash from operating activities	755	455	1,463	
Net cash from investments	-13	-55	-35	
Net cash used in financing activities	-1,390	-138	-1,350	

*) Other subsidiaries with non-controlling interests which are not individually significant.

NOTE 30.**RELATED PARTY TRANSACTIONS**

The Group's related parties include Group companies, members of the Board of Directors, the Managing Director, the Chief Financial Officer and the Chief Operating Officer as well as entities on which related parties have influence through ownership or management. Related parties also include associated companies and joint ventures.

Transactions with related parties from 1 Jan. to 31 Dec. 2015

	Sales 2015	Acquisitions 2015	Sales 2014	Acquisitions 2014
Associated companies	1,625		2,895	
Key personnel and their controlled entities	16,493	1,330	1,737	804
Total	18,118	1,330	4,633	804

	Receivables at 31 Dec. 2015	Liabilities at 31 Dec. 2015	Receivables at 31 Dec. 2014	Liabilities at 31 Dec. 2014
Associated companies	500		1,366	
Key personnel and their controlled entities	65	6	2	17
Total	565	6	1,368	17

A major part of related party transactions are connected with purchase of apartments and other premises from the company. The transactions are valued at the debt-free selling price of the completed site. A large portion of the sites were still under construction at the end of the financial year and only some of the sites had net sales recorded for the 2015 financial year.

Management employee benefits	2015	2014
Salaries and other short-term employee benefits	896	590
Total	896	590

Salaries and remuneration	2015	2014
Chief Executive Officer		
Hannu Lehto, from 2 June 2014	76	32
Asko Myllymäki, until 1 June 2014		44
Members of the Board of Directors		
Pertti Huuskonen (chairman), from 13 Dec. 2014	33	16
Hannu Lehto	76	76
Martti Karppinen, from 28 May 2014	18	7
Mikko Räsänen, from 13 Dec. 2013	16	13
Päivi Timonen, from 28 May 2014	18	7
Tomi Koivukoski, member of the Board of Directors from 24 March 2015	42	
Timo Luhtaniemi, member of the Board of Directors until 28 May 2014		-
Mikko Kinnunen, member of the Board of Directors until 28 May 2014		24

NOTE 31.**BUSINESS COMBINATIONS AND ACQUISITION OF INDIVIDUAL ASSETS***Business combinations*

IFRS 3 is applied on business acquisitions, whereby identifiable assets, liabilities and contingent liabilities are valued at fair value on the acquisition date and all costs relating to the acquisition are recorded in the income statement.

Assets and liabilities arising from the acquisition of Insinööritoimisto Mäkeläinen Oy

In late February 2015, Lehto Group Plc acquired the entire share capital of Insinööritoimisto Mäkeläinen Oy in Kajaani. The sellers were the company's key personnel. Insinööritoimisto Mäkeläinen focuses on planning extensive and long-term construction projects. The company's net sales in 2014 totalled approx. EUR 1.9 million and it had 19 employees at the time of acquisition.

Acquired assets

Other intangible assets

Customer relationships	2,782
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Other intangible assets	62
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Property, plant and equipment	49
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Current receivables	282
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Cash at bank and in hand	218
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Total assets	3,393
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Acquired liabilities

Current liabilities	344
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Liabilities, total	344
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Net assets	3,048
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Purchase price paid in cash	1,040
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Purchase price paid in shares	1,500
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Contingent additional purchase price	508
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<i>Acquisition cost</i>	<i>3,048</i>
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Cash and cash equivalents of the acquired company	-218
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<i>Effect on cash flow after the payment of the additional purchase price</i>	<i>2,830</i>
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Nonrecurring costs from the acquisition, which are recorded in the income statement, totalled EUR 51 thousand.

Acquisition of an individual business

Takuuelementti Oy, a Group company, acquired the business operations of Rakennusliike Valkia Oy on 11 February 2015. The transaction includes Valkia's space element production in Oulainen and new row house projects to be started. Valkia Oy's net sales in the previous year was approx. EUR 6 million. The company employs about 20 construction professionals at the facility in Oulainen. The entire personnel was transferred to Takuuelementti as established employees. The purchase price of EUR 0.4 million is allocated entirely on the acquired business's fixed assets and inventories.

Were the business acquisitions described above carried out at the beginning of the financial year, the Group's estimated net sales would have been EUR 276.0 million and operating profit EUR 27.3 million.

Group key figures

Financial indicators	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net sales, EUR million	275.6	171.1	113.4	113.9
Net sales, change from the previous year %	61.1%	50.8%	-0.4%	-
Operating profit, EUR million	27.2	5.8	9.2	9.2
Operating profit, as % of net sales	9.9%	3.4%	8.1%	8.1%
Profit or loss for the financial year, EUR million	21.2	4.1	6.7	6.7
Profit or loss for the financial year, as % of net sales	7.7%	2.4%	5.9%	5.9%
Return on investments (ROE), %	85.1%	25.6%	51.7%	82.6%
Return on equity (ROI), %	66.5%	21.6%	49.0%	51.0%
Equity ratio, %	37.2%	27.3%	40.7%	34.4%
Gearing, %	32.6%	48.8%	26.7%	23.4%
Net gearing ratio, %	-22.9%	50.9%	-16.2%	-8.8%
Earnings per share, EUR, diluted	1.03	0.14	0.27 *)	0.25 *)
Average number of shares during the financial year*)	20,531,279	20,000,000	20,000,000	20,000,000
Number of shares at the end of the financial year*)	22,655,202	20,000,000	20,000,000	20,000,000

*) Adjusted with the bonus issue carried out on 10 March 2014

Definitions of key figures

Return on equity (ROE), %	100 x	$\frac{\text{Profit for the financial year}}{\text{Equity (average)}}$
Return on investments (ROI), %	100 x	$\frac{\text{(Profit before taxes + interest and other financial expenses)}}{\text{Balance sheet total - non-interest bearing liabilities (average)}}$
Equity ratio, %	100 x	$\frac{\text{Equity}}{\text{Balance sheet total - advances received}}$
Gearing, %	100 x	$\frac{\text{Non-current borrowed capital}}{\text{Equity + provisions}}$
Net gearing ratio, %	100 x	$\frac{\text{(Interest-bearing liabilities - Cash and cash equivalents and financial securities)}}{\text{Equity}}$
Profit per share		$\frac{\text{Profit for the financial year}}{\text{Adjusted average number of shares during the year}}$

Income statement for the parent company, FAS	1 Jan. – 31 Dec. 2015	1 Jan. – 31 Dec. 2014
Net sales	1,682	1,040
Other operating income	485	425
Purchases during the financial year		-4
External services		
Personnel expenses		
Salaries and fees	-1,139	-766
Personnel costs		
Pension costs	-197	-125
Indirect employee costs	-56	-41
Depreciation according to plan and impairment	-247	-139
Other operating expenses	-1,559	-1,935
Operating loss	-1,031	-1,546
Financial income and expenses		
Income from holdings in Group companies	9,284	6,800
Income from other investments held as non-current assets, from others		7
Interest and other financial income		
From Group companies	14	43
From others	6	6
Amortisation from other investments held as non-current assets		
Interest and other financial expenses		
To Group companies	-8	-5
To others	-252	-178
Financial income and expenses, total	9,044	6,673
Profit before taxes	8,013	5,127
Profit for the financial year	8,013	5,127

	31 December 2015	31 December 2014
Balance sheet for the parent company, FAS		
ASSETS		
Non-current assets		
Intangible assets	363	337
Machinery and equipment	123	110
Holdings in Group companies	20,186	9,021
Investments in associated companies	781	781
Other shares and investments	5	11
Non-current assets, total	21,458	10,260
Current assets		
Inventories	83	83
<i>Non-current receivables</i>		
Receivables from Group companies	375	375
Receivables from associated companies	500	176
Other receivables	177	58
<i>Current receivables</i>		
Trade receivables	11	8
Receivables from Group companies	2,809	7,586
Other receivables	109	275
Adjusting entries for assets	19	53
Cash and cash equivalents	16,115	2,429
Current assets total	20,197	11,043
ASSETS TOTAL	41,655	21,303
EQUITY AND LIABILITIES		
Equity		
Share capital	100	100
Invested non-restricted equity reserve	5,830	300
Retained earnings	11,610	11,483
Profit for the financial year	8,013	5,127
Equity, total	25,553	17,010
Liabilities		
<i>Non-current liabilities</i>		
Convertible bonds	5,000	
Other liabilities	1,683	
Non-current liabilities, total	6,683	
<i>Current liabilities</i>		
Loans from financial institutions	850	1,850
Trade payables	143	49
Liabilities to Group companies	6,842	2,184
Other liabilities	1,041	70
Adjusting entries for liabilities	543	140
Current liabilities, total	9,420	-4,293
Liabilities, total	16,103	-4,293
EQUITY AND LIABILITIES TOTAL	41,655	21,303

Cash flow statement for the parent company, FAS	31 December 2015	31 December 2014
Cash flow from operating activities		
Profit for the financial year	8,013	5,127
Adjustments:		
Depreciation according to plan and impairment	247	139
Financial income and expenses	-9,044	-6,673
Gain on sale of non-current assets	-247	-223
Changes in working capital:		
Change in trade and other receivables	-17	-342
Change in trade and other payables	346	41
Interest paid and other financial expenses	-170	-246
Dividends received from operations	12,681	2,695
Financial income received	20	50
Income taxes paid	34	137
Net cash from operating activities	11,863	704
Cash flow from investments		
Investments in intangible and tangible assets	-286	-457
Investments in other investments	-2,921	-38
Proceeds from sale of investments	256	398
Repayment of loan receivables	30	
Loans granted	-473	-234
Dividends received		7
Net cash from investments	-3,393	-325
Cash flow from financing		
Change in Group financing	6,216	-1,006
Long-term loans drawn	5,000	
Long-term loans repaid		-1,601
Short-term loans drawn	-2,600	4,050
Short-term loans repaid	-3,600	-3,217
Dividends paid and other distribution of profits	-5,000	-1,400
Net cash used in financing activities	5,216	-3,174
Change in cash and cash equivalents (+/-)	13,686	-2,794
Cash and cash equivalents at the beginning of the financial year	2,429	5,223
Cash and cash equivalents at the end of the financial year	16,115	2,429

Notes to the financial statements for the parent company

Measurement and timing principles

Inventories are measured at variable cost by applying the FIFO principle and the lowest value principle pursuant to Chapter 5, Section 6(1) of the Finnish Accounting Act.

Depreciable fixed assets are measured at variable cost and depreciated according to plan.

Bases of depreciation

Machinery and equipment 3–5 years straight-line depreciation

Intangible rights 3–5 years straight-line depreciation

Other long-term expenditure 3 years straight-line depreciation

No changes in the bases of depreciation.

Items denominated in foreign currency

There are no items denominated in foreign currency.

NOTES TO THE INCOME STATEMENT

Net sales by business area	2015	2014
Group internal service charges	1,682	1,017
Other net sales, internal		20
Other net sales, external		4
Total	1,682	1,040
Auditors' fees	2015	2014
Statutory auditing	15	18
Other services	57	42
Total	71	60
Total amounts of dividend income, interest income and interest expenses:	2015	2014
Dividend income from Group companies	9,284	6,800
Dividend income from others		7
Interest income from Group companies	14	43
Interest income from others	6	6
Interest costs on intra-Group liabilities	-8	-5
Interest costs to others	-173	-87
Other financial expenses	-79	-91
Total	9,044	6,673

NOTES ON BALANCE SHEET ASSETS

Acquisition costs of non-current assets

Intangible rights	2015	2014
Acquisition cost at 1 Jan.	206	20
Increases	98	186
Acquisition cost at 31 Dec.	304	206
Accumulated depreciation at 1 Jan.	-52	-6
Depreciation and amortisation	-80	-46
Accumulated depreciation at 31 Dec.	-132	-52
Book value at 1 Jan.	154	14
Book value at 31 Dec.	172	154
Other long-term expenditure	2015	2014
Acquisition cost at 1 Jan.	241	53
Increases	117	188
Acquisition cost at 31 Dec.	358	241
Accumulated depreciation at 1 Jan.	-58	-3
Depreciation and amortisation	-109	-55
Accumulated depreciation at 31 Dec.	-167	-58
Book value at 1 Jan.	184	50
Book value at 31 Dec.	191	184

Machinery and equipment	2015	2014
Acquisition cost at 1 Jan.	203	119
Increases	71	84
Decreases	-25	
Acquisition cost at 31 Dec.	248	203
Accumulated depreciation at 1 Jan.	-93	-54
Depreciation and amortisation	-58	-38
Accumulated depreciation on decreases	25	
Accumulated depreciation at 31 Dec.	-126	-93
Book value at 1 Jan.	110	64
Book value at 31 Dec.	123	110
Investments	2015	2014
Acquisition cost at 1 Jan.	9,903	10,040
Increases	11,169	38
Decreases	-10	-175
Acquisition cost at 31 Dec.	21,063	9,903
Accumulated depreciation at 1 Jan.	-91	-91
Accumulated depreciation at 31 Dec.	-91	-91
Book value at 1 Jan.	9,812	9,949
Book value at 31 Dec.	20,972	9,812
Receivables from Group companies		
Non-current	2015	2014
Loan receivables	375	375
Total	375	375
Current	2015	2014
Trade receivables	618	270
Loan receivables	1,259	2,336
Other receivables	932	4,497
Group limit		483
Total	2,809	7,586
Essential items included in adjusting entries for assets	2015	2014
Current tax assets		34
Other adjusting entries for assets	19	19
Total	19	53
NOTES ON BALANCE SHEET LIABILITIES		
Equity	2015	2014
Share capital on 1 Jan.	100	100
Share capital on 31 Dec.	100	100
Invested non-restricted equity reserve at 1 Jan.	300	300
Changes during for the financial year	5,530	
Invested non-restricted equity reserve at 31 Dec.	5,830	300
Retained earnings at 1 Jan.	11,483	9,326
Retained earnings	5,127	3,557
Distribution of dividends	-5,000	-1,400
Retained earnings at 31 Dec.	11,610	11,483
Profit/loss for the financial year	8,013	5,127
Equity, total	25,553	17,010

Statement of distributable funds	2015	2014
Invested non-restricted equity reserve	5,830	300
Retained earnings	11,610	11,483
Profit/loss for the financial year	8,013	5,127
Total	25,453	16,910
Liabilities to Group companies	2015	2014
Trade payables	6	3
Group limit	6,836	2,180
Total	6,842	2,184
Essential items included in adjusting entries for liabilities	2015	2014
Salary debt	157	
Holiday pay debt with related costs	123	118
Non-wage labour cost debt	70	18
Interest debt	93	4
Other liabilities	101	
Total	543	140
GUARANTEES AND CONTINGENT LIABILITIES		
Loans covered by pledges on assets	2015	2014
Loans from financial institutions	850	1,850
Total	850	1,850
Guarantees		
Corporate mortgages		3,200
Absolute guarantees	59	
Total	59	3,200
Amount of credit limits		
Credit limits available	4,005	7,000
Credit limits in use	3	5,150
Credit limits outstanding	4,002	1,850
Guarantee limits available	49,300	25,000
Guarantee limits in use	36,519	14,600
Guarantee limits outstanding	12,781	10,400
Pledged shares in subsidiaries		
Pledged shares in subsidiaries	9,170	6,071
Guarantees given on behalf of other Group companies		
Guarantees given and other commitments	38,088	14,600
Leasing agreements not included in balance sheet		
Expiring in 12 months	4	
Expiring in more than 12 months	4	
Total	9	
Lease liabilities	2015	2014
Construction leases	379	367
Lease liabilities, total	379	367

NOTES ON PERSONNEL AND MEMBERS OF ADMINISTRATIVE BODIES**Number of personnel**

Average number of company personnel at the end of the financial year	2015	2014
Salaried employees	19	17
Total	19	17

Remuneration of the Managing Director and members of the Board of Directors are specified in Note 30 to the consolidated financial statements.

ACCOUNTING BOOKS AND TYPES OF VOUCHERS**List of accounting books and methods of storage**

Journal		On CD
General ledger		On CD
Accounts receivable		On CD
Purchase ledger		On CD
Payroll accounts		On CD
Balance sheet book		Separately bound
Balance sheet specifications		On CD

Types of vouchers used and method of storage

Bank receipts Nordea	1	On CD
Bank receipts OP	5	On CD
Bank receipts Danske	8	On CD
Sales vouchers	35 and 39 20, 25, 41 and	On CD
Purchase receipts	42	On CD
Pay slips	50	On CD
Memo vouchers	9 and 80	On CD
Accruals	90	On CD
VAT records	99	On CD

Shares and shareholders

The company has one share class. Each share entitles its holder to one vote in the General Meeting of Shareholders and to an equal amount of dividend.

The share capital is EUR 100,000. On the balance sheet date the company had 22,655,202 shares outstanding.

The company's 10 largest shareholders at the balance sheet date:

Shareholder	31 December 2015	31 December 2015	31 December 2014	31 December 2014
	shares	%	shares	%
Lehto Invest Oy	11,808,192	52.12%	13,360,000	66.80%
Asko Myllymäki	3,490,000	15.40%	4,540,000	22.70%
Mikko Kinnunen	1,397,858	6.17%	1,700,000	8.50%
Winduo Oy	989,572	4.37%	-	-
Tomi Koivukoski	946,460	4.18%	-	-
Ari Saartoala	672,593	2.97%	-	-
Jaakko Heikkilä	444,121	1.96%	-	-
Lunacon Oy	404,285	1.78%	200,000	1.00%
Lasse Mäkeläinen	308,421	1.36%	-	-
Yrjö Lahtinen	256,020	1.13%	-	-
Others	1,937,680	8.55%	200,000	-
Total	22,655,202	100.00%	20,000,000	100.00%

Board of Directors' proposal for the distribution of profits

The parent company's distributable funds are EUR 25,452,933.84, of which the operating profit is EUR 8,013,128.07.

The Board of Directors proposes that the distributable funds be used as follows:

Dividends to be paid to shareholders: a maximum of EUR 0.35 per share, or	7,929,320.70 euros
To be left in shareholders' equity	17,523,513.14 euros
Total	25,452,833.84 euros

No significant changes occurred in the company's financial position after the end of the financial year.

The company's liquidity is good, and in the Board of Directors' opinion, the proposed distribution of profits does not compromise the company liquidity.

Signatures to the annual report and financial statements

Kempele, 8 March 2016

Pertti Huuskonen, Chairman of the Board of Directors

Martti Karppinen, member of the Board of Directors

Mikko Räsänen, member of the Board of Directors

Päivi Timonen, member of the Board of Directors

Tomi Koivukoski, member of the Board of Directors

Hannu Lehto, Managing Director, member of the Board of Directors

The Auditor's Note

We have audited Lehto Group Plc's financial statements and annual report.

An auditors' report has been issued today.

Kempele, 8 March 2016

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

AUDITOR'S REPORT

To the Annual General Meeting of Lehto Group Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Lehto Group Oyj for the year ended 31 December, 2015. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Kempele, March 8, 2016

KPMG Oy Ab

(signed)

Tapio Raappana

Authorized Public Accountant