

An aerial photograph of a city, likely Helsinki, showing a large building under renovation. The building is covered in white scaffolding and has the word 'CONSTI' written on its side. In the background, there is a large body of water and a prominent church with two tall, green spires. The foreground shows a street with cars and other buildings.

CONSTI GROUP PLC

SEB NORDIC SEMINAR

9 JANUARY 2018

CEO Esa Korkeela



Contents

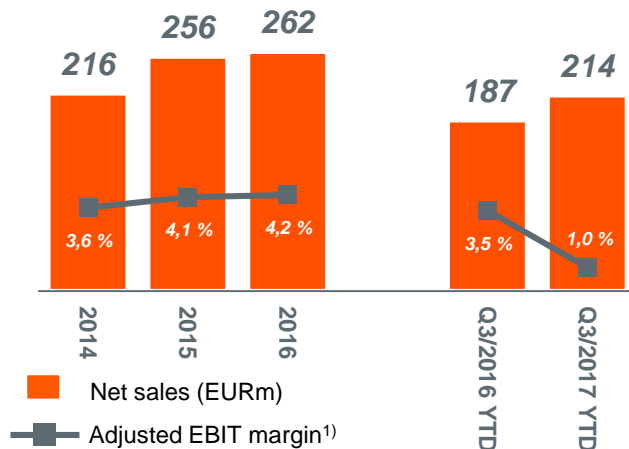
- **Business and strategy**
- Market environment and competitive landscape
- Guidance and financials in brief

Overview of Consti – one of the leading renovation and technical services provider in Finland

Consti in brief

- Comprehensive service offering covering technical building services, building facades, renovation contracting and maintenance services
- Focused on Finnish growth centres
- Established in 2008, headquartered in Helsinki, Finland.

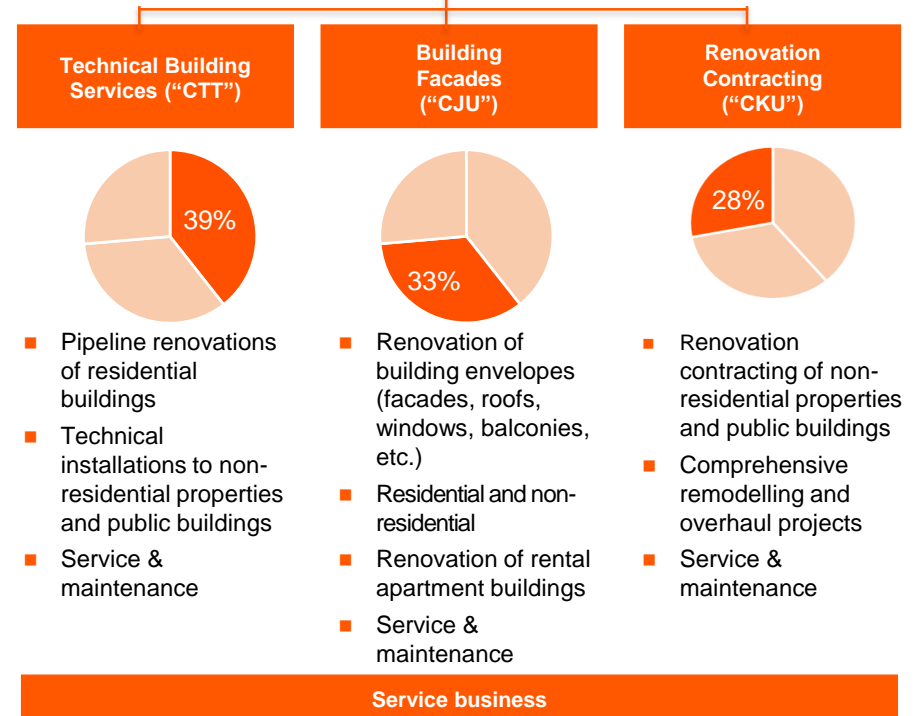
Net sales & Adjusted EBIT margin



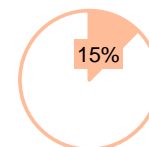
Note: 2016 figures if not stated otherwise

1) Adjusted figures excluding items affecting comparability.

CONSTI



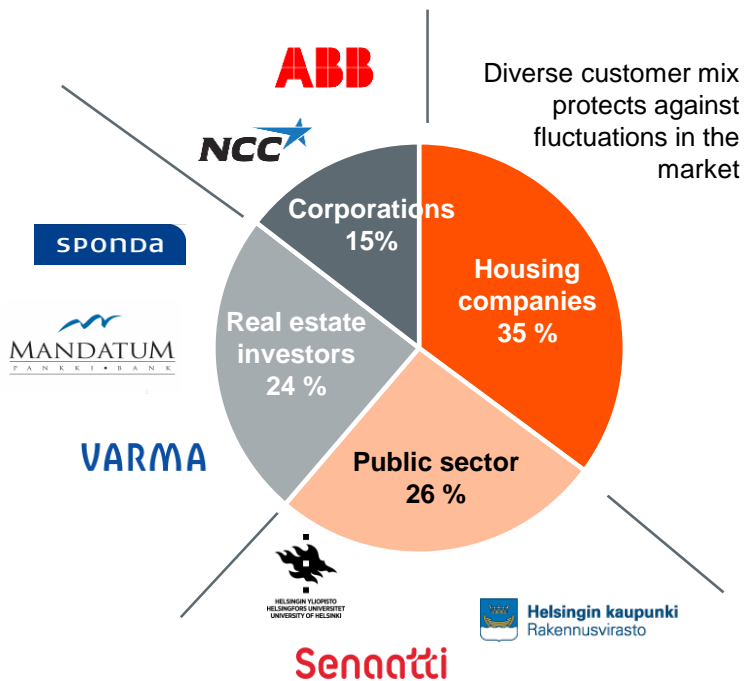
Share of sales 2016



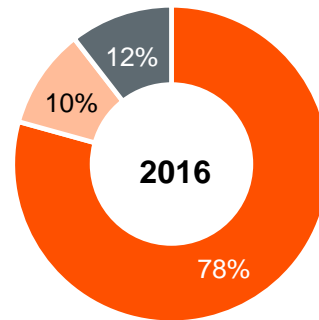
- Wide range of services for HVAC and renovation contracting
- Building facade cleaning and maintenance painting of building exteriors and staircases
- Small-scale building repairs including window repairs, renewal of lobbies, inspection of premises

Diverse customer mix protects against fluctuations in the market; presence in Finnish growth centres

Net sales by customer groups 2016



Net sales by geographical area

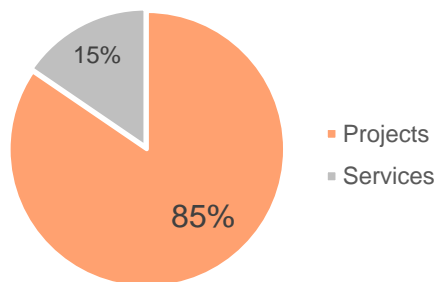


- Helsinki & Uusimaa
- Tampere & Pirkanmaa
- Others



Net sales realised from one single customer did not exceed 10% of the year's sales.

Consti Group's project overview – Dispersed project base with a relatively small median project size



Contract type / delivery model

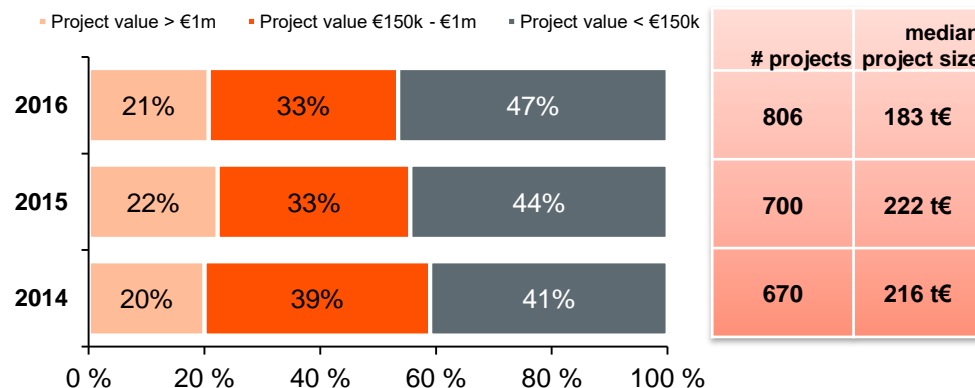
Fixed price contract

Design and Build contract

Project management contract

Integrated project delivery (e.g. Alliance contract)

Project size distribution 2014-2016 (# of projects)



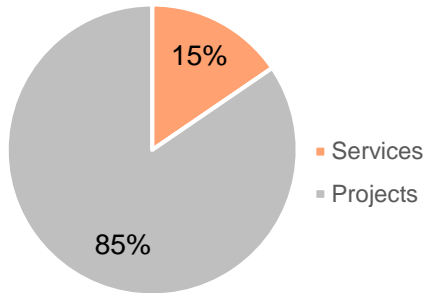
79% of the projects in progress in 2016 were valued at EUR 1 million or below

Comments

- In 2016, the company had 806 projects¹⁾ with a median project size of EUR 183 thousand
- In 2016, net sales was generated from relatively small projects
- Large projects typically realised in net sales over several years
- In 2012-2016, net sales realised during one year from one single project has not exceeded 10% of that year's sales

■ 1) Number of projects based on management accounts. Project is qualified if it is accounted for according to the POC method and had realised revenue during the financial year. Total number of work tasks performed is larger (including non-POC)

Consti Group's service overview – Service, repairs and installations across business areas



Contract type / delivery model

Service projects

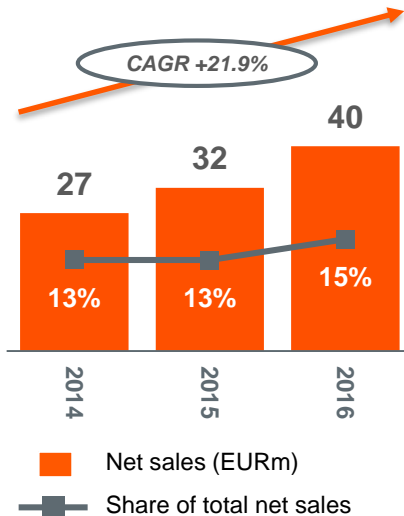
Framework agreement

Fixed-term service contract

Service business

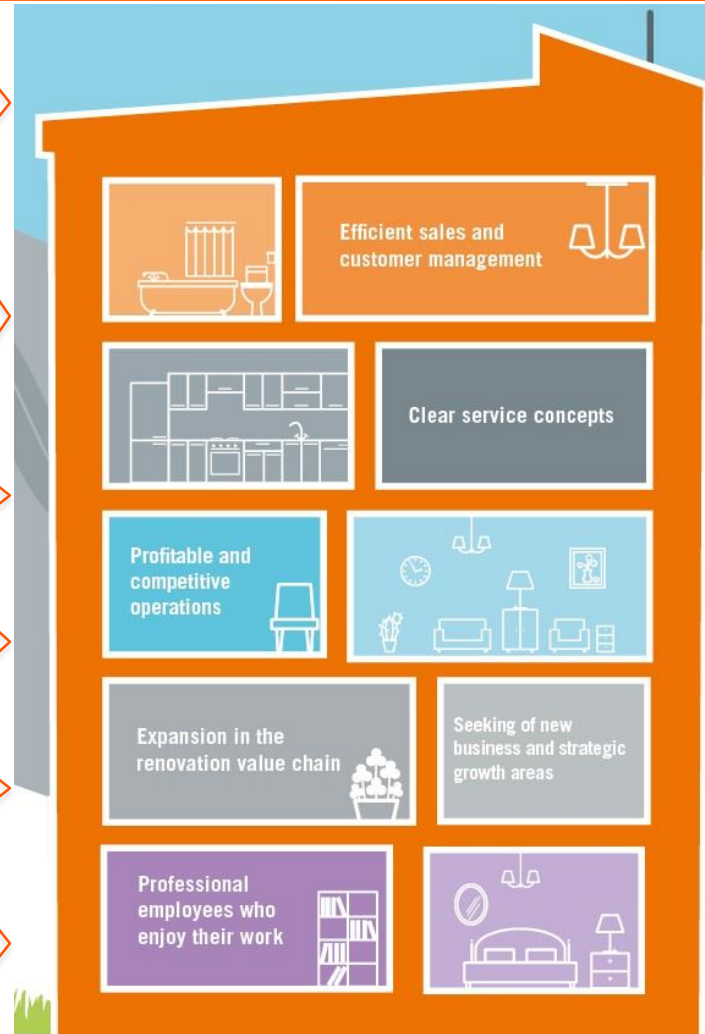
- Service business consists of small scale service projects as well as upkeep and maintenance services
- Services are offered in all business areas
- Service business includes e.g. maintenance, repair and installation work, non-residential facility remodelling and energy contracting
- Wide range of services for HVAC and renovation contracting
- Building facade cleaning and maintenance painting of building exteriors and staircases
- Small-scale building repairs including window repairs, renewal of lobbies, inspection of premises

Service business net sales & share of total net sales



Consti Group's strategic themes. Strategy implemented through strategic initiatives.

- 1 Profitable and competitive operations in all projects and services**
 - The best lead time and productivity in renovation construction industry
 - Continuous relative decreasing of fixed and procurement costs
 - Systematic development of the business portfolio
- 2 Professional employees who enjoy their work and are proud of their work**
 - Efficient recruitment and career path planning
 - The most attractive place to work in renovation construction
 - Best competences in renovation construction in use
 - High level of commitment, job satisfaction and safety
- 3 Clear service concepts to meet customer needs**
 - Customer specific key products and adequate product selection
 - Active renovation & service offering management
- 4 Efficient sales and customer management**
 - Clear customer promise – active care
 - Customer specific services and generating value added
 - Key account management
- 5 Expansion in the renovation value chain**
 - We offer all services of a building from renovation to maintenance and from health to energy efficiency.
- 6 Active seeking of new business and strategic growth areas**
 - We seek growth in all business areas, especially in strategic growth areas, which are to a large extent the same as before.
 - Additionally, we also want new growth in areas we have not previously operated in, or in which we have not had a strong enough foothold.



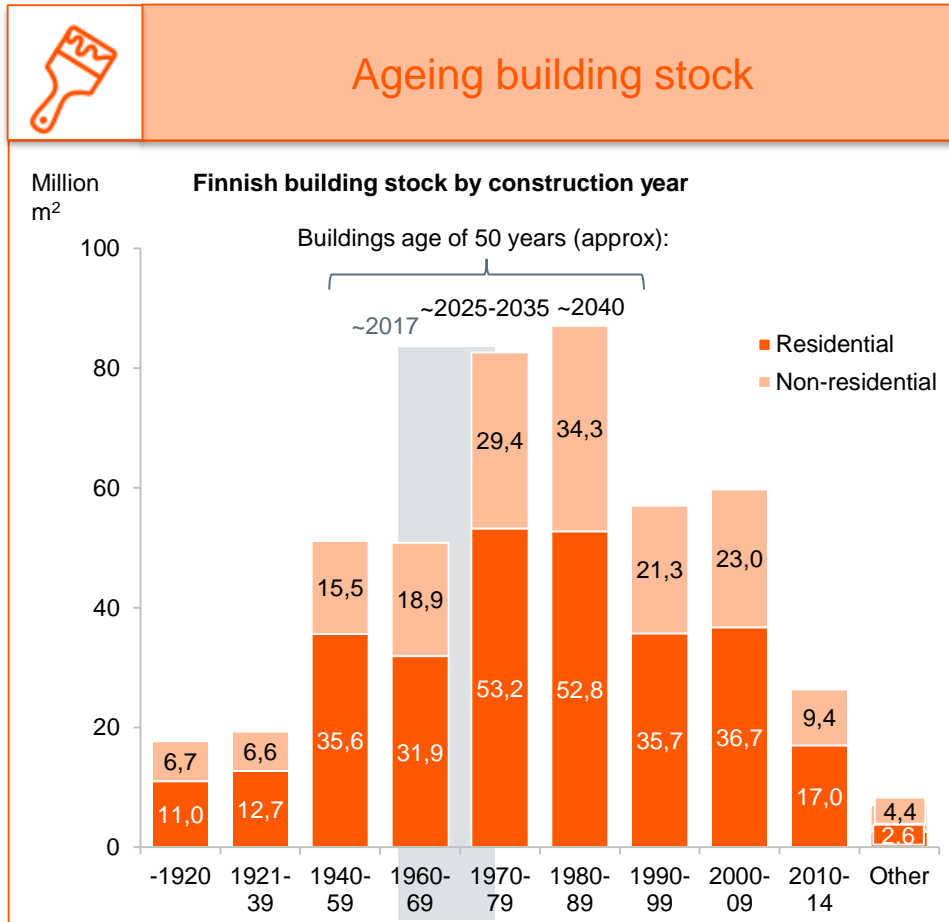
Consti Vision: # 1 in Renovation



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- Business and strategy
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Renovation market growth supported by a number of key structural growth drivers



Source: Statistics Finland

Energy efficiency

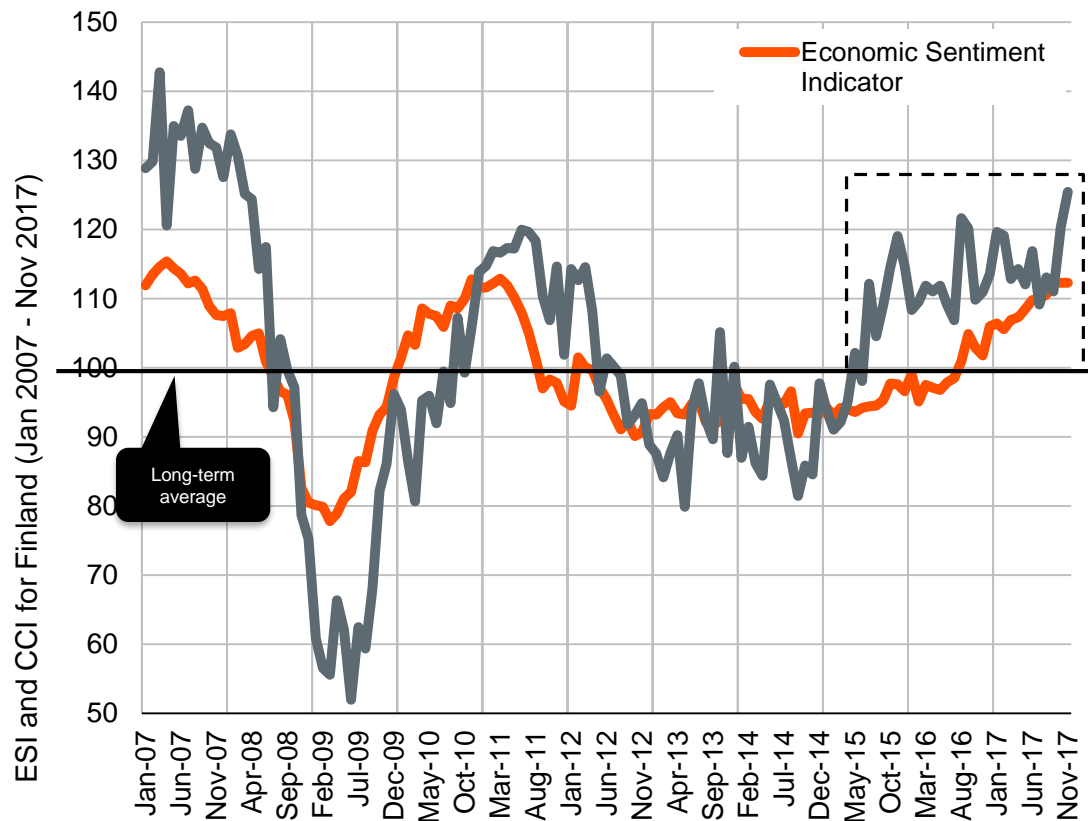
Urbanisation

Modifications of the use of buildings

Increased need for building technology and automation

Lead indicators for Finnish construction suggest a favourable market environment going forward

Economic Sentiment and Construction Confidence / Finland (2007 – 11/2017)



Comments

- Economic sentiment in Finland rose above the long-term average in August 2016
- Construction confidence surpassed the long-term average level in summer 2015 and has steadily remained above that level
- Both indicators at good level in the end of 2017

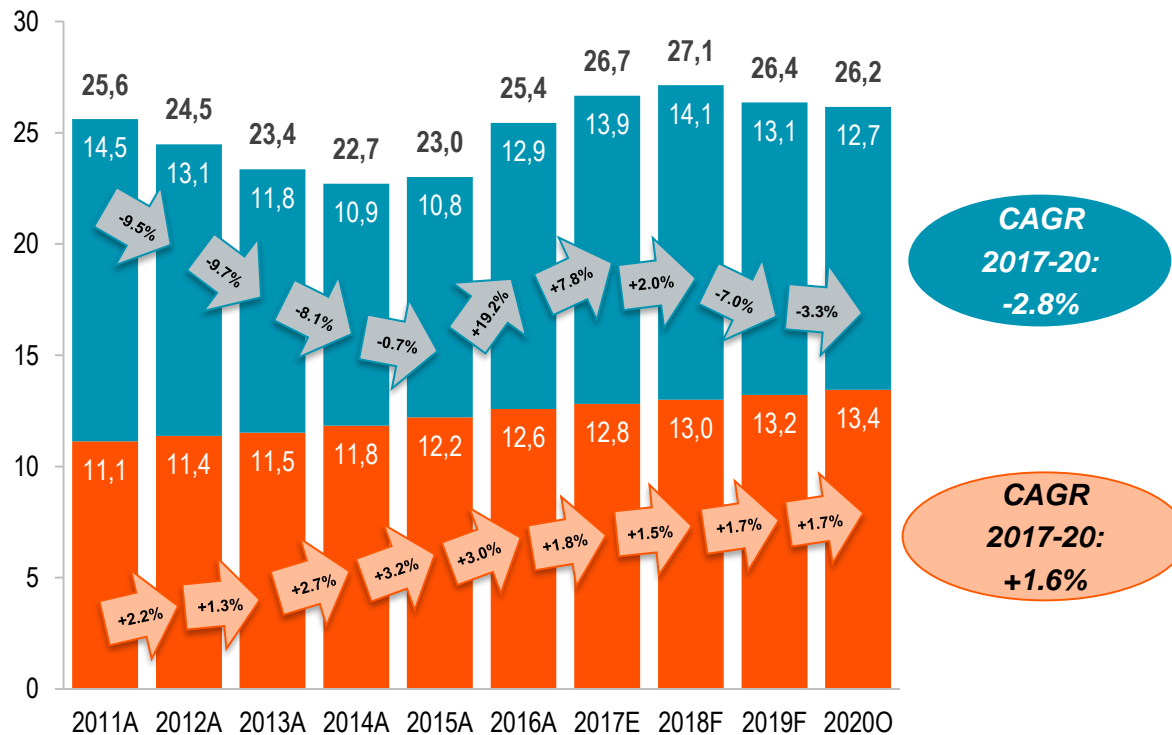
Note: Mean-adjusted figures

Source: European Commission, November 2017

Stable growth in renovation to continue

Finnish new building and renovation market development

EURmrd ■ Renovation volume (real) ■ New building volume (real)



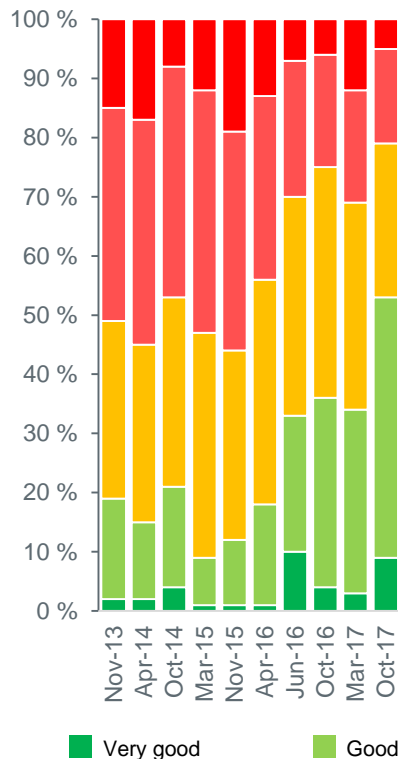
- The peak of the economic cycle in construction sector in progress.
 - Challenges in availability of building technology and renovation professionals
- Total construction market forecast for 2017: Euroconstruct +4.8% and CFCI +4.4%
- New building forecast for 2017: Euroconstruct +7.8% and CFCI +7.3%
- Renovation forecast for 2017: Euroconstruct + 1.8% and CFCI +1.5%
 - 1970s apartments' total renovations, and renovations for saving energy, in public sector schools and hospitals in particular
 - Major refurbishments for office and commercial buildings

Source: Euroconstruct, November 2017

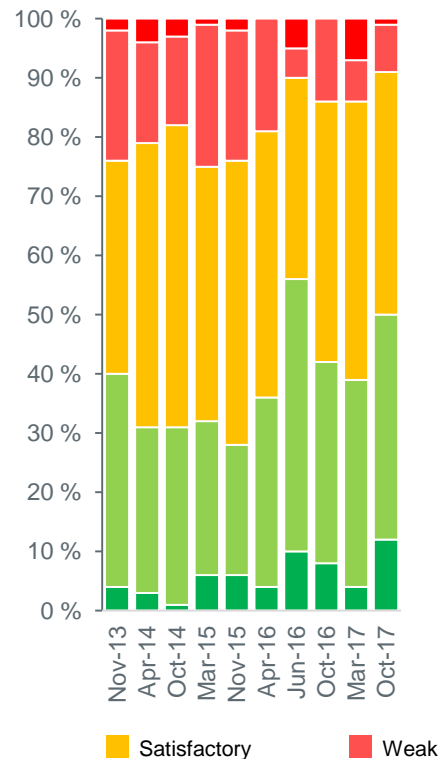
CFCI = The Confederation of Finnish Construction Industries, October 2017

HPAC market estimates improving business conditions within all sectors (new building, renovation, service)

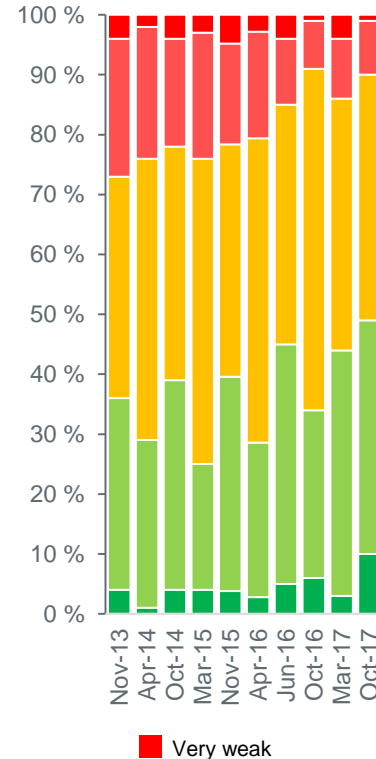
Current business conditions
New building



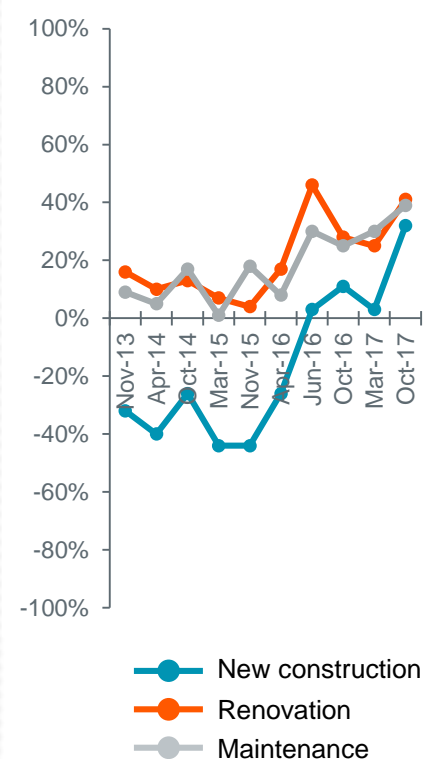
Current business conditions
Renovation



Current business conditions
Service



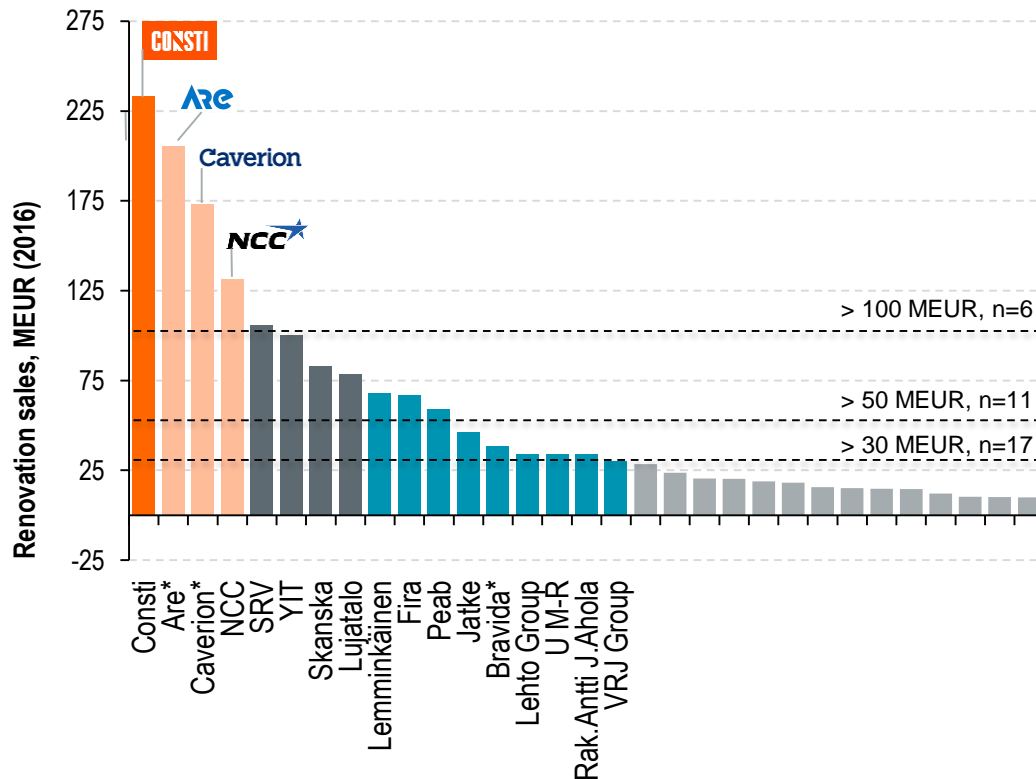
Current business conditions
Balance of opinion*



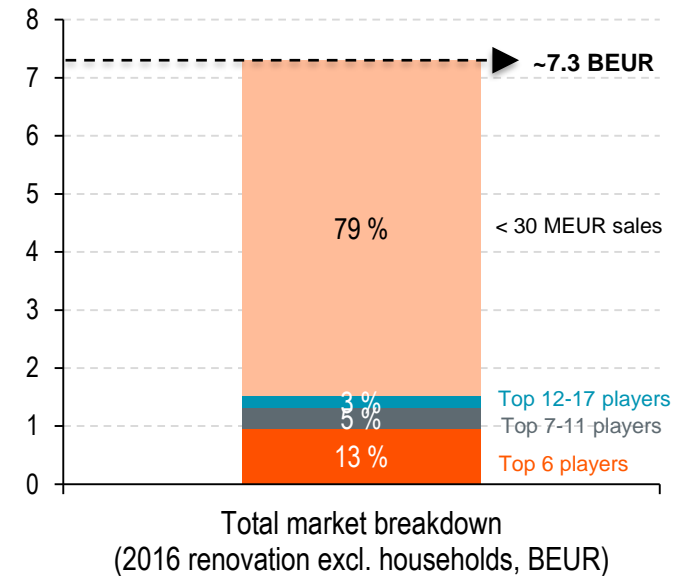
* Balanced view = Very good + Good - Weak - Very weak
Source: Finnish Association of HPAC Technical Contractors

Finnish renovation market highly fragmented with plenty of consolidation potential – Consti was #1 in 2016

Operators in the Finnish renovation market (TBS specialists estimated)



Overall renovation market (excl. households)



Total Finnish renovation market (excl. households) estimated to total approximately EUR 7.3 billion in 2016. In recent years, in general, the share of top ten players has increased and consolidation is expected to continue going forward.

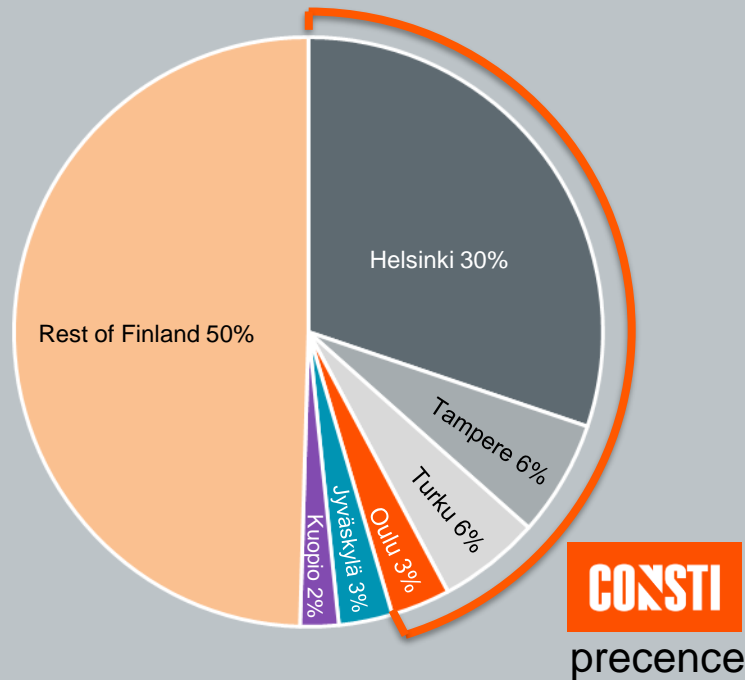
Source: Rakennuslehti, Asiakastiето, Consti analysis

* Technical building services specialists estimated on the basis of total Finnish TBS market split: 55% renovation / 45% new building

Finnish renovation market of EUR 12bn is concentrated in growth centres and residential properties

1

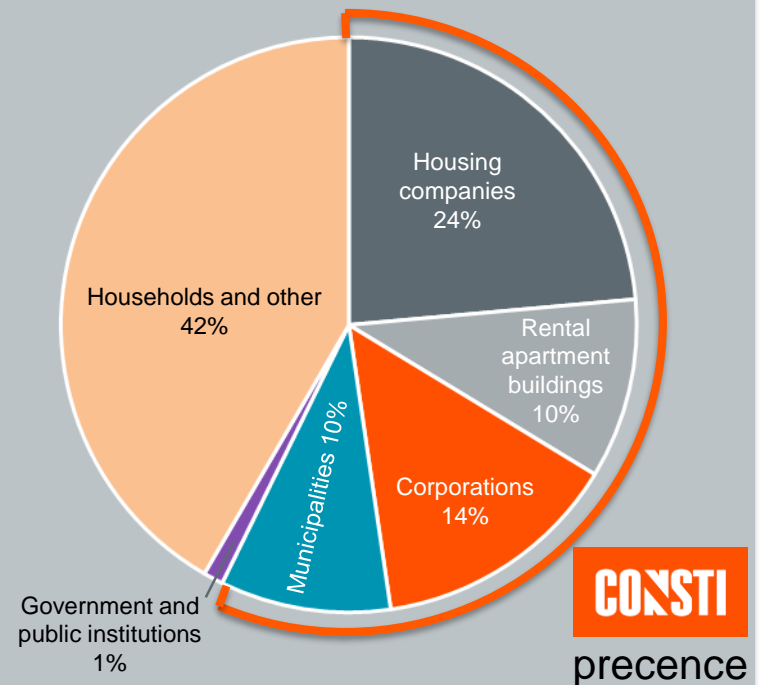
Renovation by geography



Renovation market concentrated in the largest cities and growth centres where majority of building stock is located

2

Renovation by customer group



Strongest need for renovation from residential buildings, also stemming from the building stock structure

Source: VTT, February 2017



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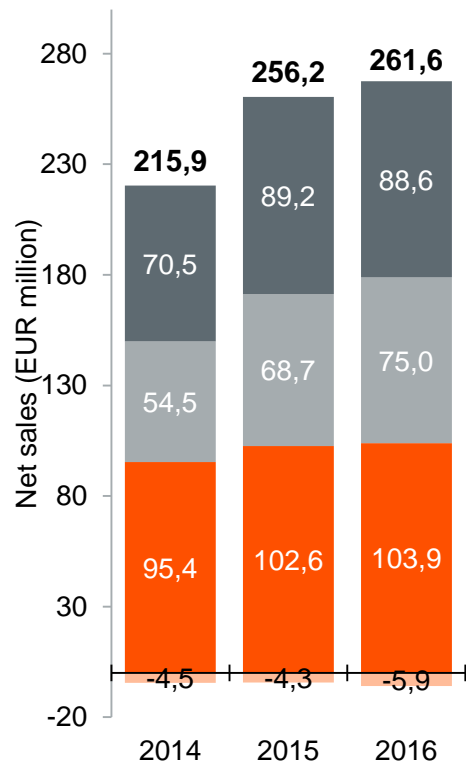
Guidance for 2017

“The Company estimates that its total annual net sales for 2017 will grow compared to 2016 but operating profit will be significantly lower than in 2016.”

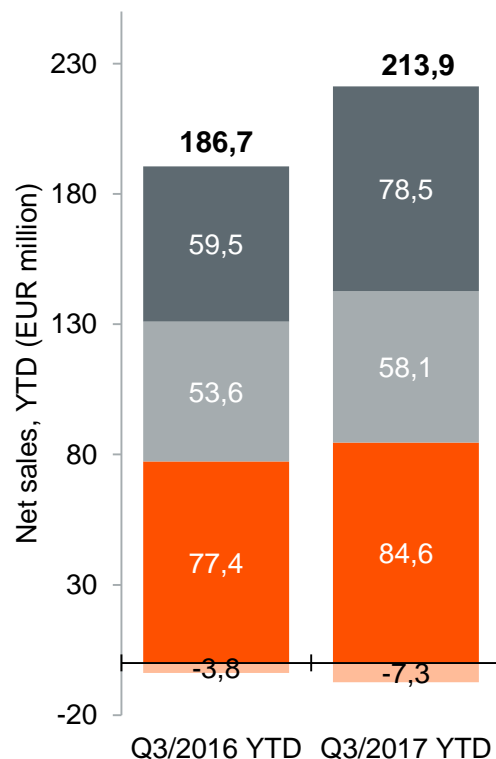


Net sales development: 1-9/2017 net sales up by 14.5%

Net sales development (FY)

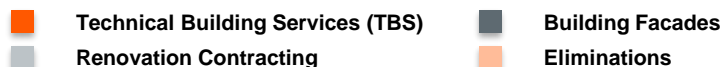


Net sales development (YTD)



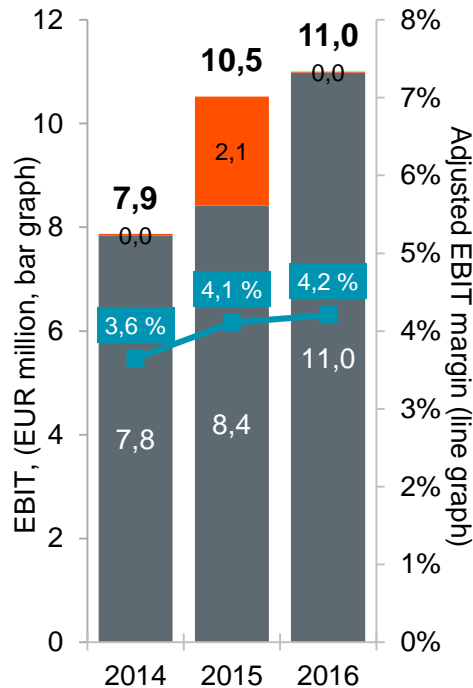
Comments

- 1-9/2017 net sales EUR 213.9 (186.7) million
- y-o-y sales growth 14.5% (EUR 27.2 million)
- organic growth 10.1% (EUR 18.8 million)
- acquisition growth 4.5 % (EUR 8.4 million)
- In Building Facades, growth of 31.9% due to good performance in Greater Helsinki area
- In Renovation Contracting, growth of 8.3% mainly from Greater Helsinki area.
- Technical Building Services growth of 9.4% from renovating residential buildings and through acquisitions.

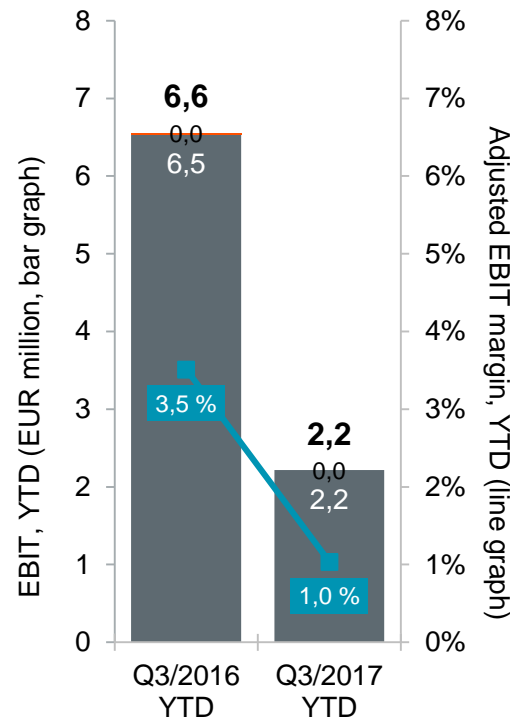


Adjusted EBIT¹ development: Corrective actions for improving profitability initiated and ongoing (1/2)

EBIT development (FY)



EBIT development (YTD)



Comments

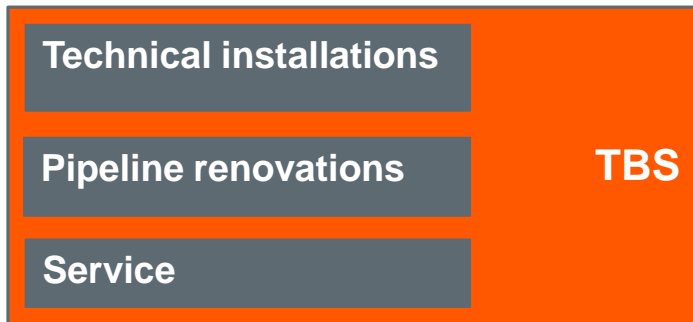
- 1-9/17 EBIT EUR 2.2m (6.5m), or 1.0% (3.5%) of net sales
- Q3/17 EBIT -0.8 (3.7) million, or -1.0% (5.3%) of net sales
 - A detailed project appraisal was carried out in the Technical Building Services business area, which covered over two hundred projects that were either ongoing or at the hand over phase of construction. → As a result project cost assessments were adjusted.
 - Profitability problems in TBS business area
 - Problems relating to project management and execution.
 - In part the profitability problems relating to projects were also due to the staff renewal rate in project personnel and price competition in the industry.

■ Reported EBIT ■ Impact of IAC — Adjusted EBIT margin

1) Adjusted EBIT = EBIT before items affecting comparability (IAC)

Adjusted EBIT¹ development: Corrective actions for improving profitability initiated and ongoing (2/2)

New TBS organisation



Three different delivery processes:

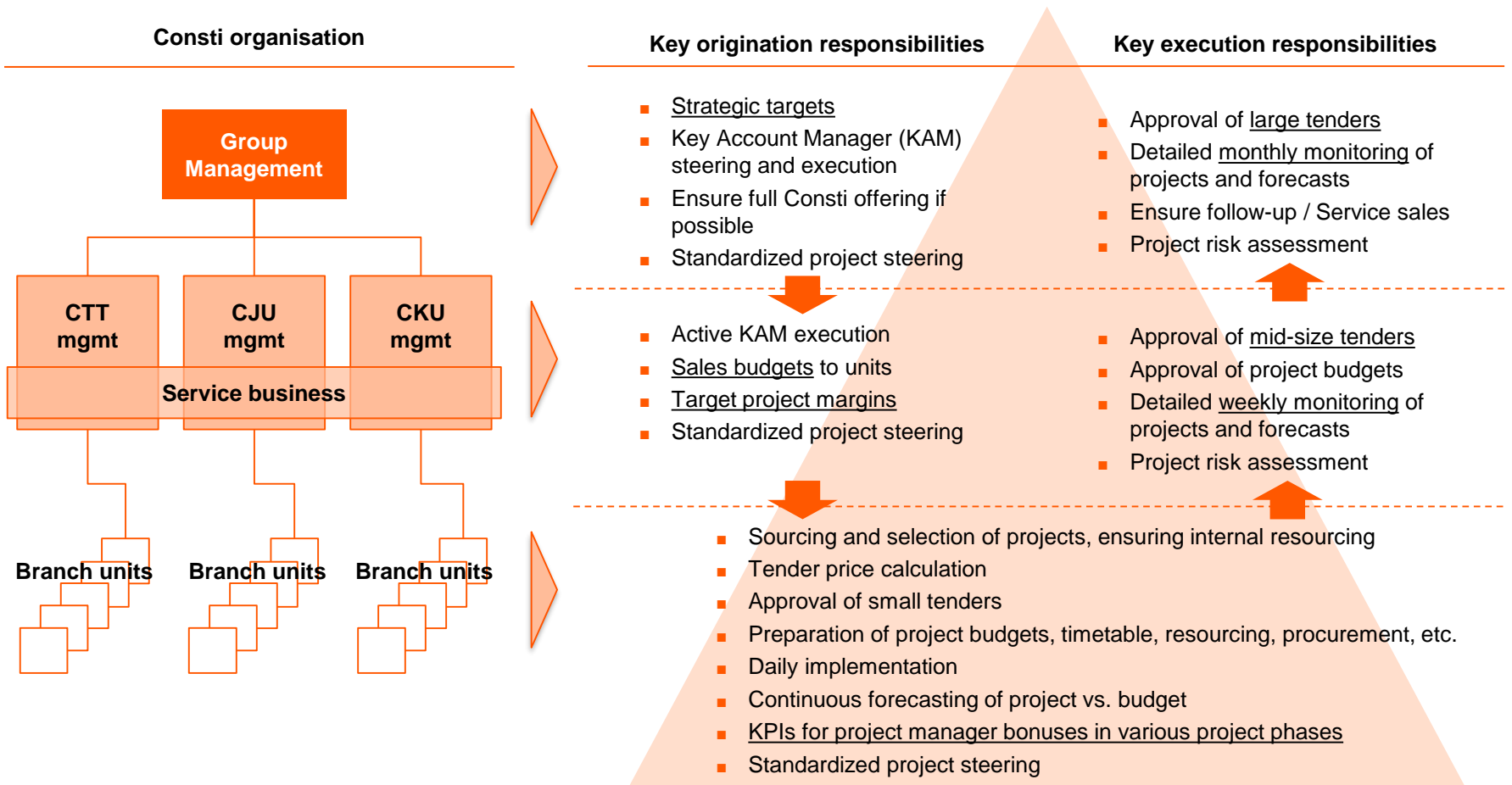
- Technical installations:
 - Subcontracting and parallel contracting
- Pipeline renovations:
 - Main contracting
 - Main contracting -model related processes (from RC & BF) to be implemented
- Service:
 - Separate TBS Service unit

Comments (continued)

- Consti revised its outlook for 2017 on 15th Dec 2017
 - During the year's last quarter, the Company has continued to evaluate its project base. As a result of this evaluation, project cost assessments that lessen the Group's operating profit in the fourth quarter have been adjusted. The Company expects operating result for Q4 to be negative.
 - The Company's operating profit continues to decrease due to profitability problems relating to project management and execution.
- Corrective actions:
 - Board of directors appointed new CEO on 21 Dec 2017
 - Appointment of new CFO was announced on 3 Jan 2018
 - Reorganisation of the Technical Building Services business area
 - New Branch level leader in TBS has been hired and multiple changes at project level executed
 - New organisation in place as of 1 Jan 2018
 - Implementation of processes ongoing
 - Support functions streamlined
 - With the reorganisation, our aim is
 - to improve the accountability of our businesses and
 - ability to response to market needs as well as
 - to clarify service offering and to improve project management

Consti has a decentralised operating model

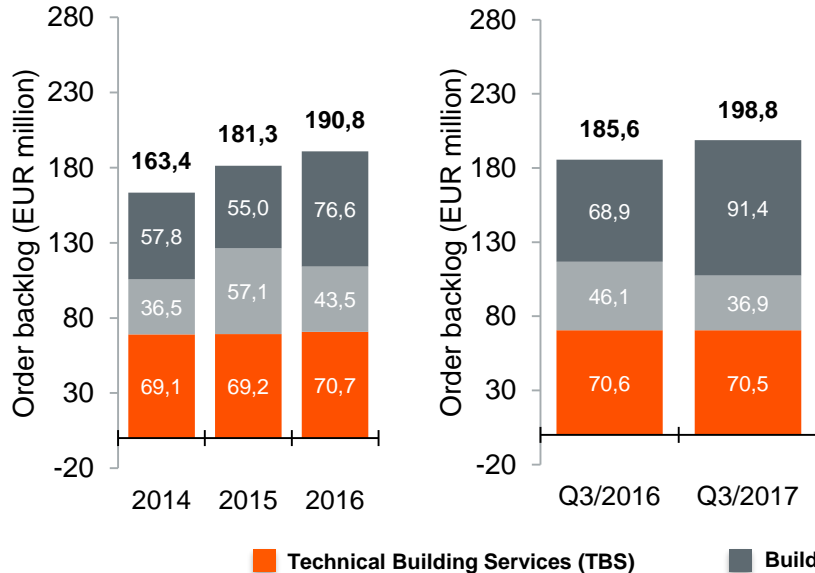
Management sets targets and monitors actively; branch units have accountability



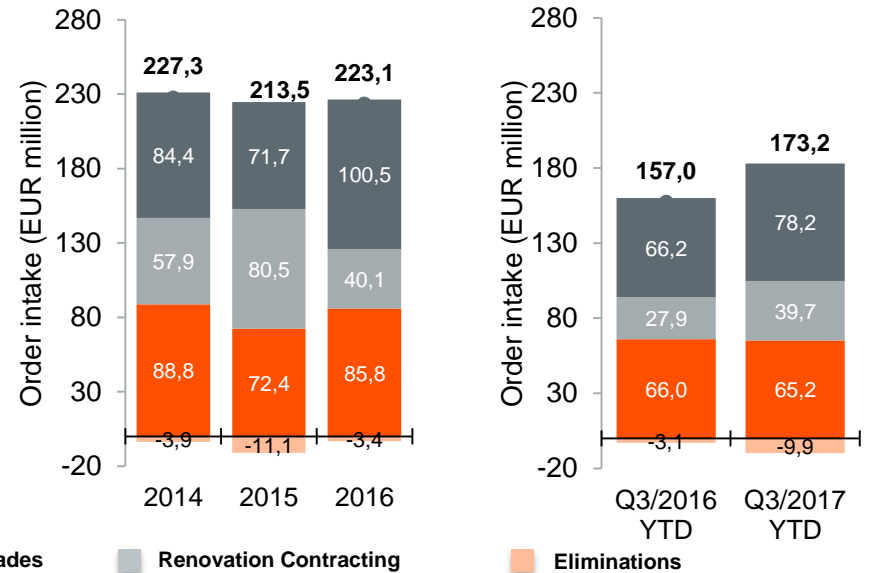
Source: Consti

Order backlog and order intake development: New major orders received during the last quarter of 2017 will increase order intake

Order backlog development



Order intake development

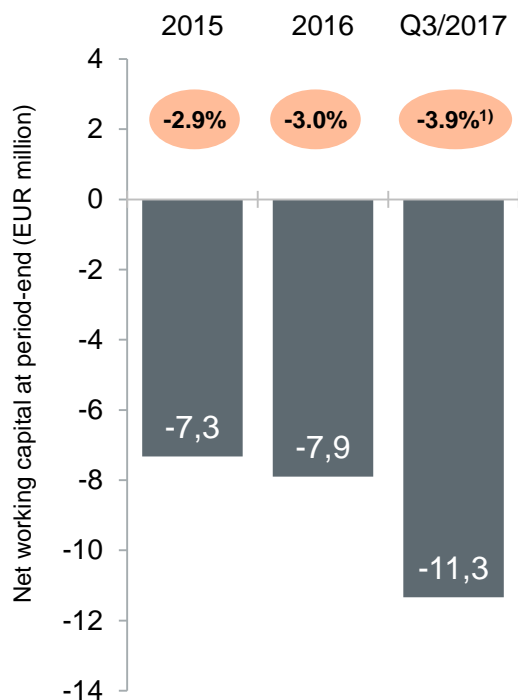


Comments

- 1-9/2017 order intake EUR 173.2 million already at good level compared to order intake 1-9/2016 EUR 157.0 million (growth 10.3 %).
- New major orders received during the last quarter of 2017 will increase Q4/2017 order intake:
 - A contract on the complete renovation of the Hotel Scandic Marski. Value of the contract is approximately EUR 26 million.
 - An order for the complete renovation of two properties, Oy Ässäkeskus Ab and KOy Vallilan toimisto. The preliminary cost estimate for the project is approximately EUR 35 million.
 - Both new major orders fall under Renovation Contracting business area.

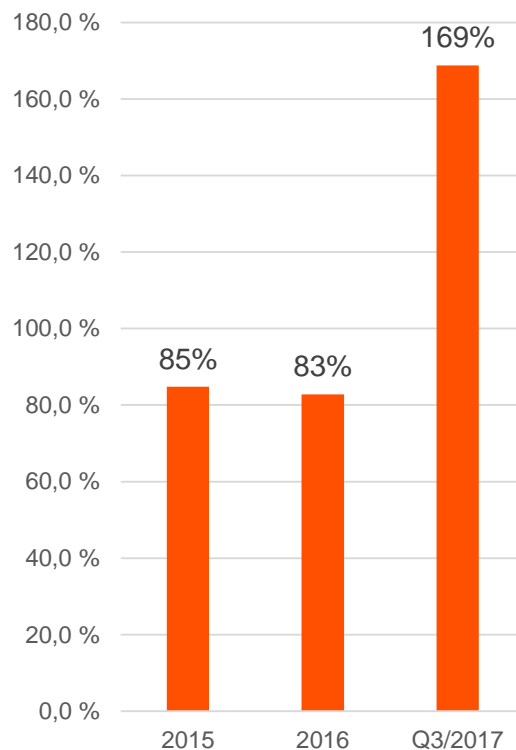
Asset-light business model supporting strong cash conversion; project business allows negative NWC

Negative working capital, 2015-Q3/2017



% = % of net sales

Strong cash conversion²⁾, 2015-Q3/2017






Key balance sheet ratios

	Q3 2017
Net debt (EURm)	13.4
Equity ratio %	31.9%
Gearing %	48.6%

1) % of rolling 12 month revenue; 2) The cash conversion is the amount of free cash flow divided by EBITDA. Free cash flow means net cash flow from operating activities before financial items and taxes, less capital used for purchase of intangible assets and property, plant and equipment.

Realisation of Consti's long-term financial targets Q3/2017 (rolling 12 months)

Growth	Profitability	Cash flow	Capital structure	Dividends
<p>Average annual growth in net sales of at least 10%</p>	<p>Adjusted EBIT-margin exceeding 5%</p>	<p>Cash conversion ratio exceeding 90%¹</p>	<p>Net debt to adjusted EBITDA ratio of less than 2.5x while maintaining an efficient capital structure</p>	<p>The Company's aim is to distribute as dividends at least 50 percent of the Company's annual net profit²</p>
<p><u>Q3/2017</u></p>	<p><u>Q3/2017</u></p>	<p><u>Q3/2017</u></p>	<p><u>Q3/2017</u></p>	<p><u>2016</u></p>
<p>10.3%</p>	<p>2.3%</p>	<p>79.3%</p>	<p>1.55</p>	<p>51.5%</p>
<ul style="list-style-type: none"> Target was achieved in Q3/2017 	<ul style="list-style-type: none"> Target not achieved, efforts continue to meet the target level 	<ul style="list-style-type: none"> Target not achieved although Q3/2017 realization not afar from target level 	<ul style="list-style-type: none"> Target was achieved at period end 	<ul style="list-style-type: none"> Dividend of EUR 0.54 per share, or 51.5% of 2016 EPS
				

1) Cash conversion defined as free cash flow divided by EBITDA. Free cash flow equals operating cash flow before net financial items and taxes less investments in tangible and intangible assets

2) While taking other factors such as financial position, cash flow and growth opportunities into consideration.

Summary

1. Steady market growth

2. Asset-light business model

3. Strong cash flow

4. Well positioned to capitalize market opportunities

5. Strong order backlog



CONSTI

CONSTI GROUP PLC
9 JANUARY 2018

**THANK
YOU**

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