



CONSTI GROUP PLC

HALF-YEAR FINANCIAL REPORT

1.1.2016 – 30.6.2016

CEO Marko Holopainen
CFO Esa Korkeela

Building renovation specialist | www.consti.fi

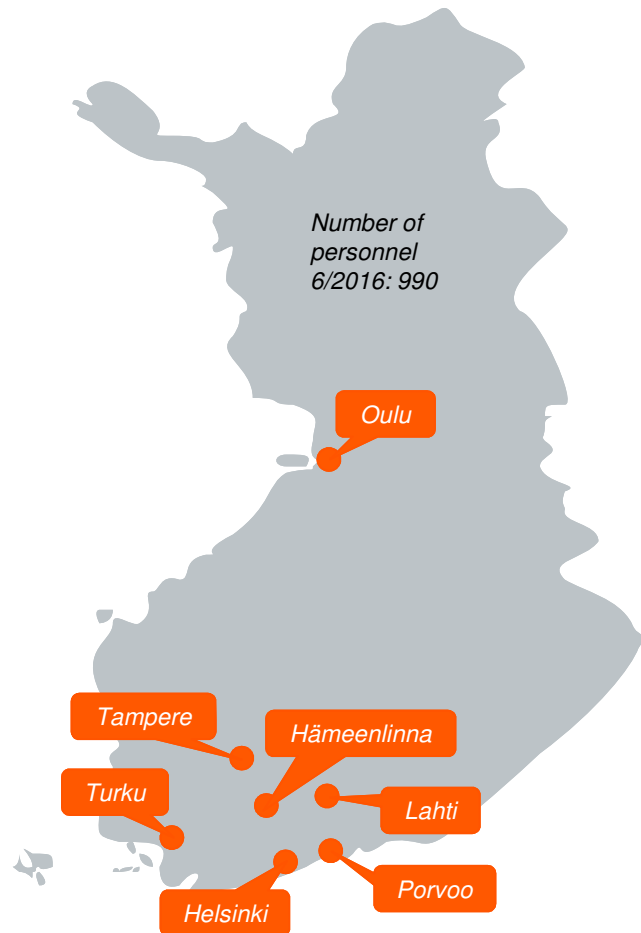
CONSTI
YHTIÖT



Contents

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

Highlights of the first half of 2016 – Order backlog reached a record high



Highlights of 4-6/2016 (y-o-y comparison in brackets)

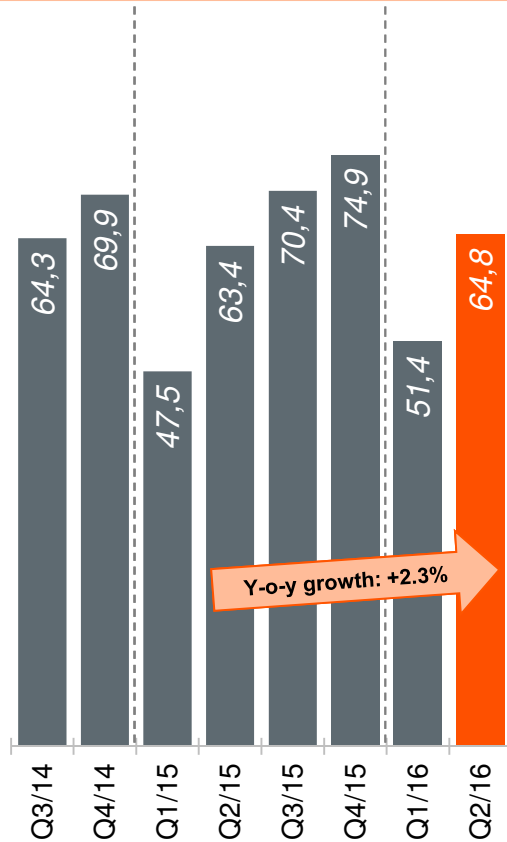
- Net sales EUR 64.8 (63.4) million, growth +2.3%
- EBIT EUR 2.6 (2.3) million, EBIT margin 4.0% (3.7%)
- Adjusted EBIT EUR 2.6 (2.4) million, adjusted EBIT margin 4.0% (3.7%)
- Free cash flow EUR 0.4 (4.9) million
- Earnings per share EUR 0.25 (0.18), up by 35.6%

Highlights of 1-6/2016 (y-o-y comparison in brackets)

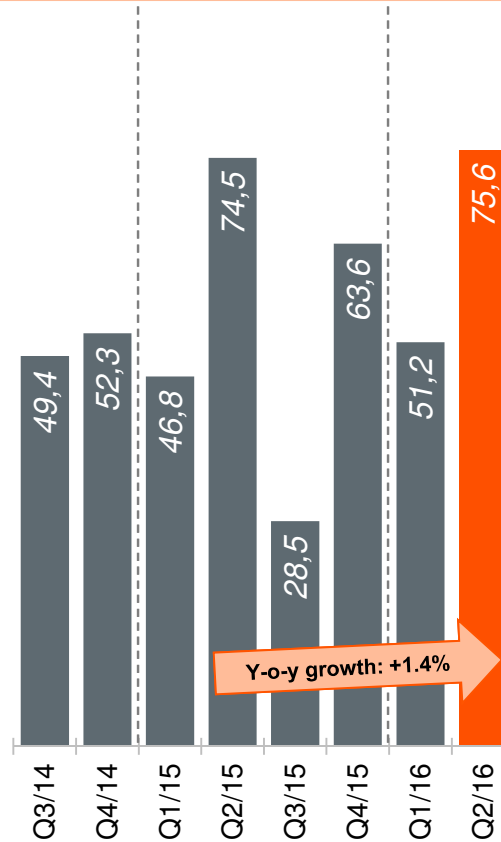
- Net sales EUR 116.2 (110.9) million, growth +4.8%
- EBIT EUR 2.8 (2.4) million, EBIT margin 2.4% (2.2%)
- Adjusted EBIT EUR 2.8 (2.7) million, adjusted EBIT margin 2.4% (2.5%)
- Free cash flow EUR 3.7 (7.1) million
- Order backlog EUR 212.6 (199.8) million, up by +6.4% year-on-year and +17.3% from year-end 2015
- Net interest-bearing debt EUR 17.8 (38.5) million
- Gearing at 76.1%
- Earnings per share EUR 0.24 (-0.04)

Quarterly performance overview – Growth in net sales, order intake and order backlog continued in Q2/2016

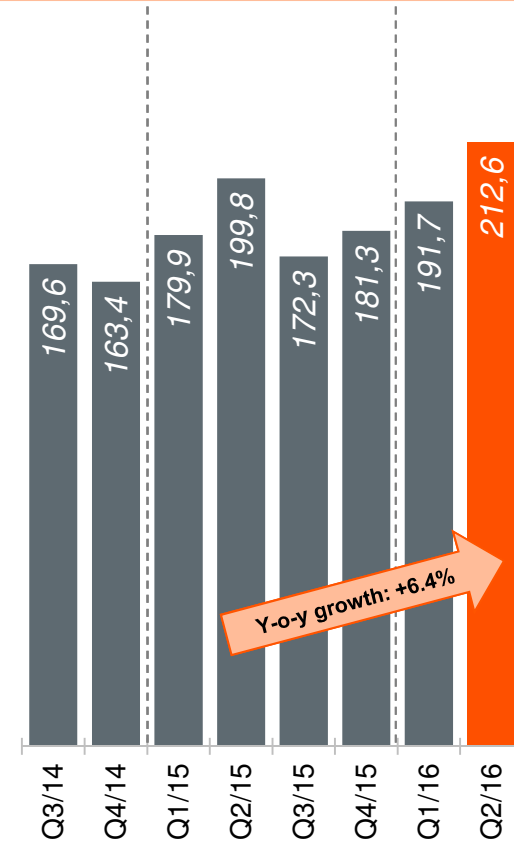
Quarterly net sales (EUR m)



Quarterly order intake (EUR m)

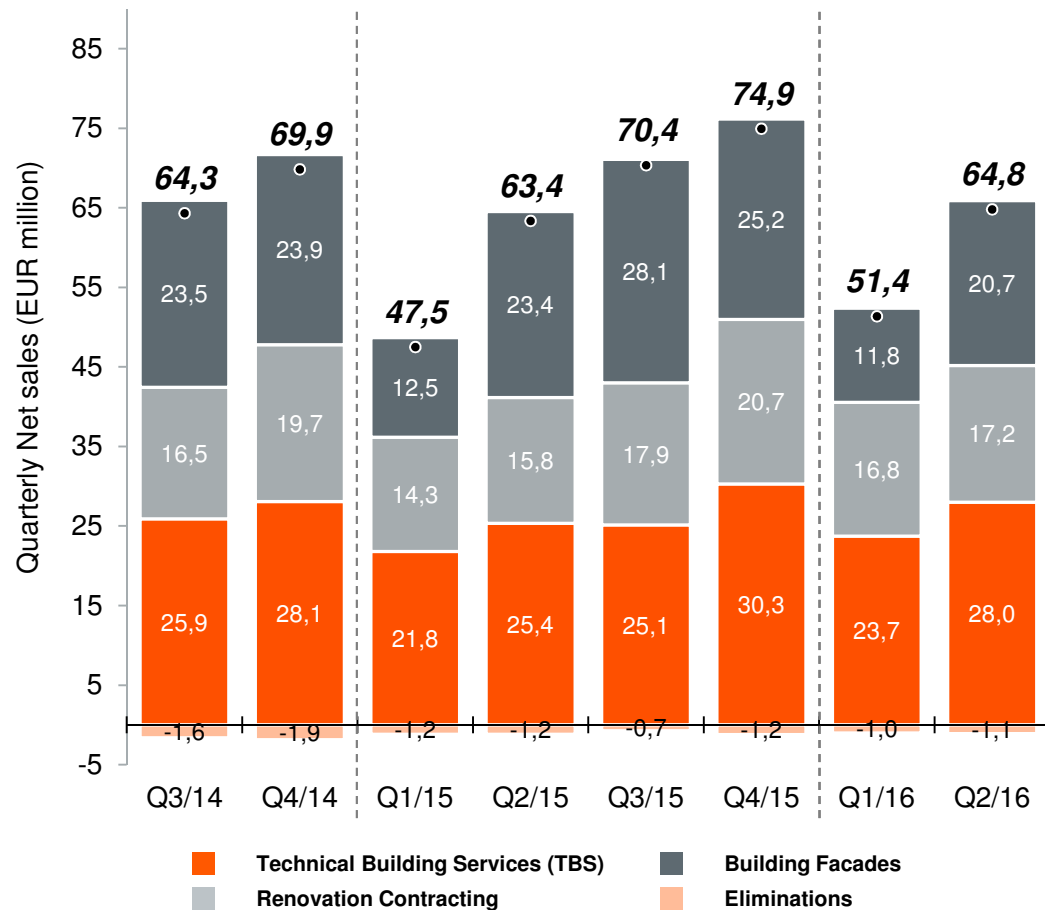


Quarterly order backlog (EUR m)



Consti quarterly net sales development – Growth continued in the second quarter

Quarterly net sales development Q3/2014 – Q2/2016 (EUR m)

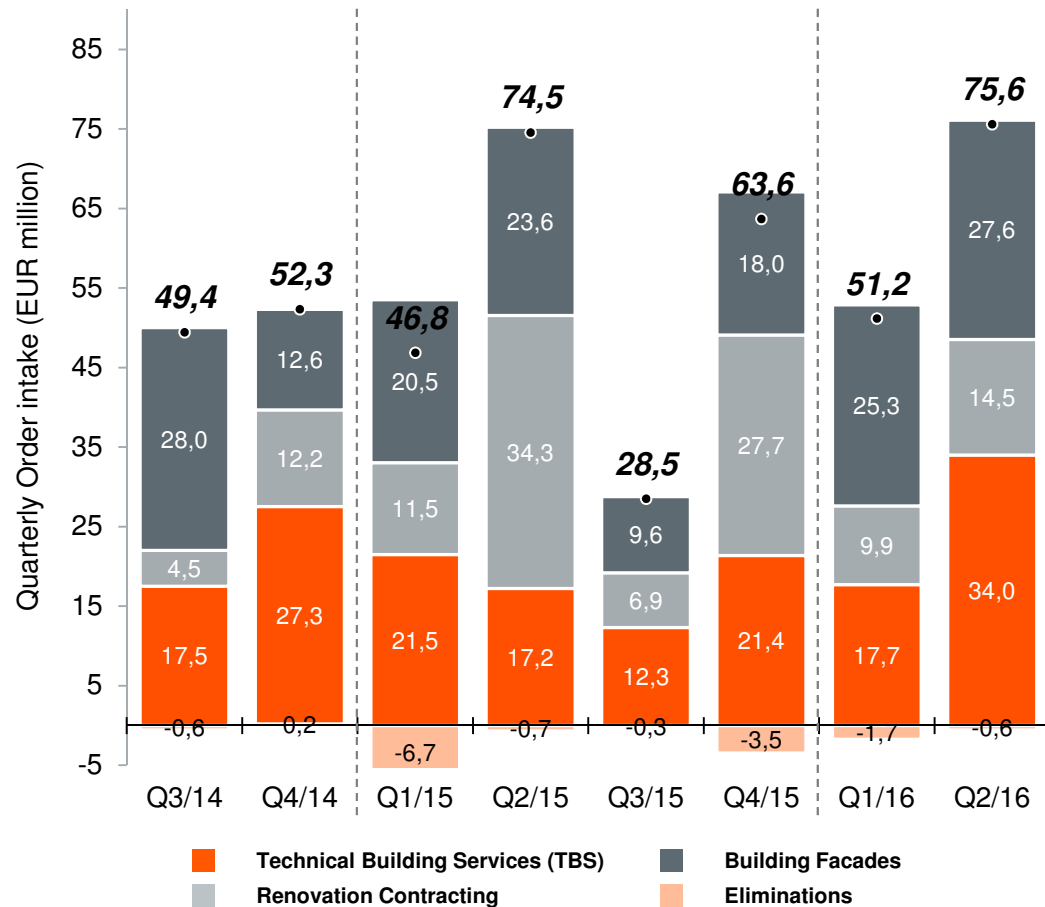


Comments

- Q2/2016 net sales EUR 64.8m (63.4m), y-o-y sales growth +2.3%
 - Q2/16 organic growth +1.5%
- In TBS, growth of 10.4% supported by good growth in service business and non-residential sector
- In Renovation Contracting, growth of 8.8% attributable to continued growth in the Greater Helsinki area as well as in Turku area
- In Building Facades, decline of 11.4% due to year-on-year decrease in net sales generated by its rental apartment buildings business unit
- H1/2016 net sales EUR 116.2 million (110.9m), y-o-y sales growth +4.8%
 - H1/16 organic growth +3.7%

Consti quarterly order intake development – Order intake increased y-o-y in spite of tough comparison period

Quarterly order intake development Q3/2014 – Q2/2016 (EUR m)

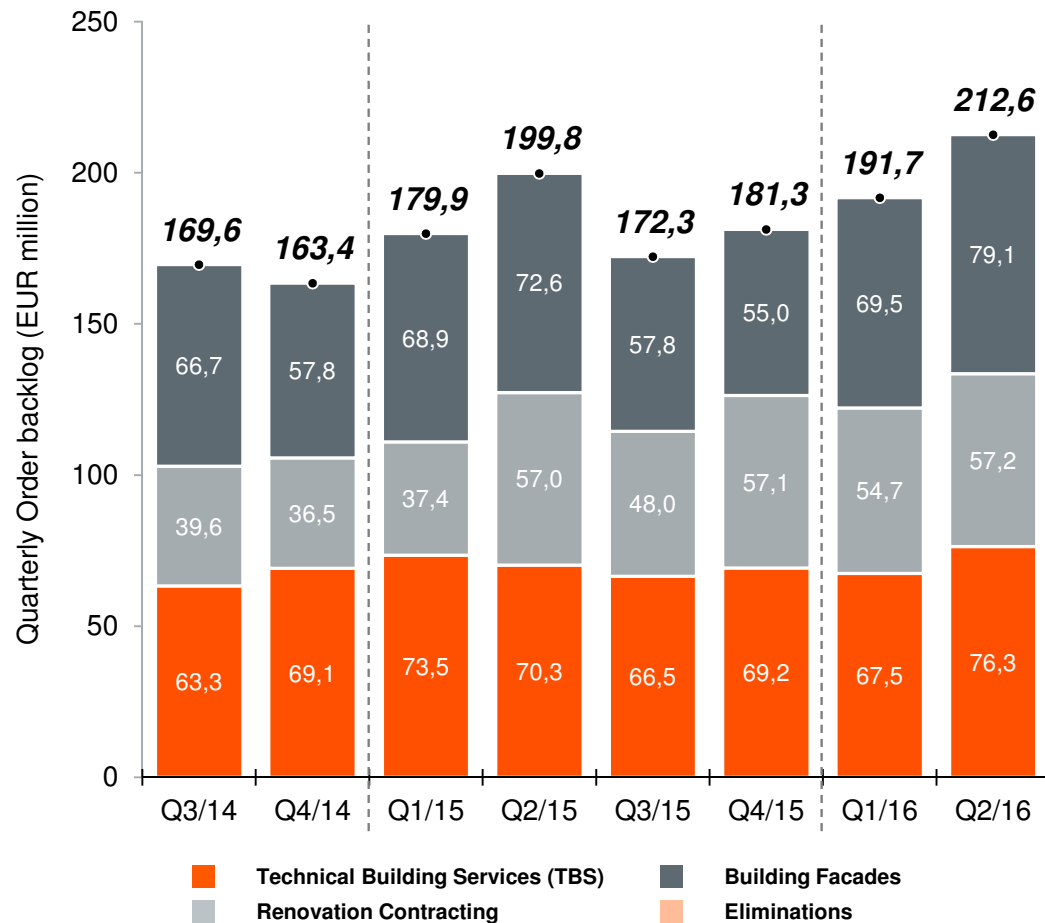


Comments

- Q2/2016 order intake EUR 75.6 million (74.5m), up by 1.4% y-o-y
- Order intake growth was strong in Technical Building Services (+97.7%) and Building Facades (+16.6%)
- In TBS, growth particularly from residential sector and in Building Facades from façade renovations in the Greater Helsinki area
- Order intake increased y-o-y in spite of tough comparison period Q2/15 (EUR 74.5 million)
- H1/2016 order intake EUR 126.7 million (121.4m), up by 4.4% y-o-y

Consti quarterly order backlog development – Backlog up by 6.4% y-o-y and +17.3% from year-end 2015

Quarterly order backlog development Q3/2014 – Q2/2016 (EUR m)



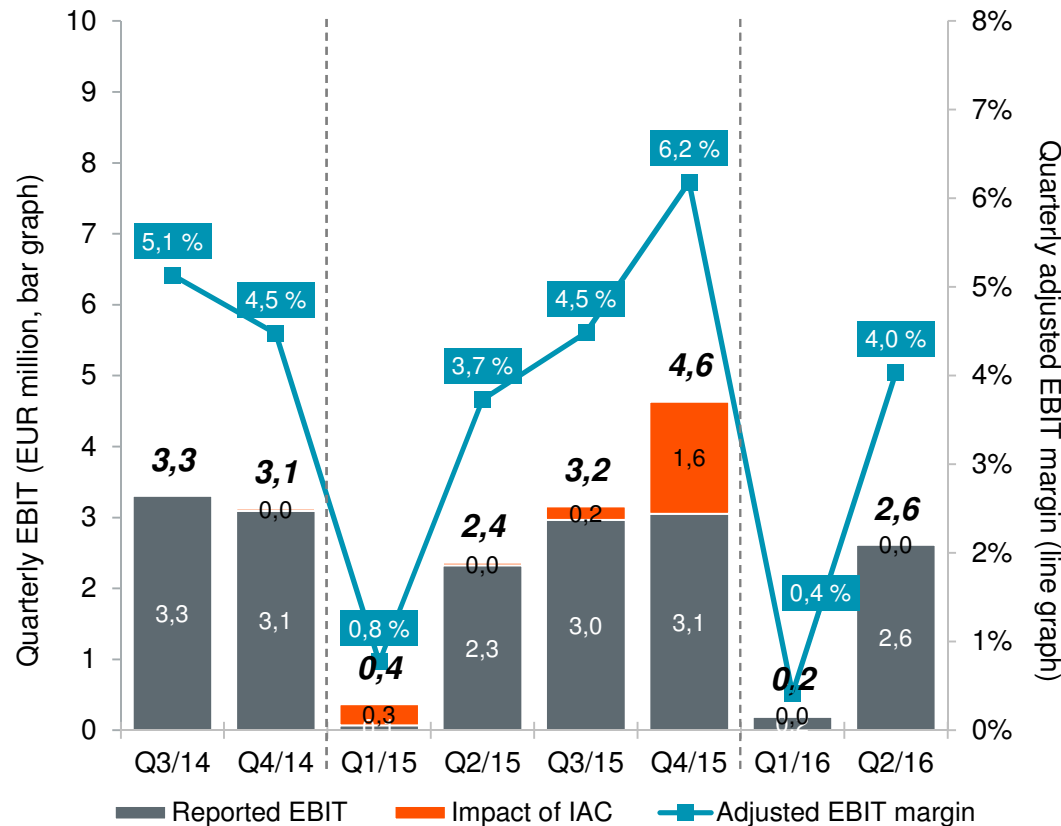
Comments

- Q2/2016 order backlog on a record-high level at EUR 212.6 million (199.8m), year-on-year growth +6.4%
- Backlog up by 17.3% from year-end 2015
- Order backlog grew particularly in Technical Building Services (+8.6% year-on-year) and Building Facades (+9.0% y-o-y)

Result, Cash Flow and Financial Position

Consti quarterly adjusted EBIT¹ development – Both absolute and relative profitability improved in Q2/2016

Quarterly EBIT development Q3/2014 – Q2/2016 (EUR m)



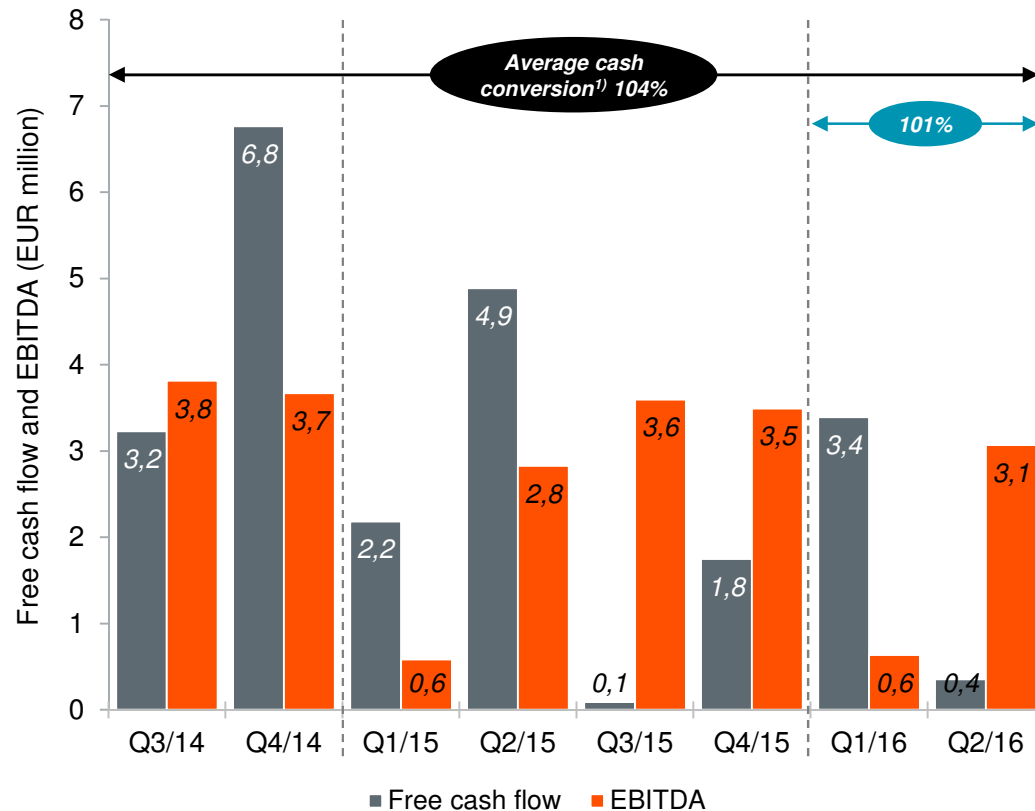
Comments

- Q2/16 adjusted EBIT before IAC¹ amounted to EUR 2.6 (2.4) million, or 4.0% (3.7%) of net sales
- Q2/16 EBIT after IAC EUR 2.6 (2.3) million, or 4.0% (3.7%) of net sales
 - In Q2/15, IAC of EUR 0.04m related to planning of structural arrangements and adoption of IFRS standards
- EBIT and EBIT margin fluctuations are affected by the Group's progress in projects that generate revenue according to the POC method, the starting of new projects and the development of demand for services
- H1/16 adjusted EBIT before IAC¹ EUR 2.8m (2.7m), or 2.4% (2.5%) of net sales
- H1/16 EBIT after IAC EUR 2.8m (2.4m), or 2.4% (2.2%) of net sales
 - In H1/15, IAC of EUR 0.3m

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

Consti quarterly cash conversion development – Free cash flow adversely impacted by NWC change in Q2/2016

Quarterly free cash flow and EBITDA Q3/2014 – Q2/2016 (EUR m)



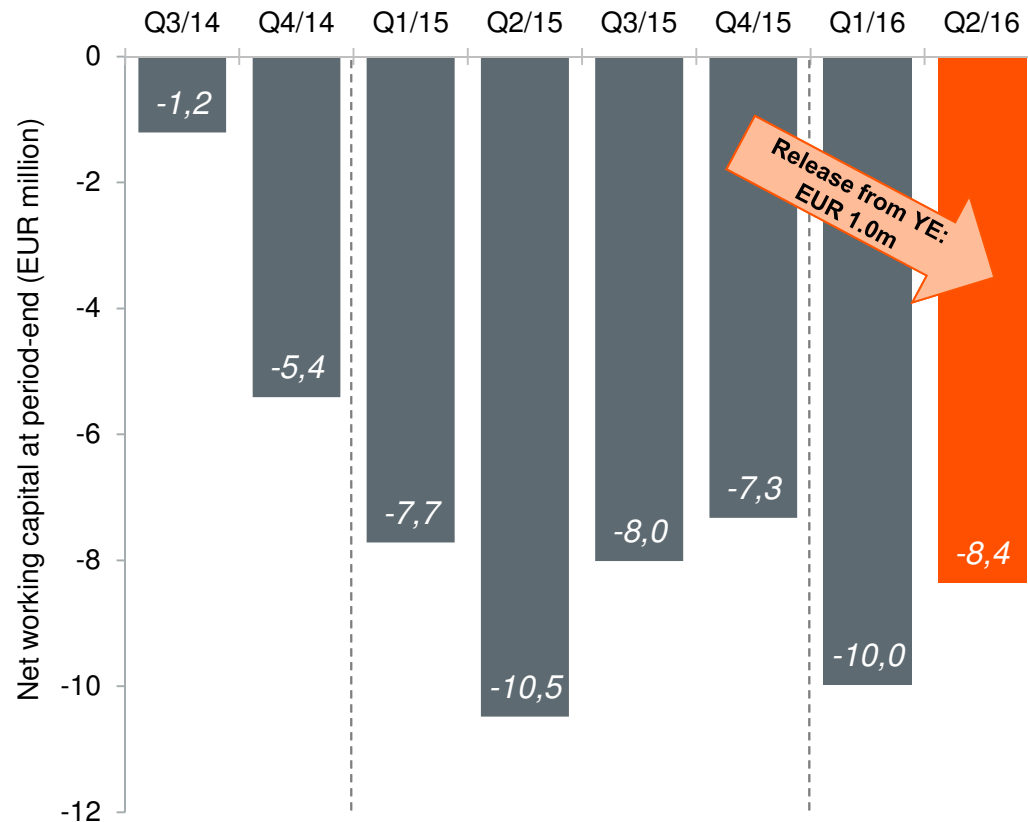
Comments

- Q2/2016 Free cash flow amounted to EUR 0.4m (4.9m), down by +92.8% y-o-y
 - Cash conversion ratio of 11.5% (172.7%) in the second quarter
 - Cash flow from operating activities was positively impacted by improved profitability
 - However, cash flow was adversely impacted by NWC tied up during Q2
- Average cash conversion ratio of 104% in the period of Q3/14 – Q2/16 and 101% in H1/2016
 - 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 – Release of NWC in H1/16 amounted to EUR 1.0 million

Quarterly net working capital¹⁾ Q3/2014 – Q2/2016 (EUR m)



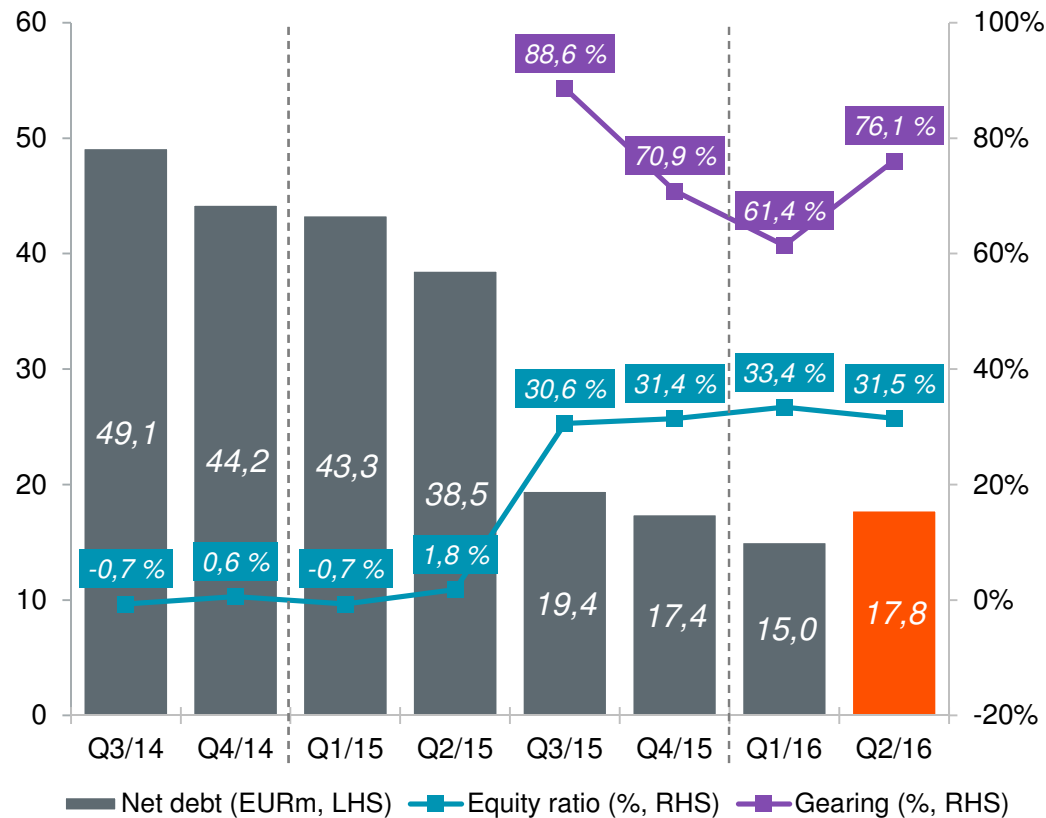
Comments

- Net working capital EUR -8.4m (-10.5m) at the end of Q2/2016
 - NWC EUR 2.1m higher compared to end of Q2/2015
 - NWC was tied up during Q2 due to delays in final reports of projects delivered during the period
 - Release of NWC from year-end 2015 amounted to EUR 1.0m (5.1m)

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 remained strong in the second quarter

Quarterly net debt, equity ratio and gearing Q3/2014 – Q2/2016

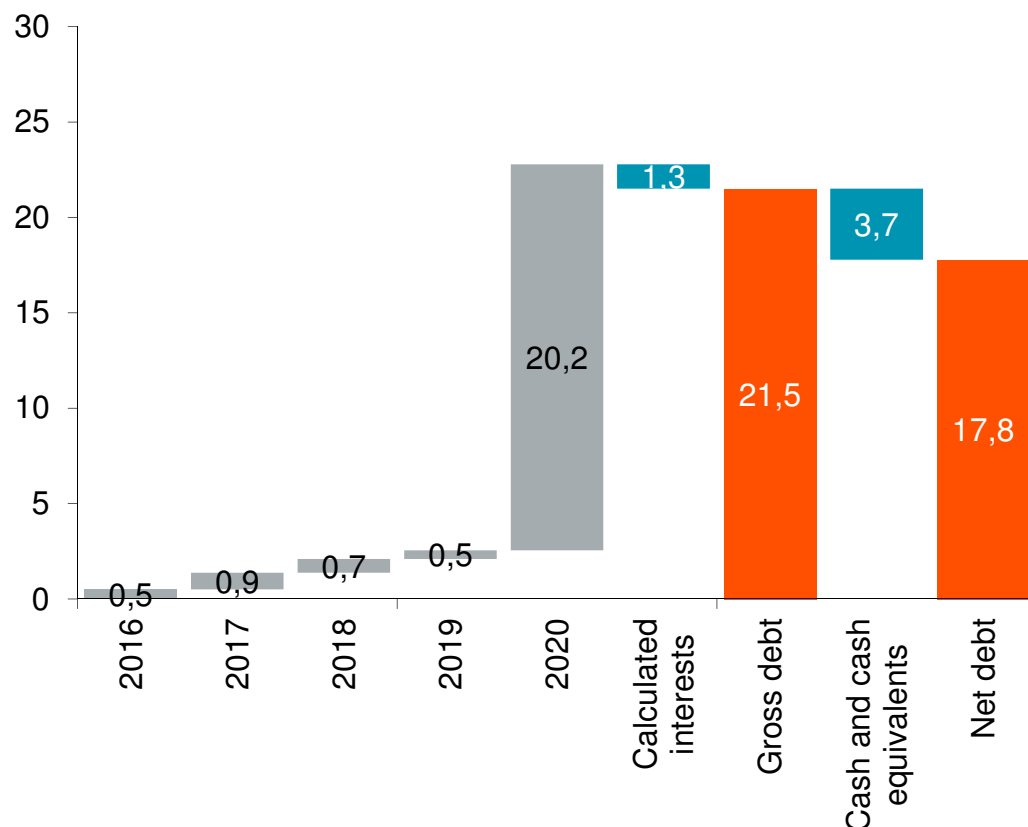


Comments

- Q2/2016 net debt at EUR 17.8m (38.5m)
- Net debt was impacted by dividend distribution of EUR 3m in April 2016
- In September 2015, Consti changed its capital structure and refinanced its indebtedness which decreased financing costs in 2015
- The impact will be seen especially in 2016
- Q2/2016 equity ratio 31.5% (1.8%)
- Q2/2016 gearing at 76.1%

Consti's maturity distribution of interest-bearing debt as at 30 June 2016 – Good financial flexibility going forward

Maturity profile of interest-bearing debt¹ (EUR m)



Comments

- Consti changed its capital structure and refinanced its indebtedness in September 2015
 - Long-term loan of EUR 20m matures in 2020, providing financial flexibility for years to come
- In addition, the company had undrawn revolving credit facilities of EUR 5.0m available at the end of H1/2016
- External loan of EUR 20m subject to two financial covenants: net debt / adjusted EBITDA and gearing ratio
- On 30 June 2016, net debt / adjusted EBITDA totaled 1.4x while gearing was at 76.1%

¹) Includes calculated interest on the interest-bearing debt

Number of shareholders gradually increasing, Consti personnel constitutes an important group of owners

Consti's largest shareholders (30 June 2016)

30 June 2016	% of shares and votes
1. Etera Mutual Pension Insurance Company	6.04
2. Esa Korkeela	5.09
3. Keva	4.94
4. Risto Kivi	4.78
5. Ilmarinen Mutual Pension Insurance Company	3.96
6. Markku Kalevo	3.78
7. Antti Korkeela	3.69
8. Danske Invest Finnish Institutional Equity Fund	3.41
9. Nordea Fennia Fund	3.11
10. Consti Group Plc	3.10
Ten largest in total	41.89
Nominee registered	13.98
Total number of shares	7,858,267

Comments

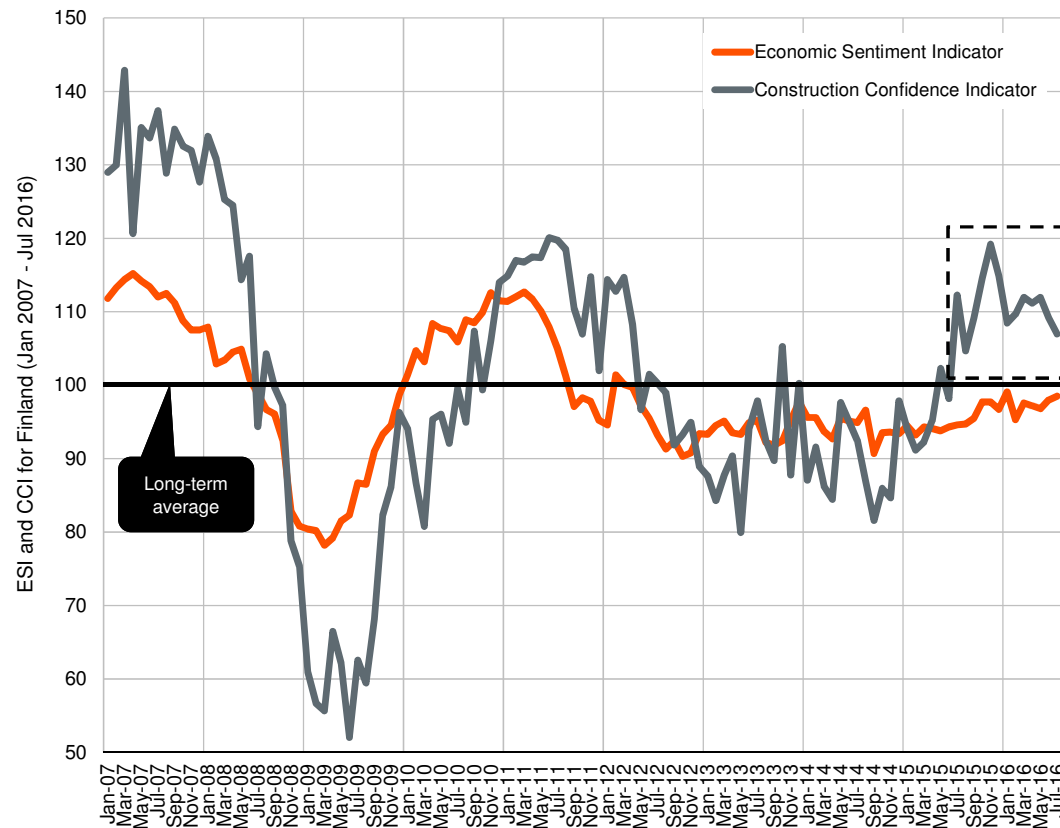
- Intera Partners divested its shares in Consti Group Plc in June
- The number of shareholders gradually increasing and the ownership structure becoming more dispersed
- There are approximately 120 Consti employees who own company shares
 - The Board of Directors, Group Management and employees own a total of ~25% of the company
 - Powerful tool to align interests of Consti's employees with those of shareholders
- Free float currently at approximately 75%

Source: Euroclear Finland Ltd

Market Outlook and Guidance

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

Economic Sentiment and Construction Confidence in Finland (2007 – 7/2016)



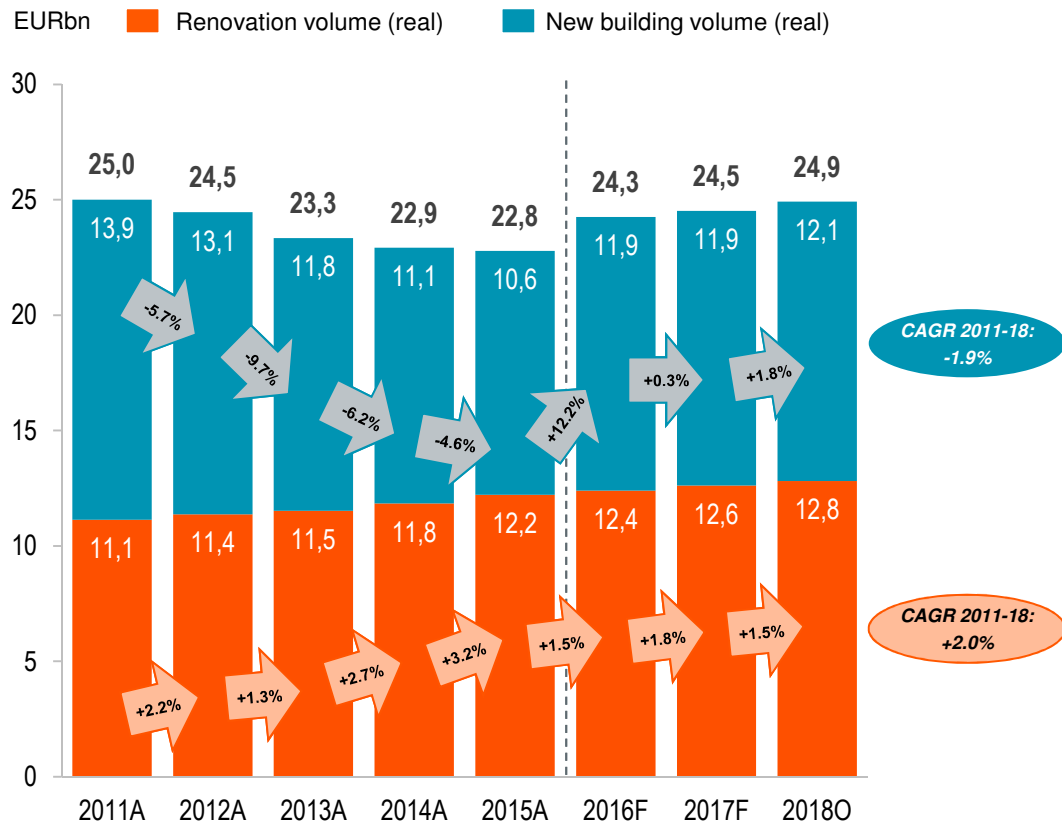
Note: Mean-adjusted figures
 Source: European Commission, July 2016

Comments

- Economic sentiment in Finland remains still below long-term average, but moderate improvement since Q2/2015
- Construction confidence surpassed long-term average level in the beginning of H2/2015 and has steadily remained above that level for a year
 - Construction market is inherently late-cyclical and should benefit from the improved outlook with a certain delay
- The Finnish Association of HPAC Technical Contractors estimated in their June review that business conditions in technical building services have improved compared to March
 - Growth to materialise more notably during the autumn when building technology work will begin in ongoing construction projects

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

Finnish new building and renovation market development, 2011A – 2018O

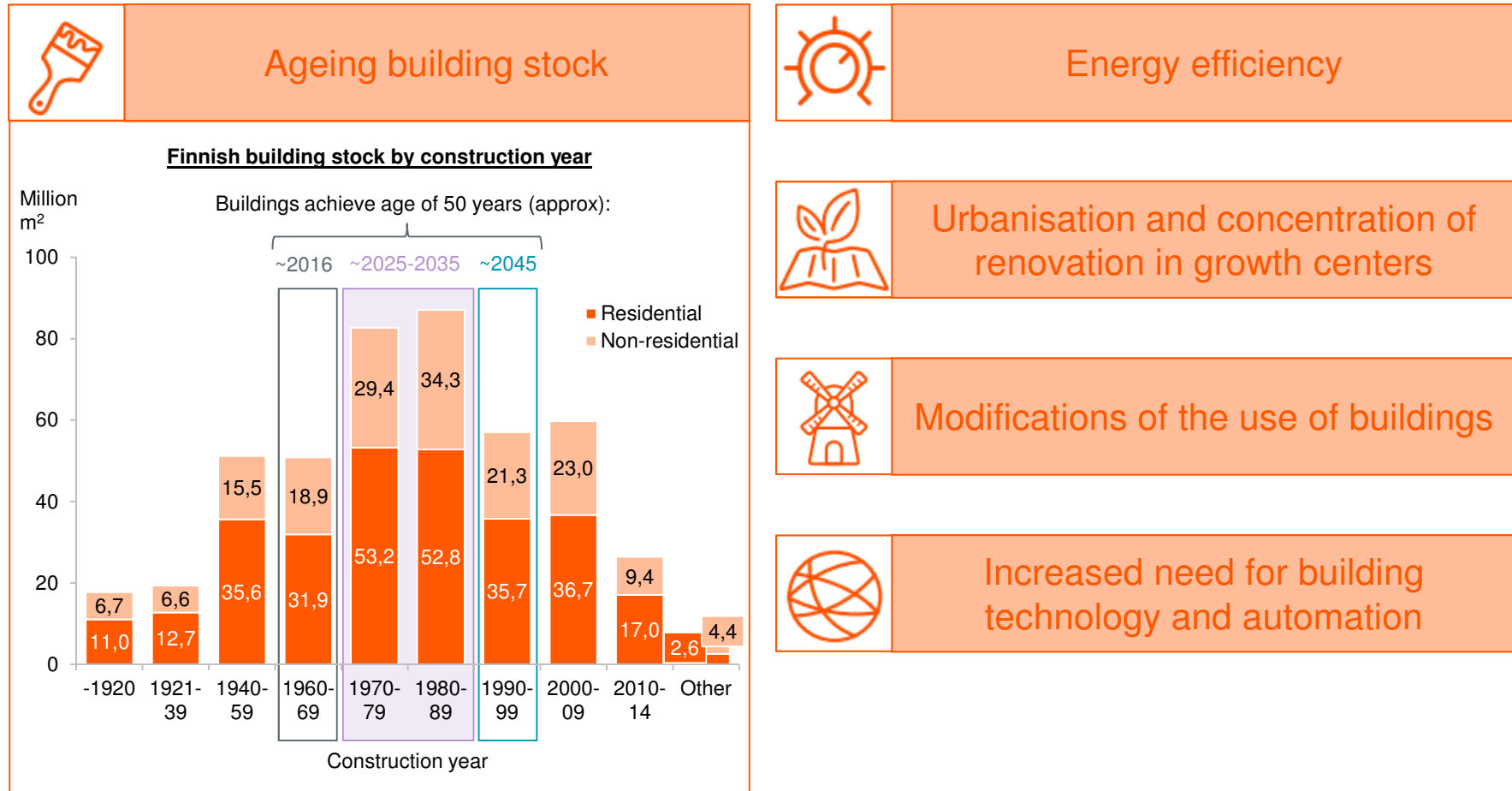


Source: Euroconstruct, June 2016
 *TBS = Technical Building Services

Comments

- Euroconstruct expects stable growth in renovation to continue in 2016 (+1.5%)
- Stable growth in renovation expected to continue going forward, and the average growth to surpass that of new building
- Recent growth estimate for renovation slightly lowered due to deceleration of 1-2 family houses' renovation → not relevant market segment for Consti
- Improved outlook for new building in 2016 (+12.2%) expected to benefit Consti
 - Positive impact on the competitive environment in general → better ability to choose projects and raise prices
 - New growth opportunities for TBS*
 - HR issues
 - Need for skilled project managers and construction workers
 - Need for competences in renovation
 - Companies with own personnel better positioned for potential increase in costs

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



Source: Statistics Finland

The amount of tender requests developed positively in H1/16 and order intake increased towards the period-end

TECHNICAL BUILDING SERVICES

H1/16 order intake:
EUR 51.7m (+33.7% yoy)

EXAMPLES OF NEW ORDERS:

- **Hämeenlinna swimming centre**
 - HVACEA works
- **As Oy Hiirakkotie 1**
 - Consti Ideal pipeline renovation™ for a housing company in Vantaa
- **Hyvinkään Sairaalanmäki**
 - Installation of HVAC and fire safety systems for a new hospital in Hyvinkää

RENOVATION CONTRACTING

H1/16 order intake:
EUR 24.4m (-46.8% yoy)

EXAMPLES OF NEW ORDERS:

- **Espoonlahti church**
 - Complete renovation of a church in Soukka, Espoo (alliance agreement)
- **Building purpose modification in Lahti**
 - Old industrial building to be converted into a new courthouse
- **Samppalinna outdoor swimming stadium in Turku**
 - Complete renovation of the culturally and historically significant outdoor swimming stadium

BUILDING FACADES

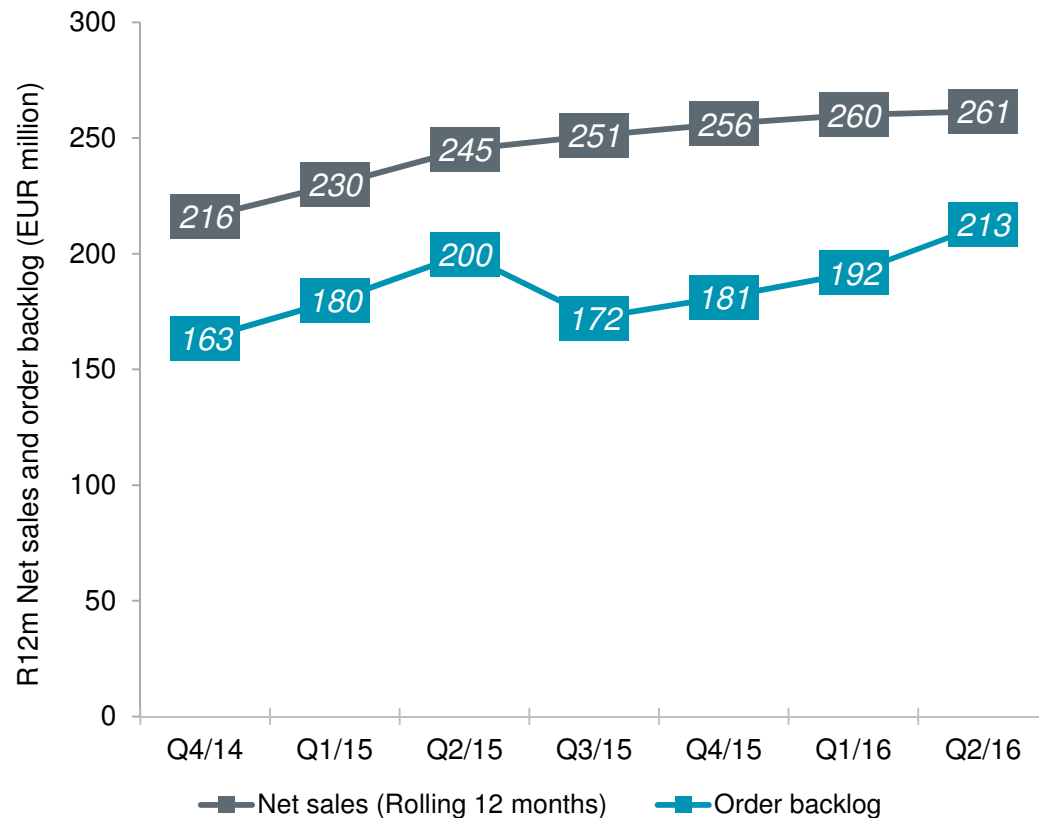
H1/16 order intake:
EUR 52.8m (+19.7% yoy)

EXAMPLES OF NEW ORDERS:

- **As Oy Meri-Kamppi**
 - Comprehensive façade renovation in Ruoholahti, Helsinki
- **As Oy Oulun liiketalo**
 - Complete façade and building interior renovation in Oulu
- **As Oy Trumpettitie 6**
 - Comprehensive façade renovation in Kannelmäki, Helsinki

Strengthening order backlog to support organic growth going forward

Quarterly order backlog and R12m net sales Q4/2014 – Q2/2016 (EUR m)



Comments

- Rolling 12-month net sales temporarily flattening out in Q2/2016 mainly due to decrease in Building Facades sales
 - However, positive development in order intake and order backlog towards the end of reporting period
 - Also, market outlook remains strong for the rest of the year
- Based on the good market outlook and strong order backlog development, Consti specifies its net sales guidance for 2016

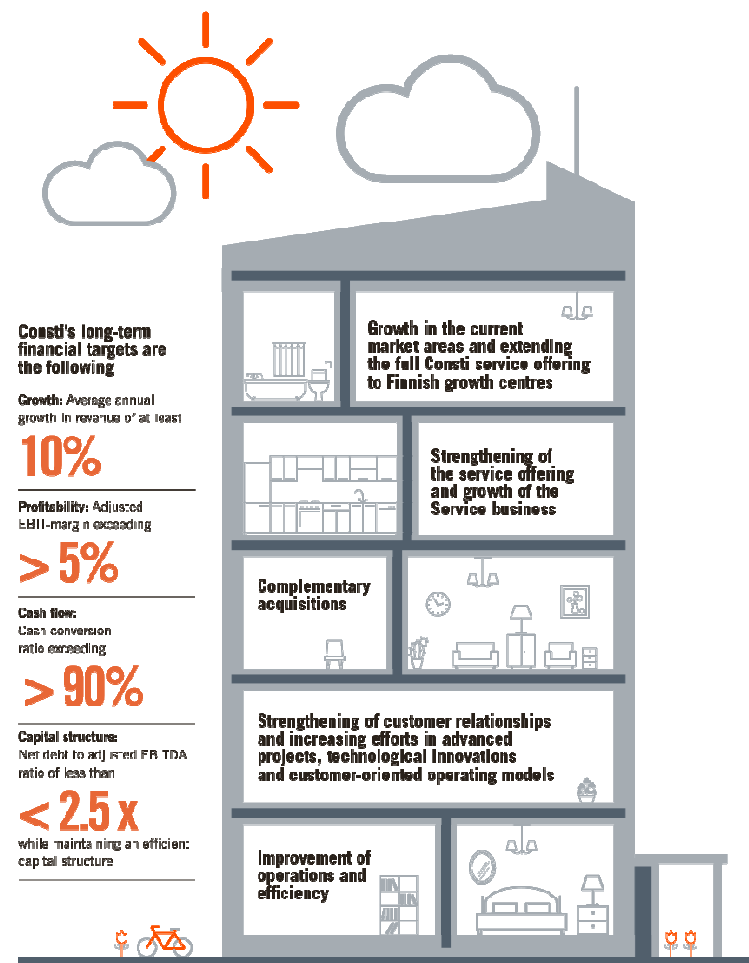
Guidance for 2016 specified after H1/2016

“The Company estimates that its total annual net sales for 2016 will grow approximately 5-10 percent compared to 2015.”



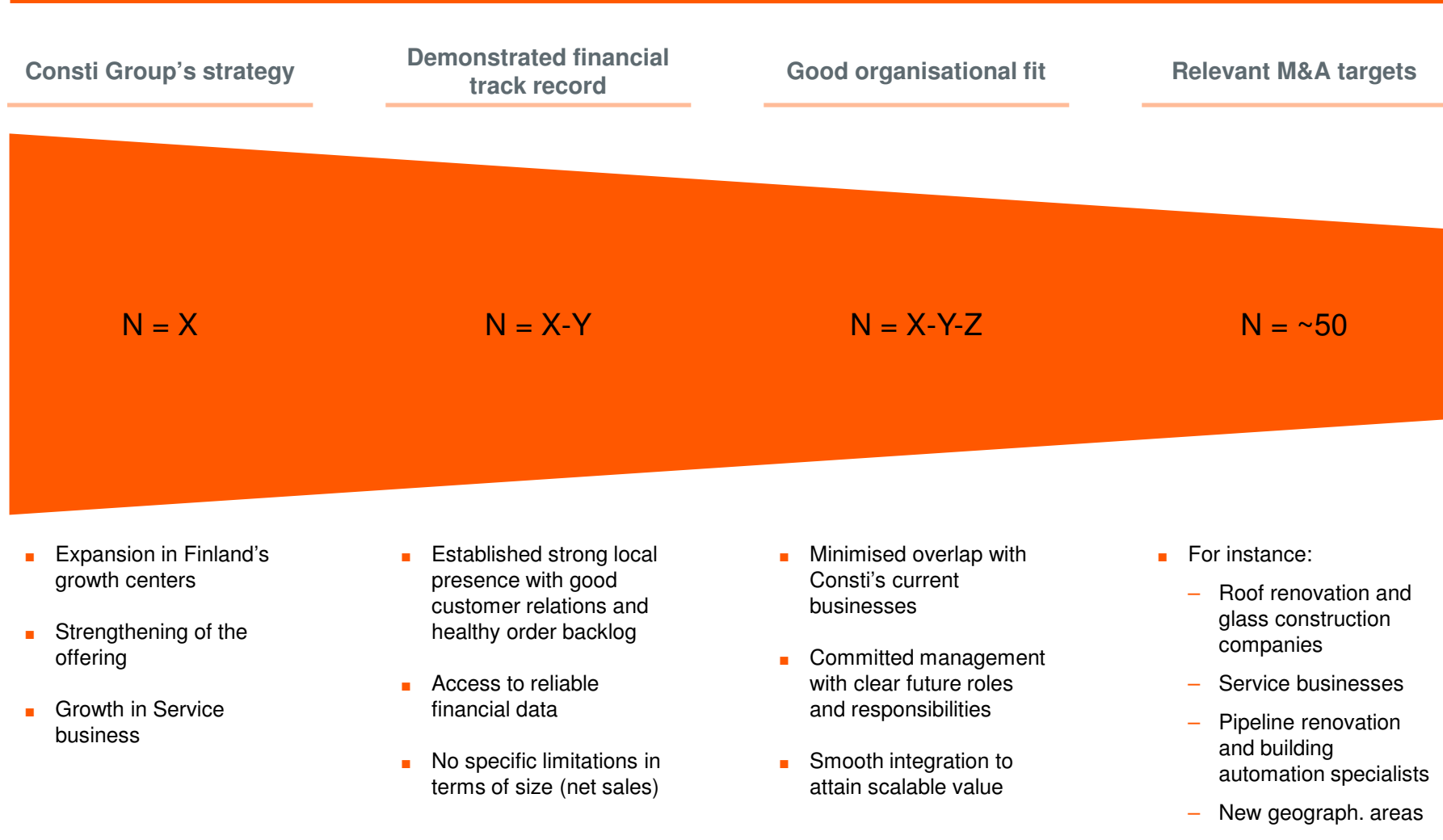
Consti Group's strategic themes

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

- Order backlog reached a record-high
- Overall, the best second quarter in Consti's history
- Market situation during H1/2016 in general was good
- Strengthening order backlog to support organic growth going forward
- Strategy implementation progressing



CONSTI

HALF-YEAR FINANCIAL REPORT

1-6/2016

CONSTI GROUP PLC

H1

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