



CONSTI GROUP PLC

FINANCIAL STATEMENTS

1.1.2016 – 31.12.2016

CEO Marko Holopainen
CFO Esa Korkeela

Building renovation specialist | www.consti.fi

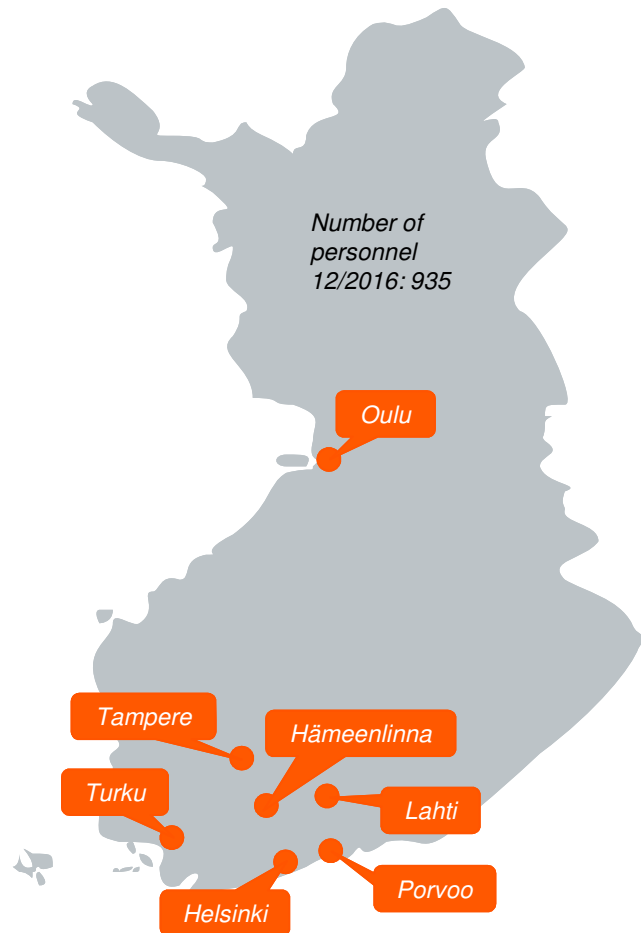
CONSTI
YHTIÖT



Contents

- Highlights and Group performance
- Result, cash flow and financial position
- Market outlook and guidance

Highlights of the financial year 2016 – Profitable growth continued in 2016



Highlights of 10-12/2016 (y-o-y comparison in brackets)

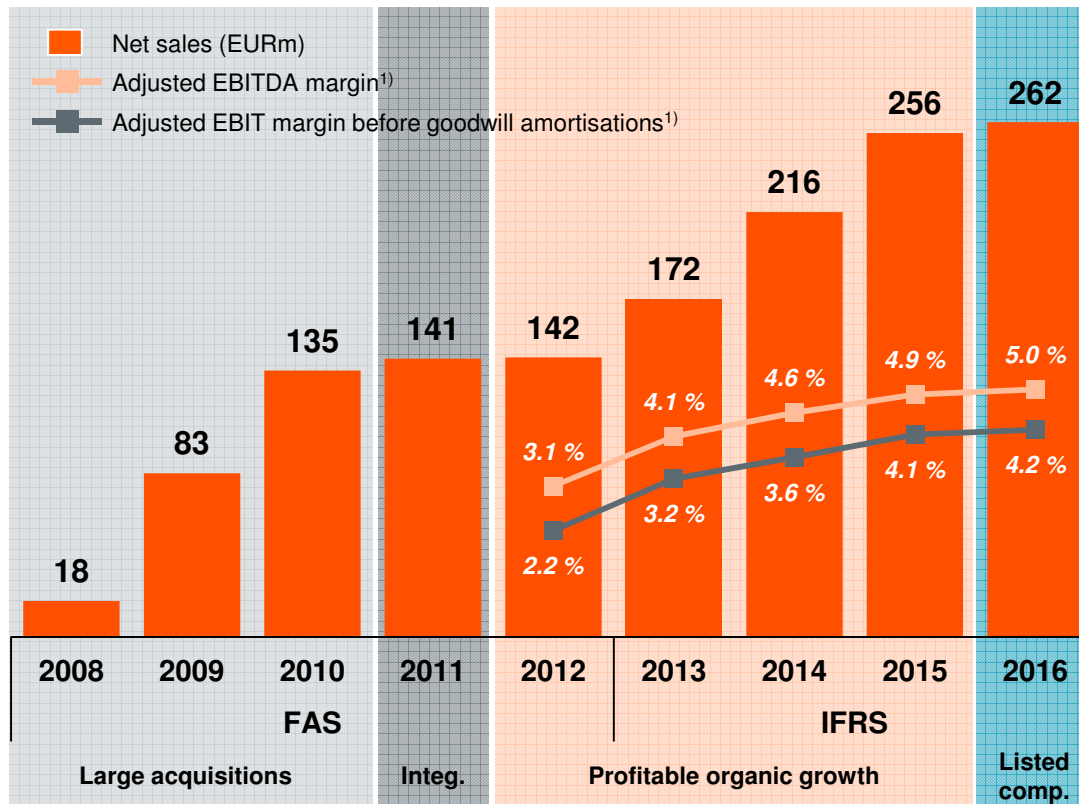
- Net sales EUR 74.8 (74.9) million, growth -0.2%
- EBIT EUR 4.4 (3.1) million, EBIT margin 5.9% (4.1%)
- Adjusted EBIT EUR 4.4 (4.6) million, adjusted EBIT margin 5.9% (6.2%)
- Free cash flow EUR 0.5 (1.8) million
- Earnings per share EUR 0.44 (0.29), up by 52.8%

Highlights of 1-12/2016 (y-o-y comparison in brackets)

- Net sales EUR 261.6 (256.2) million, growth +2.1%
- EBIT EUR 11.0 (8.4) million, EBIT margin 4.2% (3.3%)
- Adjusted EBIT EUR 11.0 (10.5) million, adjusted EBIT margin 4.2% (4.1%)
- Free cash flow EUR 10.9 (8.9) million
- Order backlog EUR 190.8 (181.3) million, up by +5.2% year-on-year
- Net interest-bearing debt EUR 12.1 (17.4) million
- Gearing at 40.8% (70.9%)
- Earnings per share EUR 1.05 (0.61)
- **The Board proposes a dividend of EUR 0.54 (0.39) per share**

Consti's financial year 2016: sales grew and profitability continued to improve

Consti's four development phases since the foundation in 2008

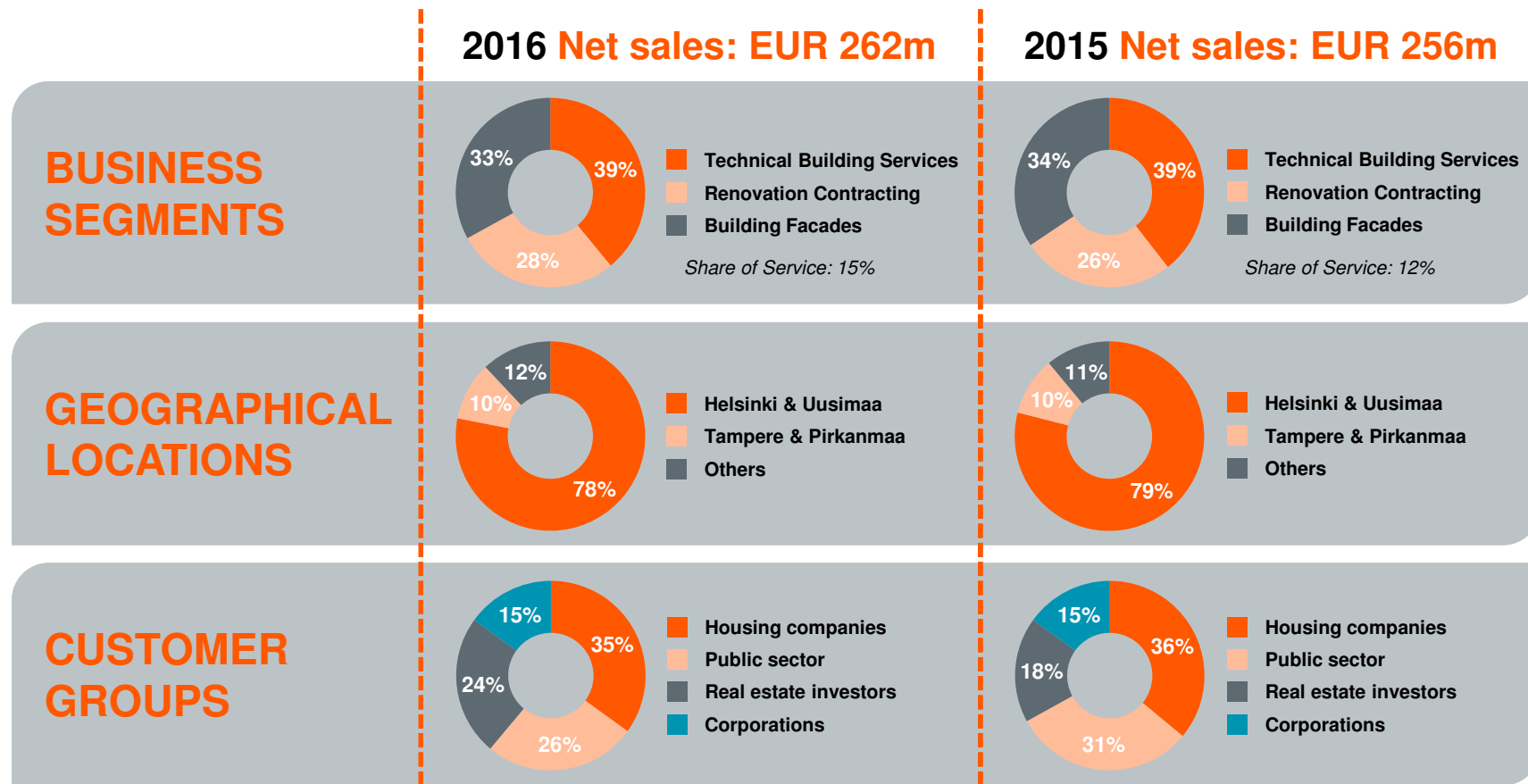


Key actions behind profitable growth

- ✓ Successful integration of acquired businesses
- ✓ Clear strategic focus areas
- ✓ Reorganising business areas and centralising expertise to them
- ✓ Standardisation of operating models and information systems
- ✓ Deepening and systemising risk management
- ✓ Successful project management
- ✓ Management of fixed expenses growth

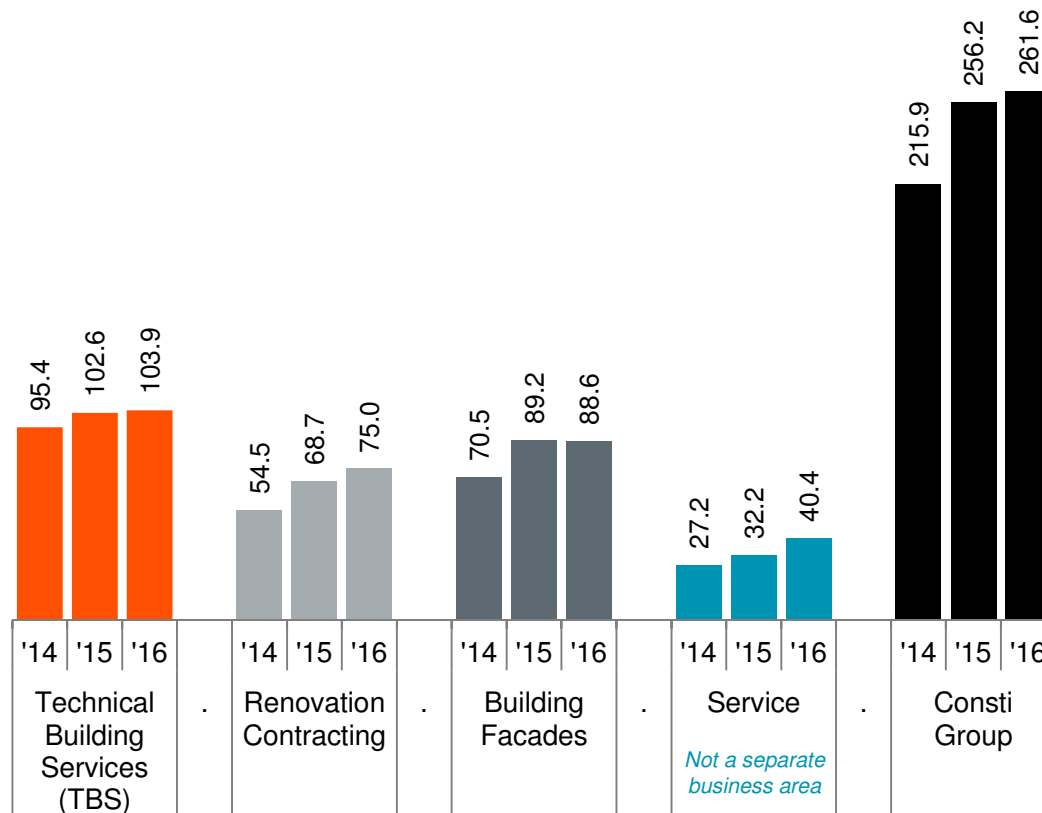
1) Adjusted figures excluding non-recurring items. Non-recurring items include (i) expenses arising from contemplation of the structural agreements and listing, and (ii) implementation of IFRS

Consti Group's sales overview – Diverse business and customer mix with strong focus on growth centres



Net sales development in 2016 – Service operations grew strongly within the business areas

Annual net sales development by business area 2014 – 2016 (EUR m)

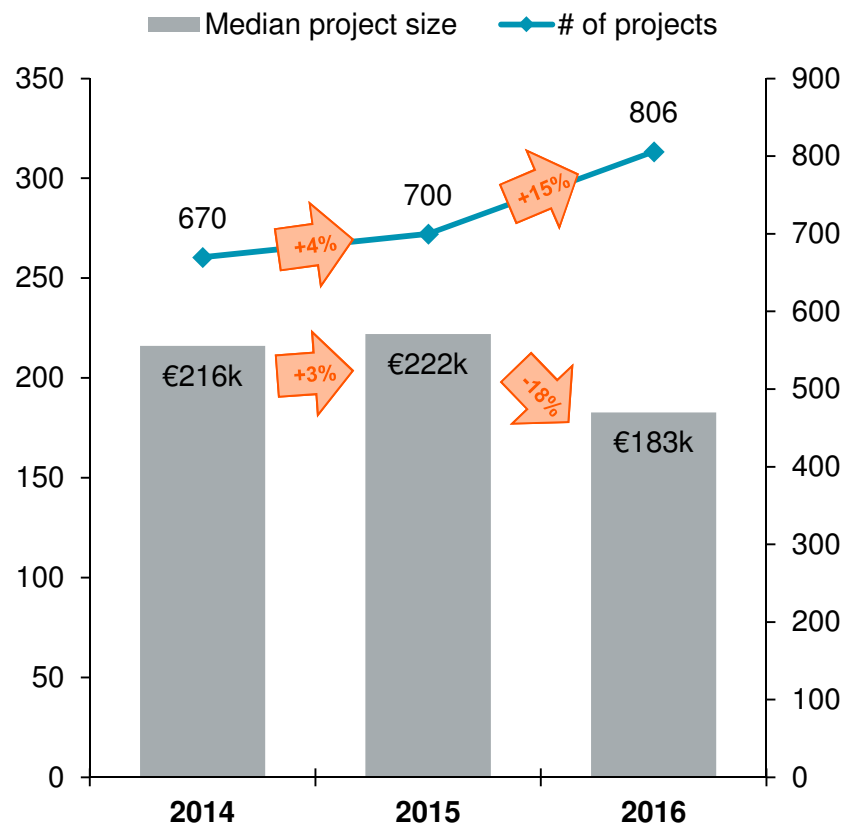


Comments

- In 2016, net sales grew by 2.1% y-o-y
 - Organic growth +0.9%
 - Technical Building Services +1.3%
 - Renovation Contracting +9.1%
 - Building Facades -0.7%
 - Service operations, which are included in business areas' figures, grew by 25.7%
- In TBS, good growth in service operations
- In Renovation Contracting, growth was strong in the Greater Helsinki area and Turku
- In Building Facades, decline was mainly due to y-o-y decrease in net sales generated by its rental apartment buildings business unit
- In terms of profitability, performance was relatively sound within the business areas
- However, activities increasing project profitability were especially successful in Renovation Contracting and Building Facades

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

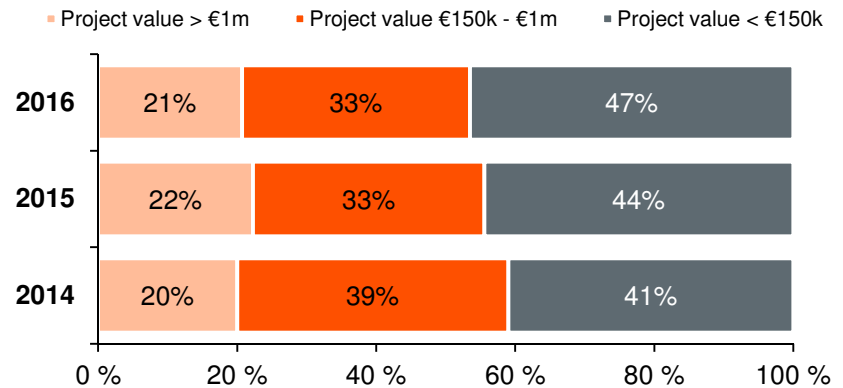
Diversified project base and a fairly small median project size



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

Project size distribution 2014-2016 (# of projects)



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)

Realisation of Consti's long-term financial targets in 2016

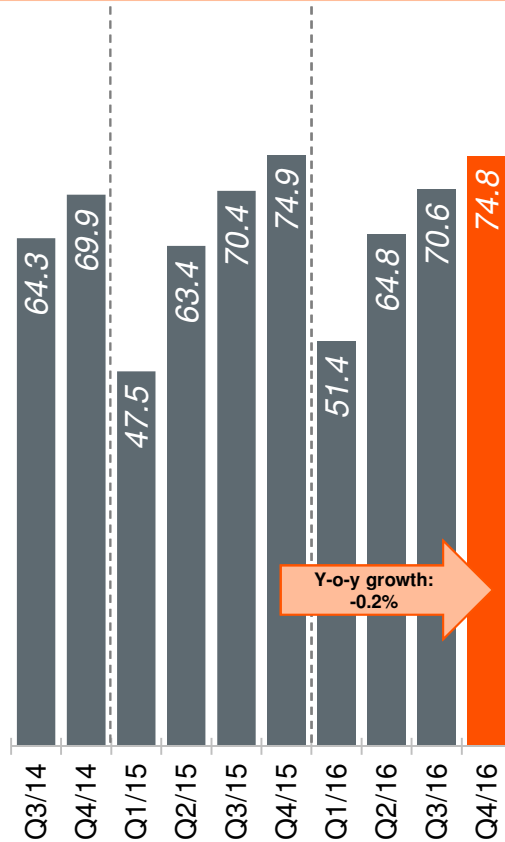
Growth	Profitability	Cash flow	Capital structure	Dividends
<p><i>Average annual growth in net sales of at least 10%</i></p>	<p><i>Adjusted EBIT-margin exceeding 5 percent</i></p>	<p><i>Cash conversion ratio exceeding 90 percent¹</i></p>	<p><i>Net debt to adjusted EBITDA ratio of less than 2.5x while maintaining an efficient capital structure</i></p>	<p><i>The Company's aim is to distribute as dividends at least 50 percent of the Company's annual net profit²</i></p>
<p><u>FY 2016</u></p>	<p><u>FY 2016</u></p>	<p><u>FY 2016</u></p>	<p><u>FY 2016</u></p>	<p><u>FY 2016 proposal</u></p>
<p>+2.1%</p>	<p>4.2%</p>	<p>82.8%</p>	<p>0.9x</p>	<p>51.5%</p>
<ul style="list-style-type: none"> Growth slowed down in 2016, long-term CAGR 2011-16 13.1% still above the target level 	<ul style="list-style-type: none"> Profitability steadily improving, efforts continue to meet the target level 	<ul style="list-style-type: none"> Target was almost achieved in 2016, long-term ratio above target level 	<ul style="list-style-type: none"> Target was clearly achieved on balance sheet date 2016 	<ul style="list-style-type: none"> Board proposes 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

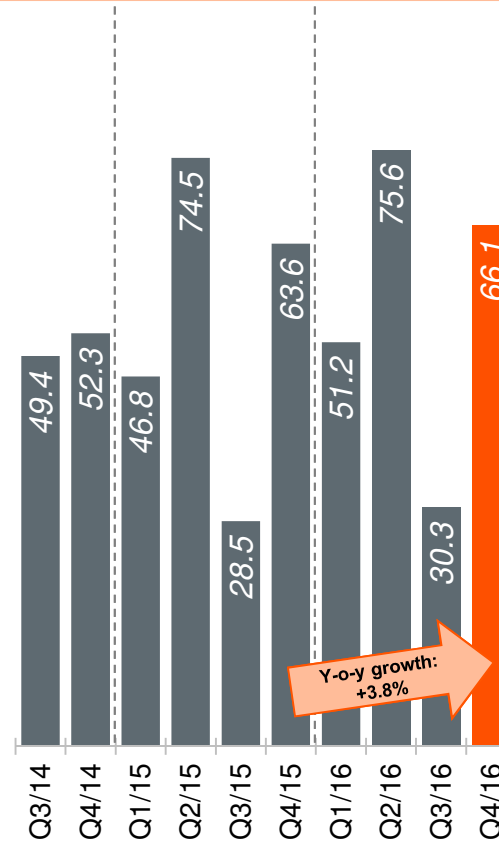
2) While taking other factors such as financial position, cash flow and growth opportunities into consideration.

Quarterly performance overview – Net sales on par with last year, order intake and backlog continued to grow

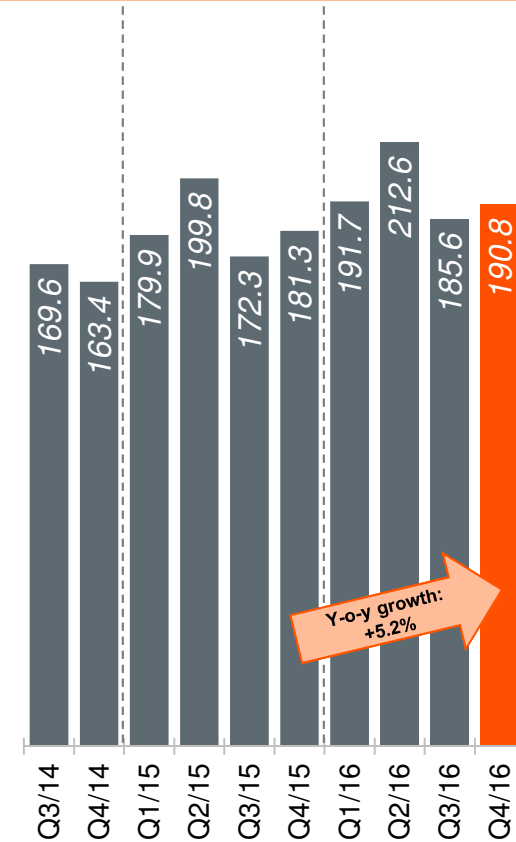
Quarterly net sales (EUR m)



Quarterly order intake (EUR m)

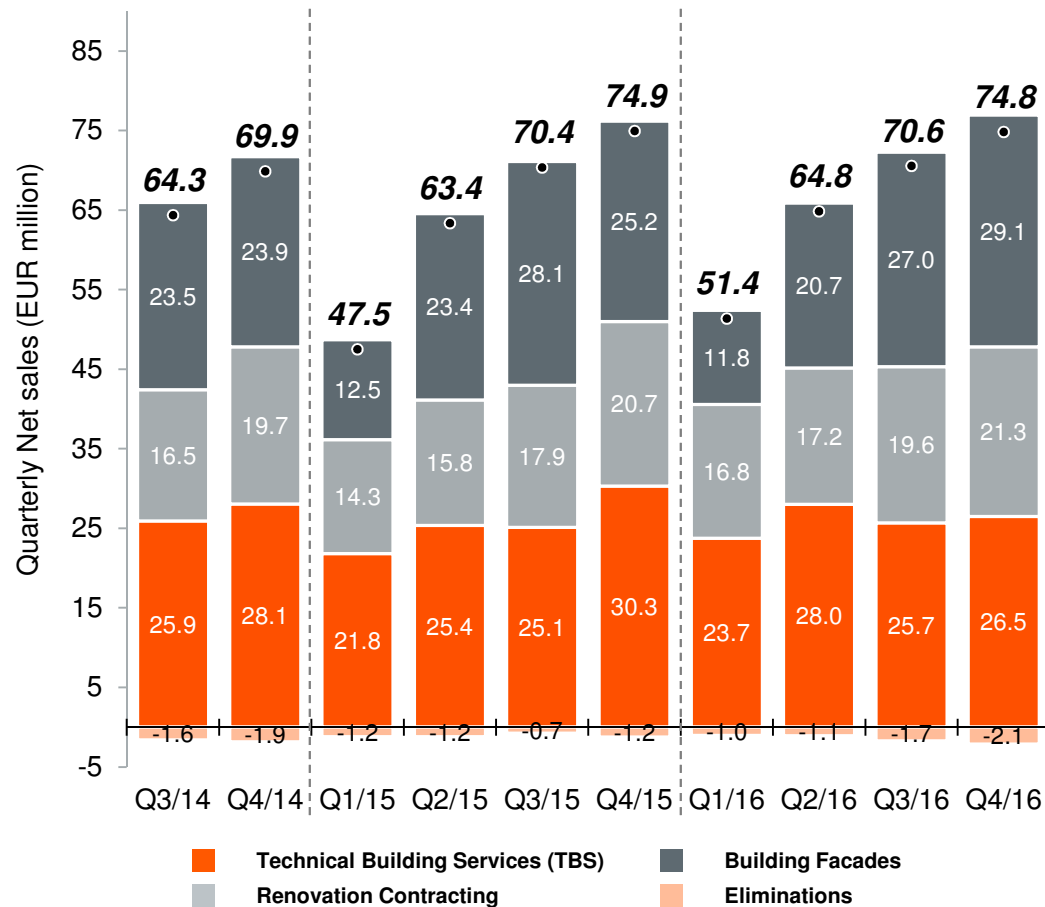


Quarterly order backlog (EUR m)



Consti quarterly net sales development – Fourth quarter net sales at last year's level

Quarterly net sales development Q3/2014 – Q4/2016 (EUR m)

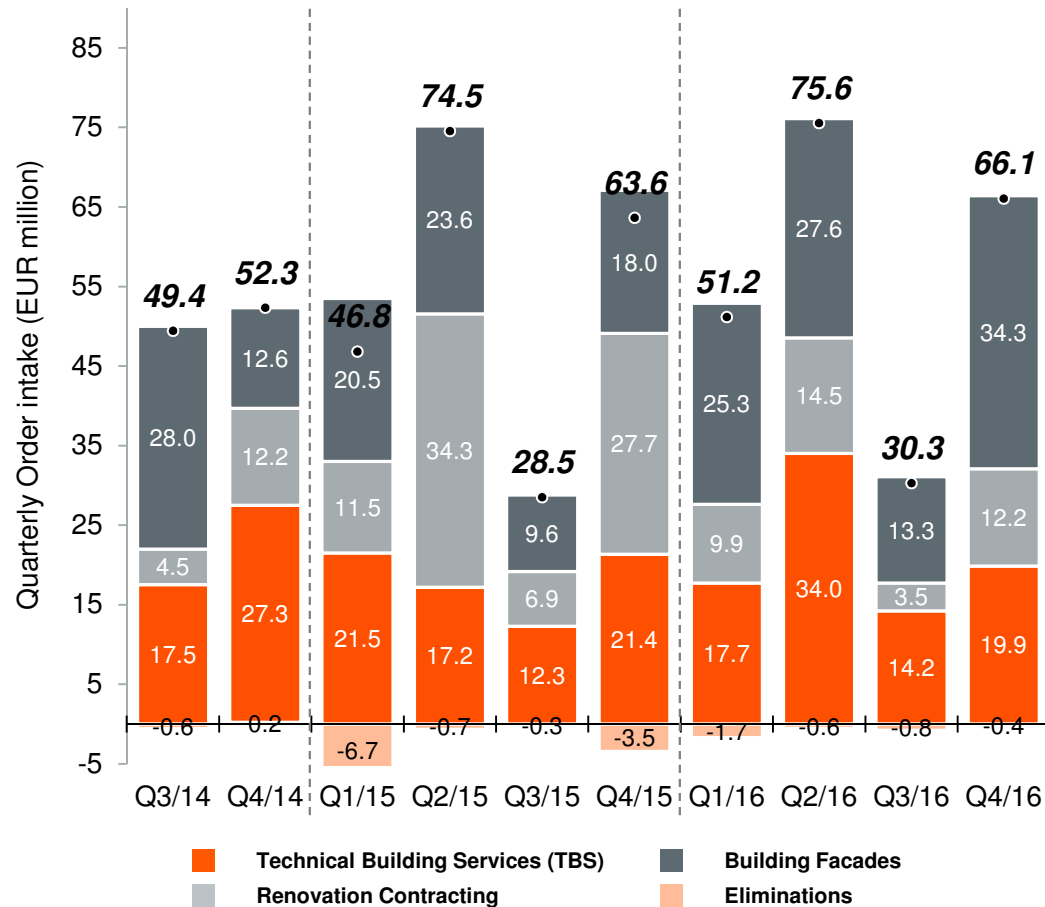


Comments

- Q4/2016 net sales EUR 74.8 million (74.9m), y-o-y sales growth -0.2%
 - Q4/16 organic growth -1.5%
- In TBS, decline of 12.5% due to year-on-year decrease in sales generated from non-residential sector
- In Renovation Contracting, growth of 3.1% attributable to continued growth in the Turku area
- In Building Facades, growth of 15.6% thanks to good growth particularly in facade business in the Greater Helsinki area
- Full-year 2016 net sales EUR 261.6m (256.2m), y-o-y sales growth +2.1%
 - 1-12/16 organic growth +0.9%

Consti quarterly order intake development – Order intake continued to increase year-on-year

Quarterly order intake development Q3/2014 – Q4/2016 (EUR m)

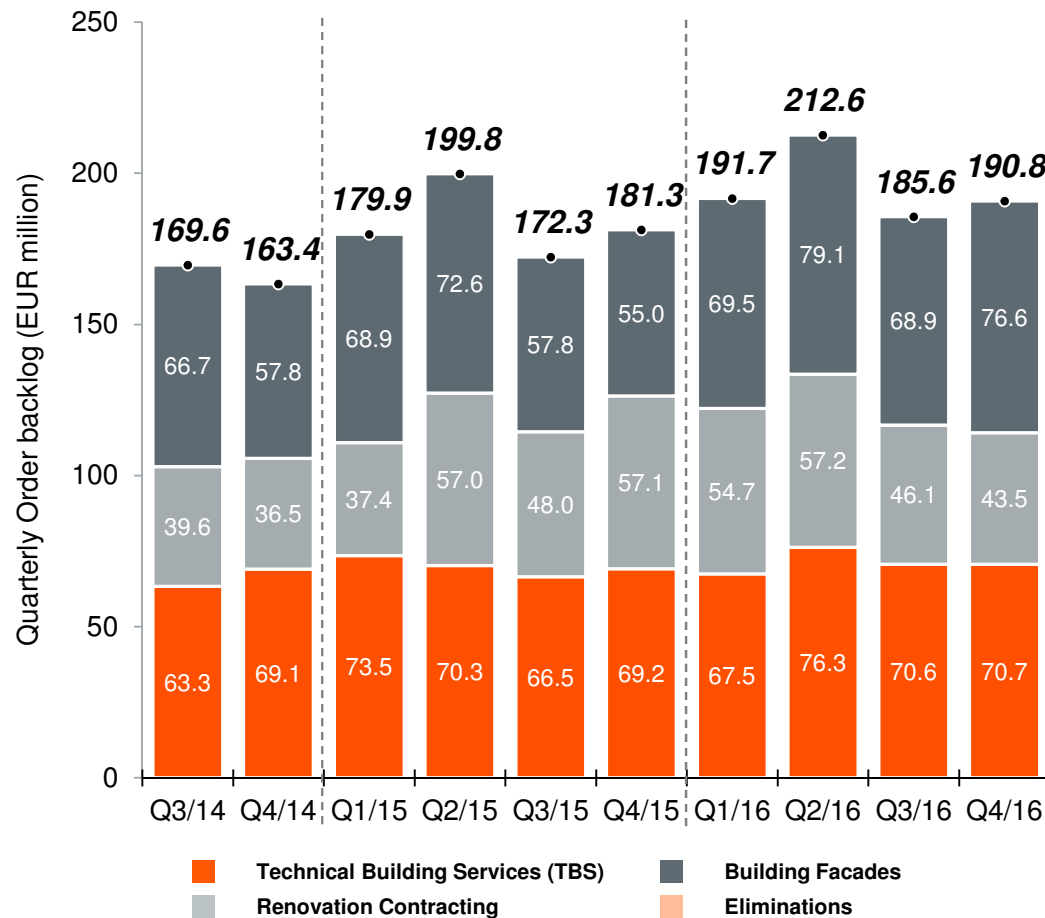


Comments

- Q4/2016 order intake EUR 66.1 million (63.6m), up by 3.8% y-o-y
 - Order intake growth was strong in Building Facades (+90.7%) while both TBS (-6.9%) and Renovation Contracting (-56.0%) declined y-o-y
 - Growth particularly from a deal signed with a real estate development company regarding the complete renovation and use modification of a prime property located at Korkeavuorenkatu 21 in downtown Helsinki
- Full-year 2016 order intake EUR 223.1m (213.5m), up by 4.5% y-o-y
 - Residential building pipeline renovations and facade renovations, as well as maintenance services and service contracting were highlighted in order intake in 2016

Consti quarterly order backlog development – Backlog continued to develop favourably in the fourth quarter

Quarterly order backlog development Q3/2014 – Q4/2016 (EUR m)



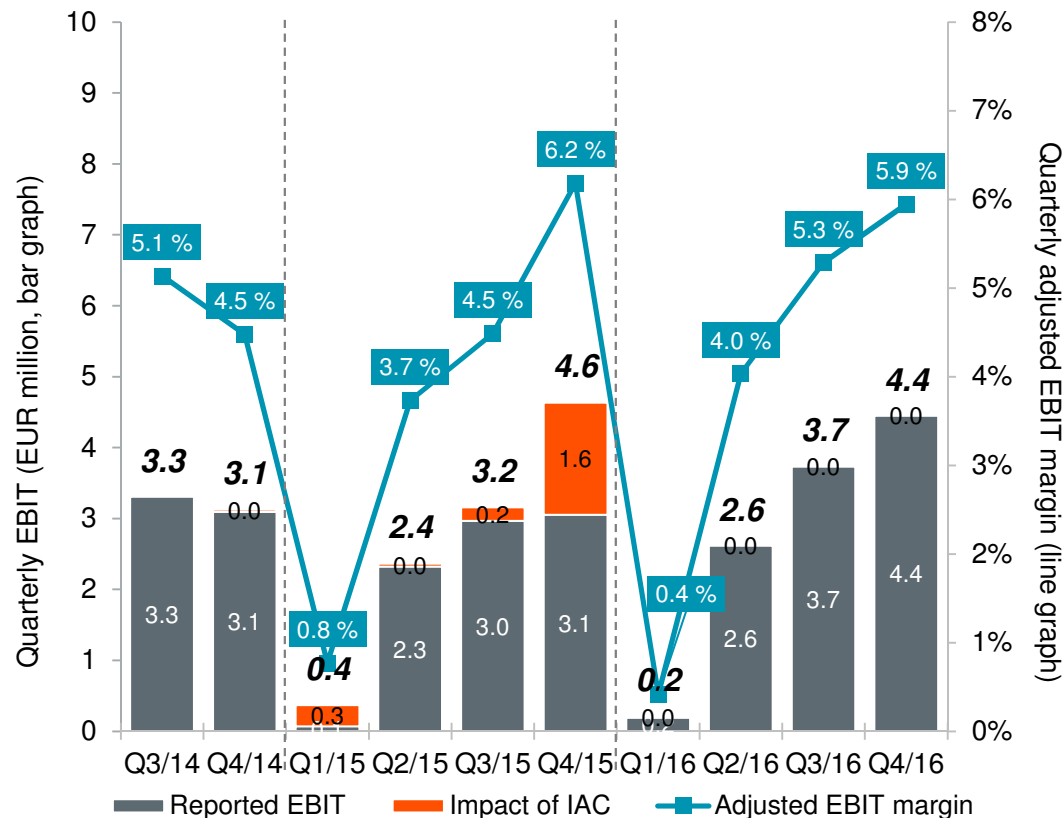
Comments

- Q4/2016 order backlog at EUR 190.8 million (181.3m), year-on-year growth +5.2%
- Order backlog grew particularly in Building Facades (+39.3% year-on-year), while slight growth in Technical Building Services (+2.2% y-o-y)
- Renovation Contracting order backlog declined 23.8% y-o-y, strong growth in new construction reduced the amount of large-scale business premise renovations in 2016

Result, Cash Flow and Financial Position

Consti quarterly adjusted EBIT¹ development – Good absolute and relative profitability achieved in Q4/2016

Quarterly EBIT development Q3/2014 – Q4/2016 (EUR m)



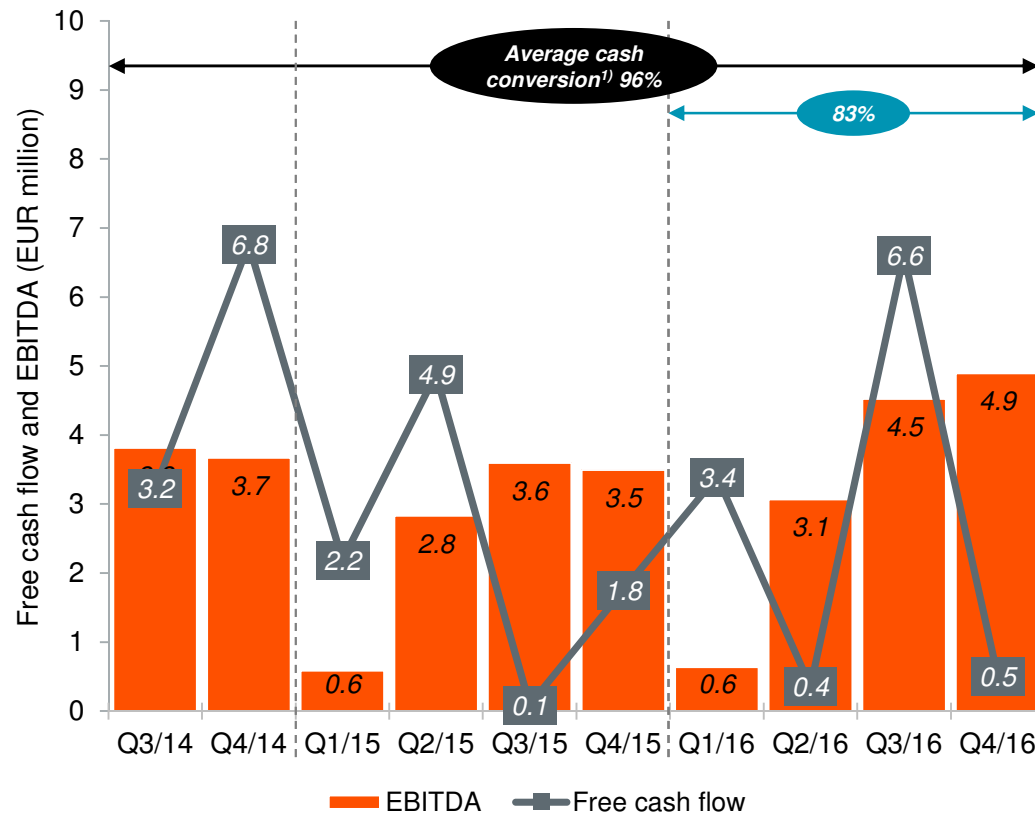
Comments

- Q4/16 adjusted EBIT before IAC¹ amounted to EUR 4.4 (4.6) million, or 5.9% (6.2%) of net sales
 - Q4/15 adjusted EBIT was improved by significant projects finished during the end of 2015
- Q4/16 EBIT after IAC EUR 4.4 (3.1) million, or 5.9% (4.1%) of net sales
 - In Q4/15, IAC of EUR 1.6m related to planning of structural arrangements, adoption of IFRS standards and planning and execution of IPO
- Full-year 2016 adjusted EBIT before IAC¹ EUR 11.0m (10.5m), or 4.2% (4.1%) of net sales
- Full-year 2016 EBIT after IAC EUR 11.0m (8.4m), or 4.2% (3.3%) of net sales
 - In 1-12/15, IAC of EUR 2.1m

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

Consti quarterly cash conversion development – Free cash flow negatively impacted by NWC change in Q4/2016

Quarterly free cash flow and EBITDA Q3/2014 – Q4/2016 (EUR m)



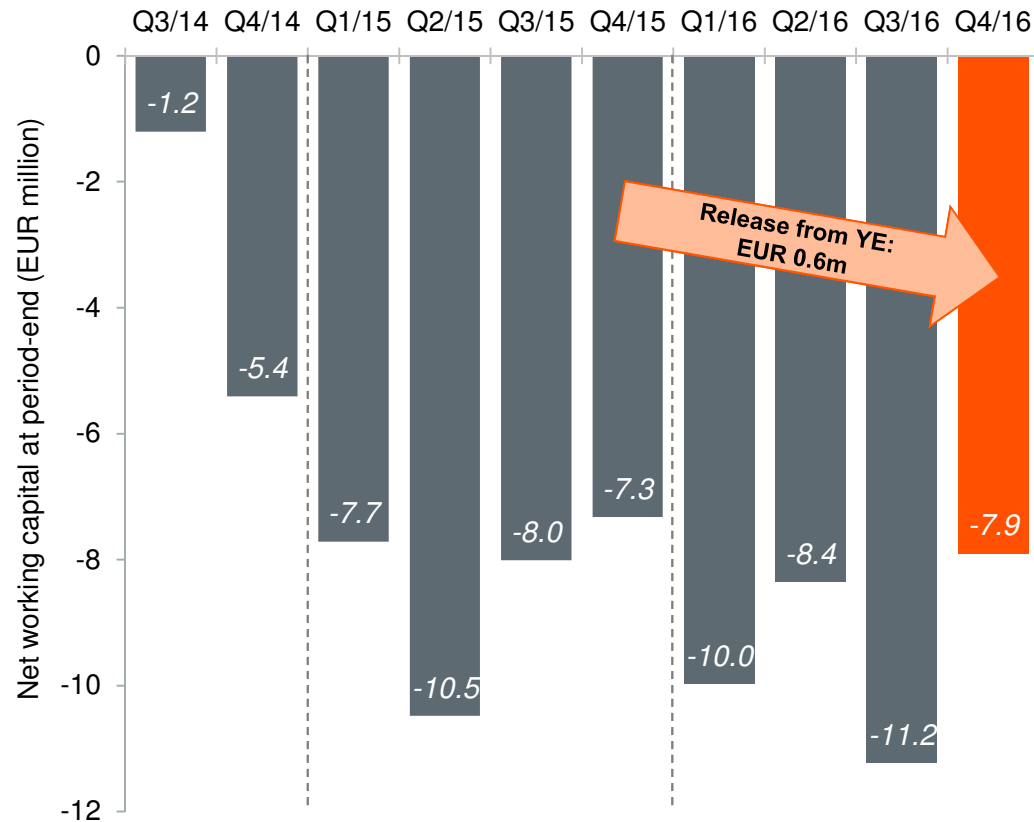
Comments

- Q4/2016 free cash flow amounted to EUR 0.5m (1.8m)
 - Cash conversion ratio of 10.4% (50.1%) in the fourth quarter
 - Cash flow from operating activities was positively impacted by improved profitability
 - However, cash flow was negatively impacted by NWC tied up during Q4
- Full-year 2016 free cash flow improved to EUR 10.9m (8.9m)
 - Cash conversion ratio of 82.8% (84.8%) for the full year
- Average cash conversion ratio of 96% in the period of Q3/14 – Q4/16
 - Consti’s long-term target to achieve cash conversion ratio in excess of 90 percent

1) 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

Consti quarterly net working capital development – Good overall progress in NWC during 2016

Quarterly net working capital¹⁾ Q3/2014 – Q4/2016 (EUR m)



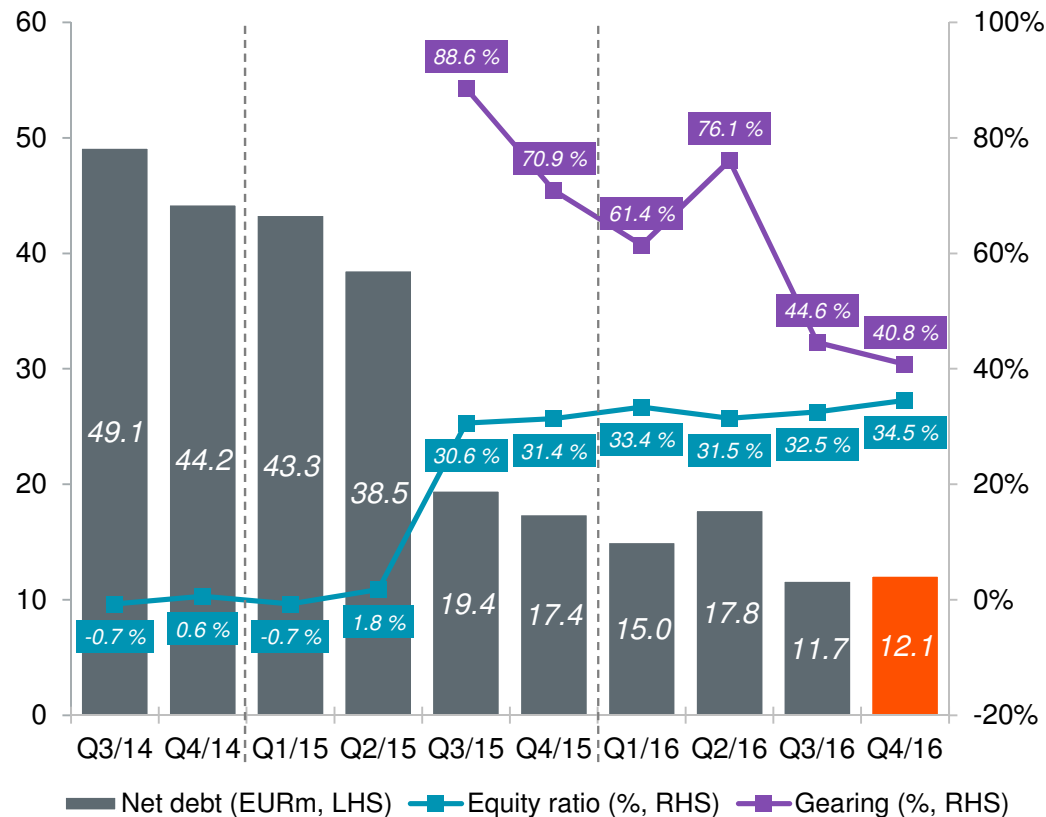
Comments

- Net working capital EUR -7.9m (-7.3m) at the end of Q4/2016
- Release of NWC from year-end 2015 amounted to EUR 0.6m (1.9m)
- On average, NWC improved in 2016 both in absolute and relative terms

¹⁾ Net working capital calculated as follows: Inventories + Trade and other receivables + Deferred tax receivables – Trade and other payables - Provisions

Consti quarterly balance sheet structure – Balance sheet strengthened further in the fourth quarter

Quarterly net debt, equity ratio and gearing Q3/2014 – Q4/2016



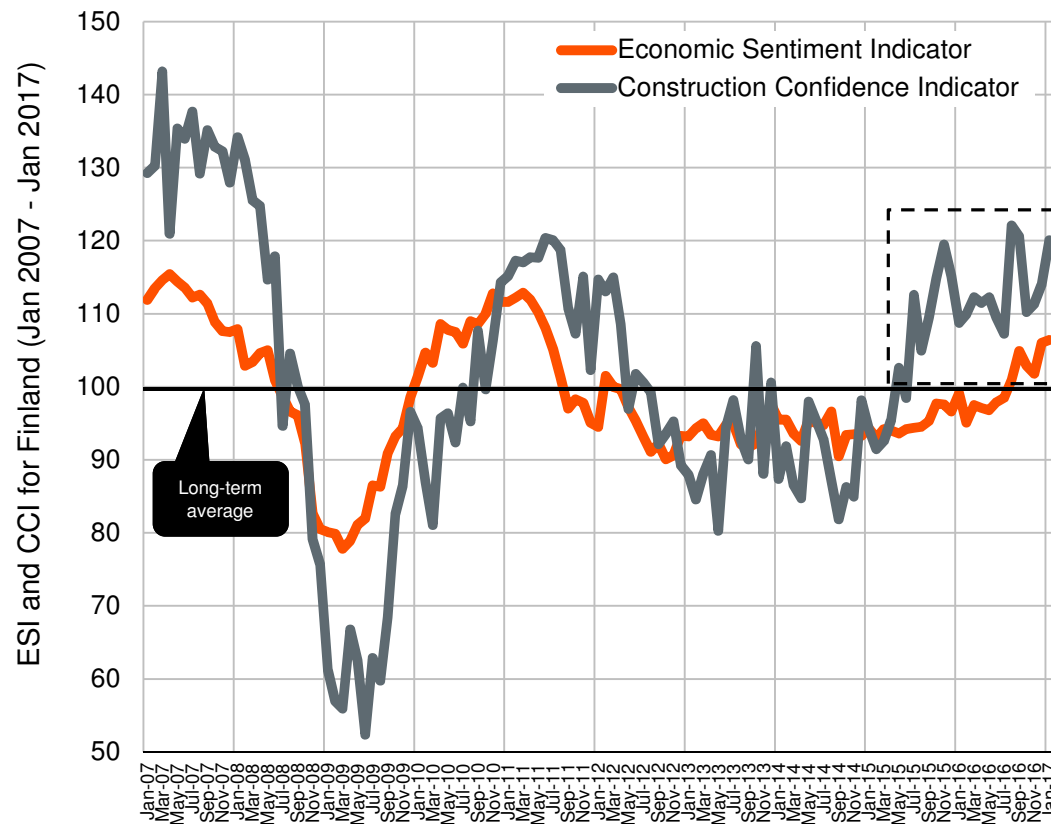
Comments

- Q4/2016 net debt at EUR 12.1m (17.4m)
- Net debt was positively impacted by strong cash flow in 2016
- In September 2015, Consti changed its capital structure and refinanced its indebtedness which decreased financing costs in 2015
- The impact was seen especially in 2016
- Q4/2016 equity ratio 34.5% (31.4%)
- Q4/2016 gearing at 40.8% (70.9%)

Market Outlook and Guidance

Lead indicators for the Finnish economy and construction continue to suggest a favourable market environment

Economic Sentiment and Construction Confidence / Finland (2007 – 1/2017)



Comments

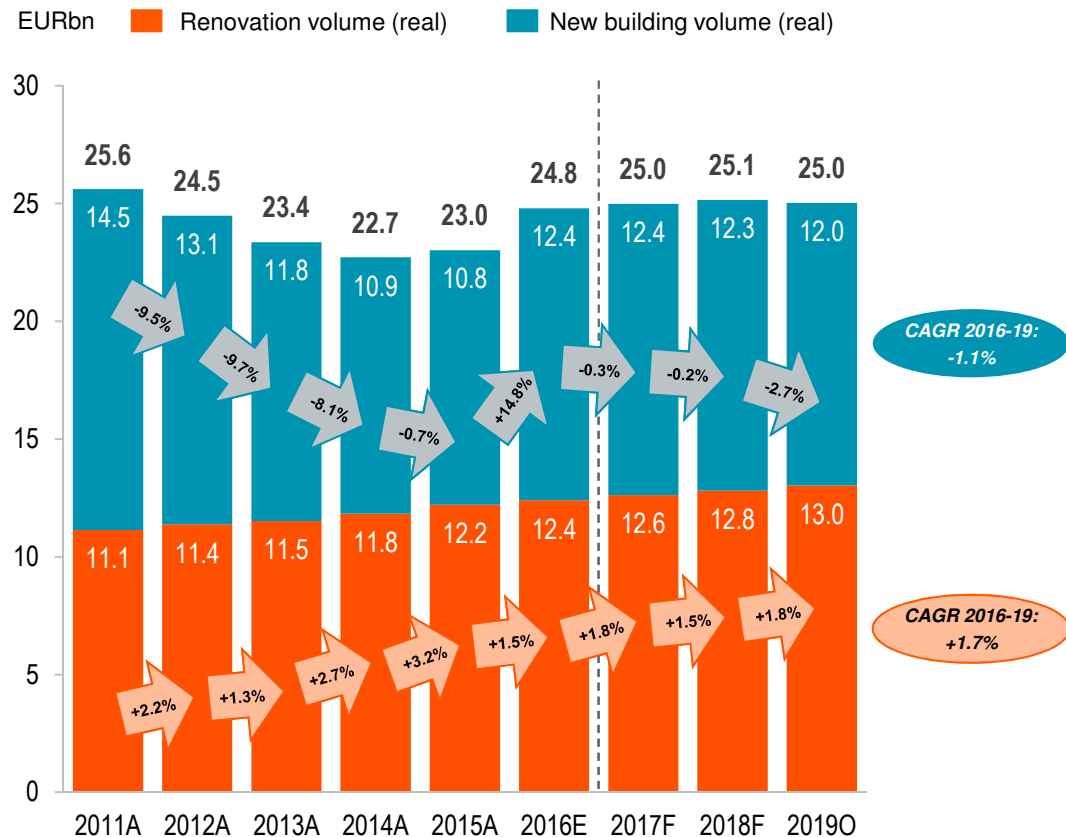
- Economic sentiment in Finland has steadily improved during the past year, surpassing the long-term average level in August 2016
- Construction confidence continues to be positive in the beginning of 2017

Note: Mean-adjusted figures

Source: European Commission, February 2017

Stable growth in renovation to continue going forward, new building grew strongly in 2016

Finnish new building and renovation market development, 2011A – 2019O

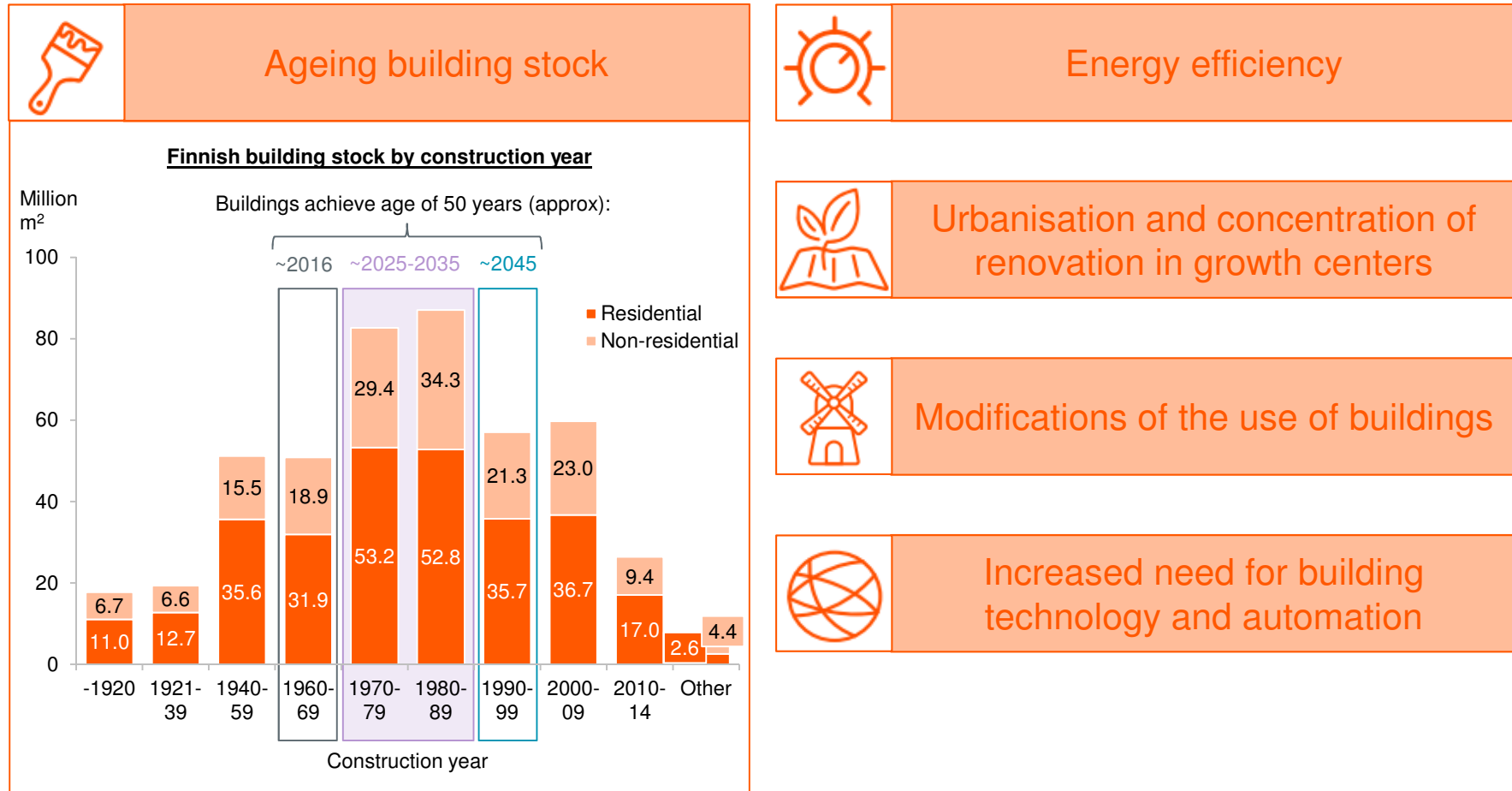


Comments

- Euroconstruct estimates renovation to have grown approximately +1.5% in 2016, while projection for new building growth is as much as +14.8% in 2016
- Pace of renovation growth slowed down slightly in 2016 as a result of the strong increase in new building sector
- However, the renovation needs of existing building stock are believed to sustain steady renovation growth in the coming years
- According to Euroconstruct, the Finnish renovation market is expected to grow at an annual average rate of 1.7% from 2016 to 2019 while the corresponding estimate for new building is -1.1%

Source: Euroconstruct, December 2016

Demand-driven renovation market growth supported by a number of key structural growth drivers



Source: Statistics Finland

Strong order intake particularly in Building Facades in the fourth quarter

TECHNICAL BUILDING SERVICES

Q4/16 order intake:
EUR 19.9m (-6.9% yoy)

EXAMPLES OF NEW ORDERS:

- **Korkeavuorenkatu 21 / Grand Residence Development**
 - Conversion of a high-value property into apartments, installation of technical building systems
- **As Oy Peski**
 - Pipeline renovation for a 100 flats housing corporation in Espoo
- **Yleisradio**
 - Preventive HVAC maintenance and repairs

RENOVATION CONTRACTING

Q4/16 order intake:
EUR 12.2m (-56.0% yoy)

EXAMPLES OF NEW ORDERS:

- **Kauppaokeskus Kaari**
 - Modifications of commercial premises and escalators
- **Kivipuiston monipalvelukeskus**
 - Construction of extra rooms

BUILDING FACADES

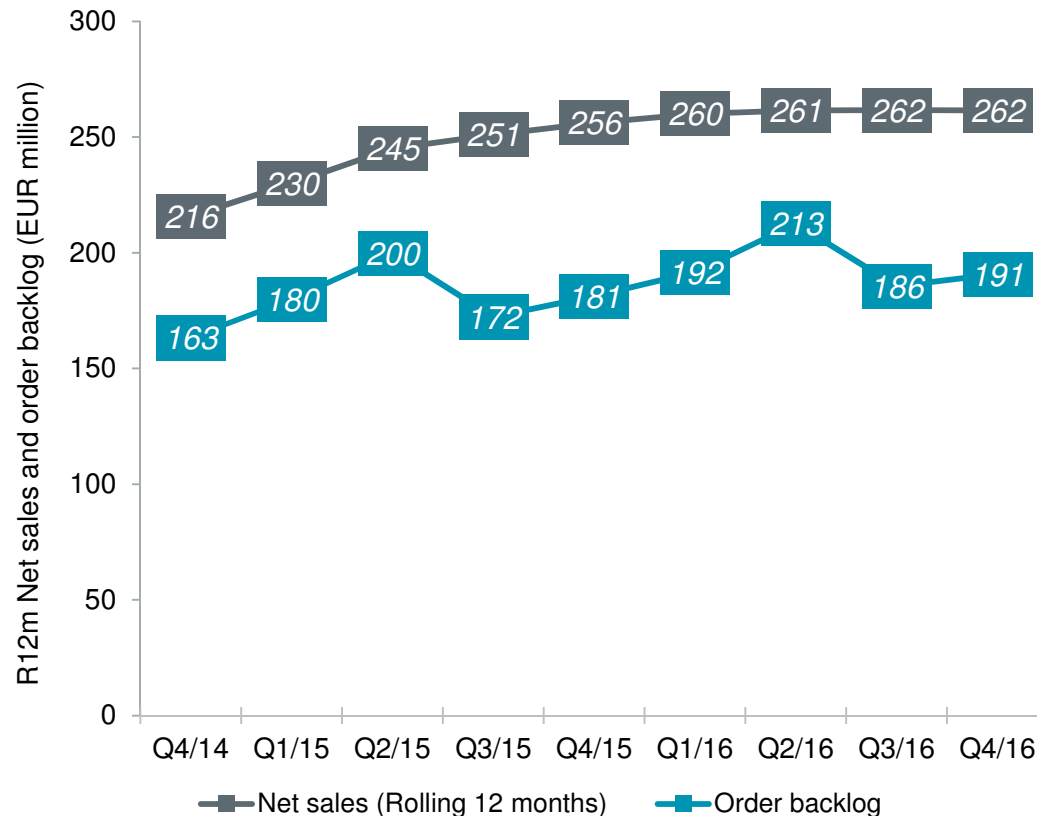
Q4/16 order intake:
EUR 34.3m (+90.7% yoy)

EXAMPLES OF NEW ORDERS:

- **Korkeavuorenkatu 21/ Grand Residence Development**
 - Conversion of a high-value property into apartments, façade and residential renovation
- **As Oy Hiidenkoivu & As Oy Hiidenkero**
 - Two housing corporations' facades to be renovated as a group project in Lohja

Net sales growth in 2016 slightly slower than anticipated, order backlog warrants positive expectations for 2017

Quarterly order backlog and R12m net sales Q4/2014 – Q4/2016 (EUR m)



Comments

- Rolling 12-month net sales flattened out in H2/2016
 - The slower than anticipated net sales growth was mainly due to:
 - Net sales cumulating from relatively small projects
 - Competition for skilled personnel caused by the active new construction market
 - Slow start of large projects
- Duration of 31 Dec 2016 order backlog (EUR 191m) somewhat shorter compared to backlog Consti had on 31 Dec 2015 (EUR 181m)

Guidance for financial year 2017

“The Company estimates that its total annual net sales for 2017 will grow compared to 2016.”



Consti completed two acquisitions in the fourth quarter, and one after the year-end 2016

PIRKANMAAN JT-PALVELUT OY



- *Share deal, November 2016*
- Operates in the Pirkanmaa region, around the city of Tampere
- Specialises in jointing precast panels and installing firestop systems in building structures
- The acquisition will further improve the maintenance services offered by Consti Building Facades in the region
- All employees will transfer to Consti
- Annual net sales EUR 1.3m

COOL AIR SERVICE KY



- *Asset deal, November 2016*
- Conducts service and maintenance of cooling equipment in the Pirkanmaa region
- The acquisition strengthens Consti's Technical Building Services unit
- The entire staff of the acquired business and all current customers will be transferred to Consti
- Also existing partnership agreements will continue
- Annual net sales: EUR 0.2m

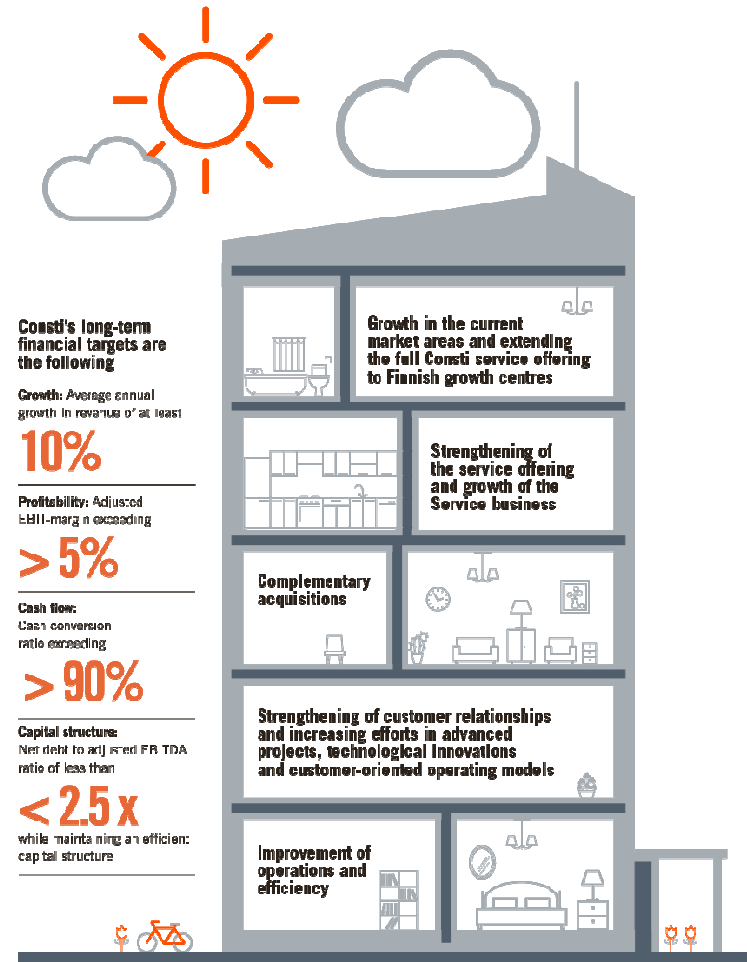
OULUN TALOSANEERAUS OY



- *Share deal, January 2017*
- Operates in the Oulu area, where it has gained a strong foothold during its ten years in business
- Focuses on pipeline renovations
- Employs nearly 30 professionals, all of which will move to work for Consti
- The deal strengthens Consti's position as a noteworthy renovation provider in the Oulu region
- Annual net sales: EUR 8.0m

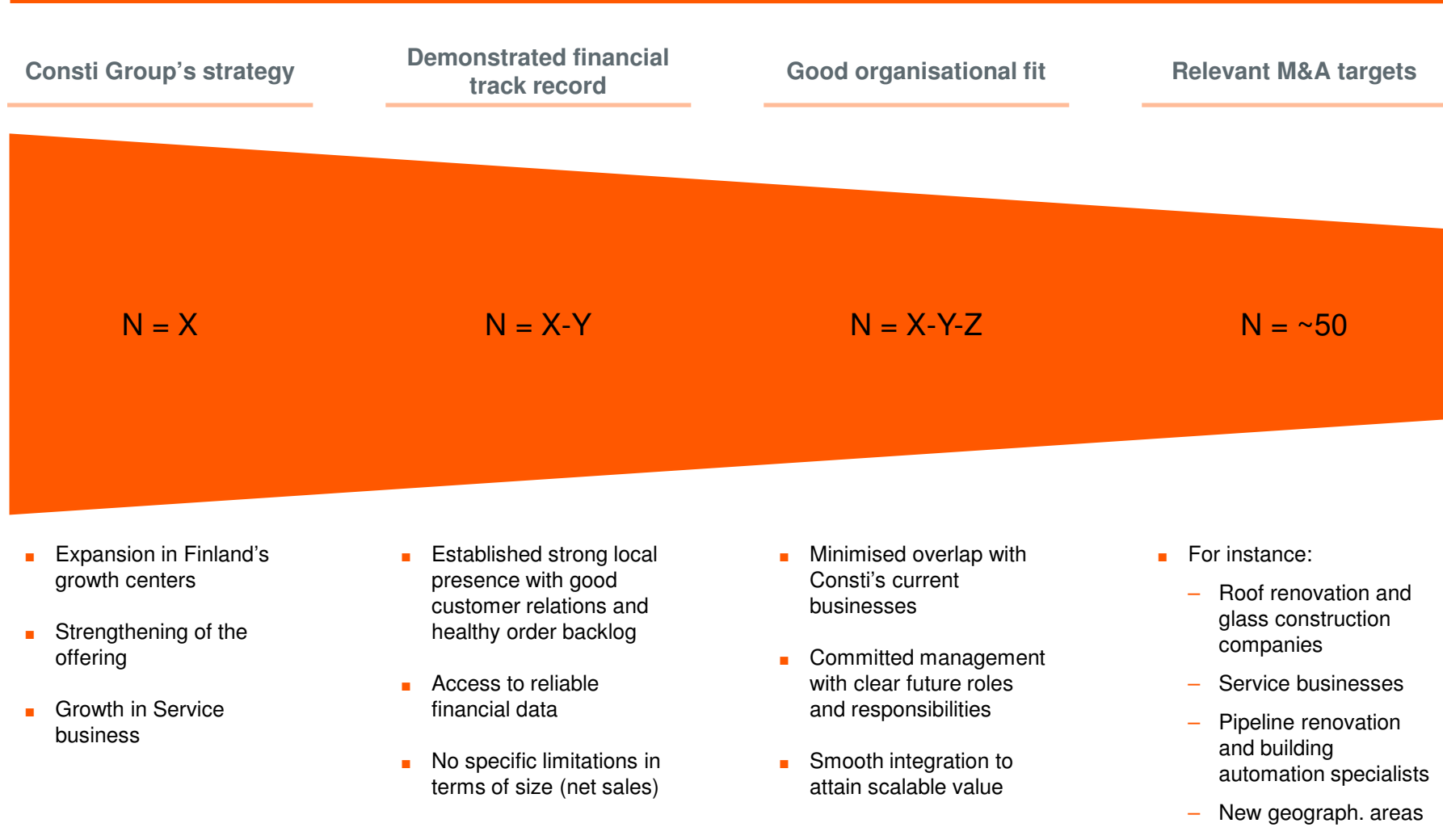
Consti Group's current strategic themes, new strategy to be launched during 2017

STRATEGY



- 1 **Exploit market position and expand full offering to Finland's growth centers**
 - Grow in businesses where Consti has long experience and a strong position
 - Expand full offering to the growth centers of Finland
 - Acquisitions to support growth
- 2 **Strengthen the offering and continuously grow in Service business**
 - Strengthen and complement the service offering with supplementary capabilities (building automation, roof renov.)
 - Further grow the service business
 - Acquisitions to support growth
- 3 **Continue to strengthen customer relationships and innovation leadership**
 - Cross-selling across business areas and development of KAM
 - Growth in advanced project types
 - Modern renovation methods and technological innovations
- 4 **Maintain and further improve operational excellence**
 - Development and optimisation of sales mix
 - Project management and procurement
 - Fixed expense control
 - Strengthening of HR operations

Active screening of M&A candidates - Consti's knock-out criteria used to shortlist potential M&A targets



Summary

1. FY2016 progressed nearly as expected, best year to date by many measures

2. Profitable growth continued, strong balance sheet going forward

3. Order intake and order backlog continued to increase year-on-year

4. Strong growth in Service business, strengthened by acquisitions

5. Positive renovation outlook and strong order backlog to support FY2017

6. FY2017 net sales to grow compared to 2016



CONSTI

FINANCIAL STATEMENTS

1-12/2016

CONSTI GROUP PLC

Q4

CONSTI GROUP PLC
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