

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 in red on its side. In the background, there is a large church with two tall, green spires. The city is surrounded by water, and there are many other buildings and streets visible.

CONSTI GROUP PLC

INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2017

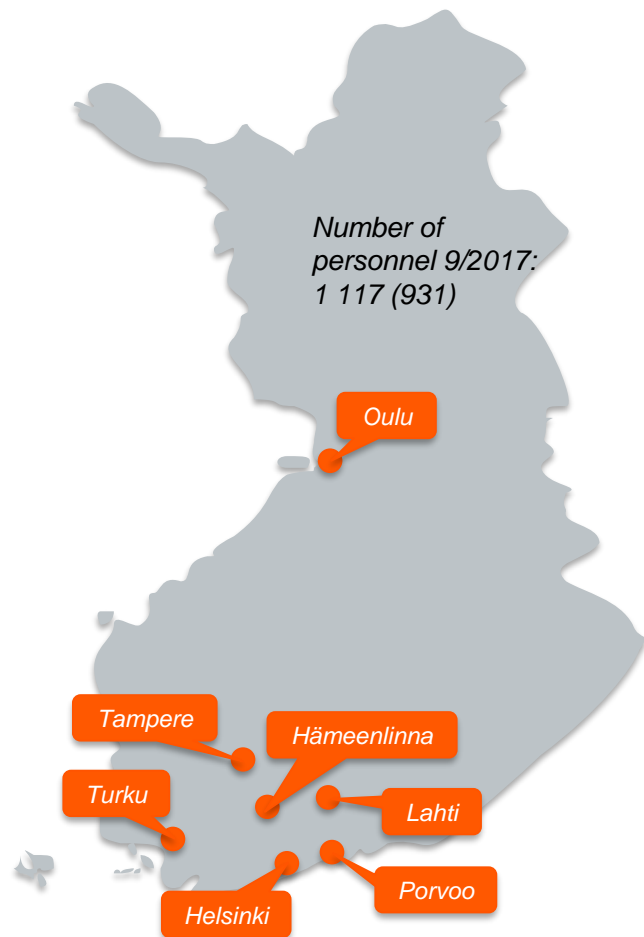
Interim CEO Esa Korkeela



Contents

- Highlights and Group performance
- Cash flow and financial position
- Market outlook, guidance and summary
- Appendix

Highlights of the third quarter of 2017: Net sales grew, result was a disappointment



Highlights of 7-9/2017 (y-o-y comparison in brackets)

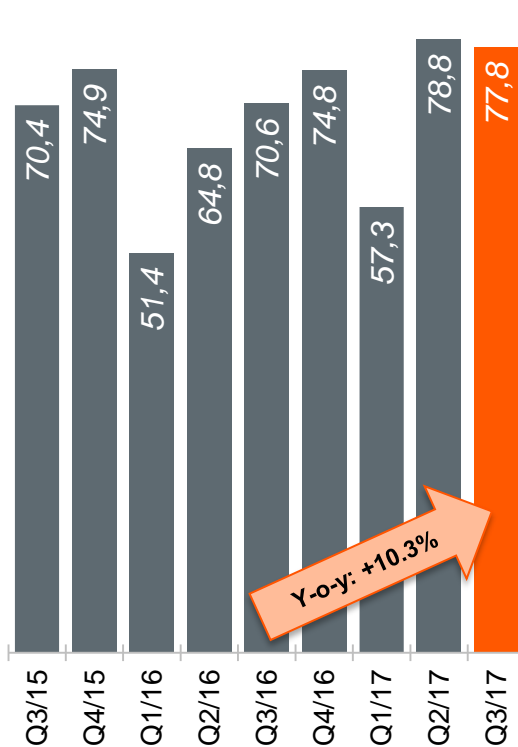
- Net sales EUR 77.8 (70.6) million, growth 10.3%
- EBITDA EUR -0.2 (4.5) million, EBITDA margin -0.3 (6.4)%
- EBIT EUR -0.8 (3.7) million, EBIT margin -1.0 (5.3)%
- Order backlog EUR 198,8 (185.6) million, growth 7.1% compared to previous year and +4.2% compared to year-end 2016
- Free cash flow EUR 2.9 (6.6) million
- Earnings per share EUR -0.10 (0.37)

Highlights of 1-9/2017 (y-o-y comparison in brackets)

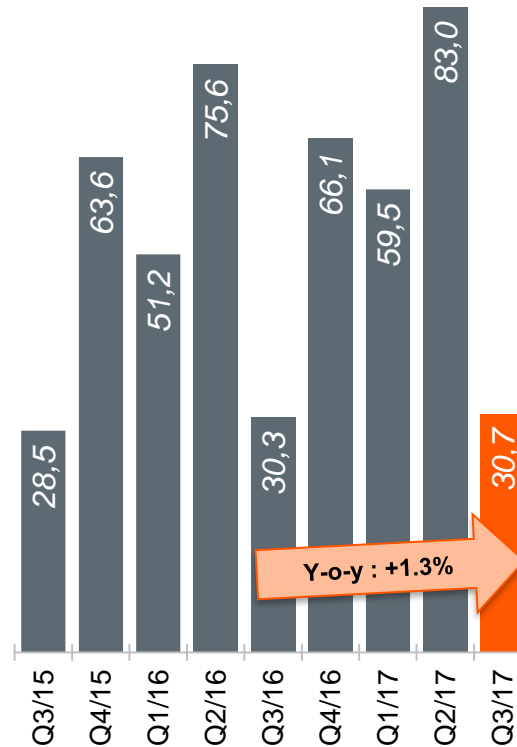
- Net sales EUR 213.9 (186.7) million, growth 14.5%
- EBITDA EUR 3.8 (8.2) million, EBITDA margin 1.8% (4.4)%
- EBIT EUR 2.2 (6.5) million, EBIT margin 1.0 (3.5)%
- Free cash flow EUR 6.4 (10.4) million
- Gearing 48.6 (44.6)%
- Net debt EUR 13.4 (11.7) million
- Earnings per share EUR 0.16 (0.60)

Quarterly performance: Net sales, order intake and order backlog increased

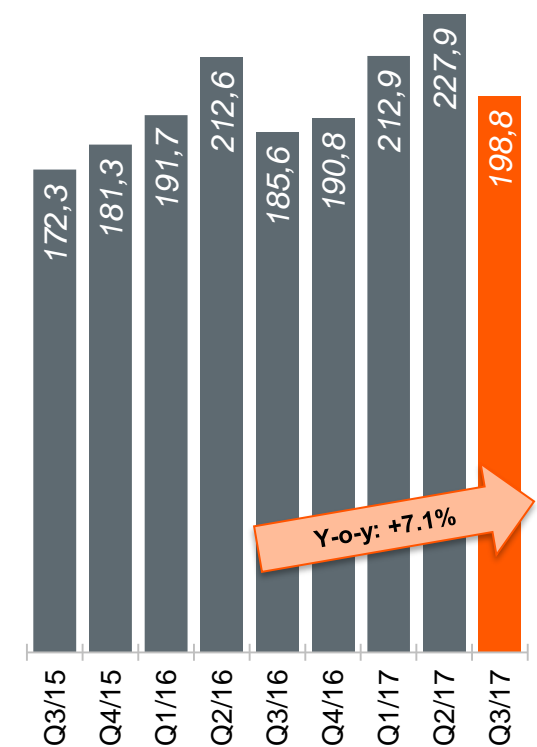
Quarterly net sales (EUR m)



Quarterly order intake (EUR m)

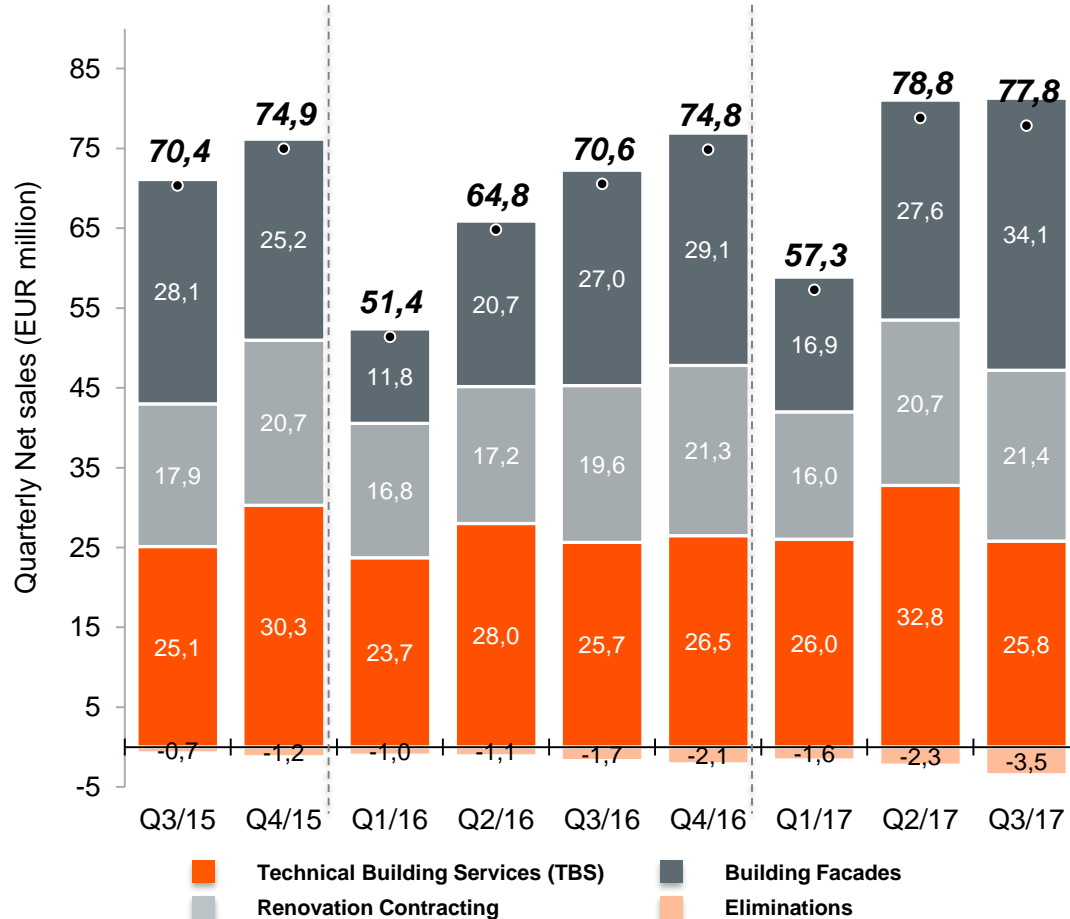


Quarterly order backlog (EUR m)



Quarterly net sales development: Third quarter net sales up by 10.3%

Quarterly net sales development Q3/2015 – Q3/2017 (EUR m)

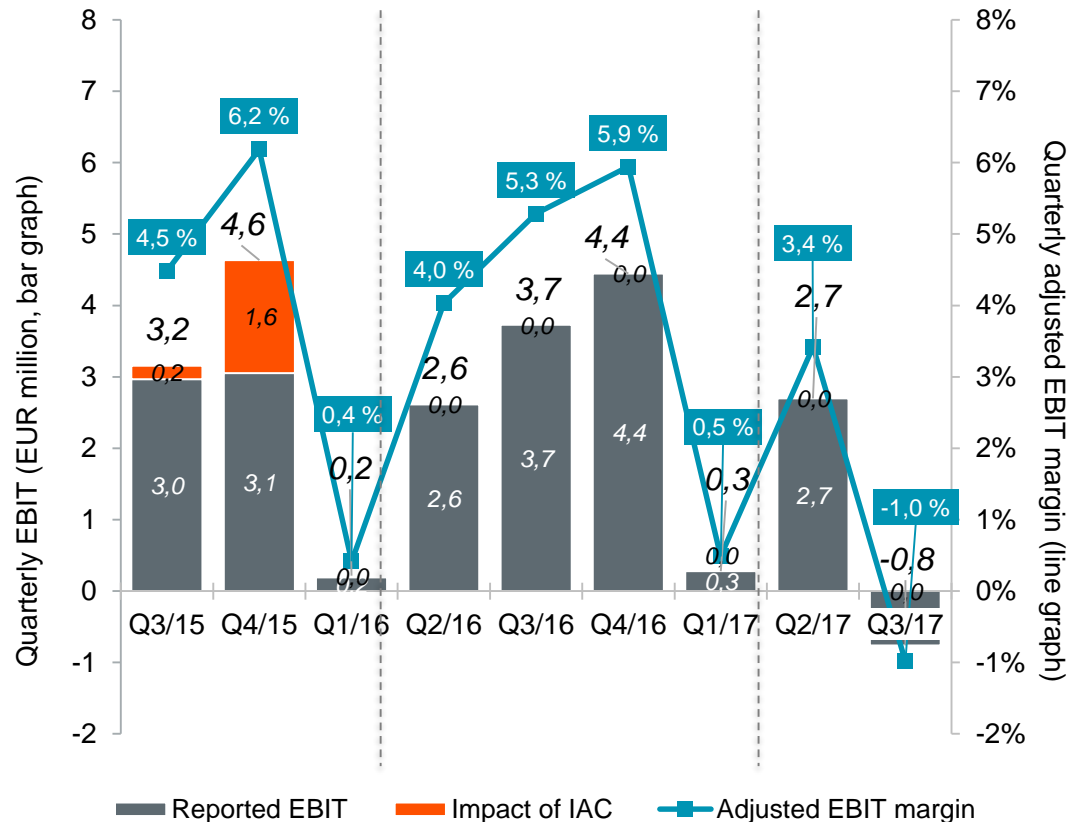


Comments

- Q3/2017 net sales EUR 77.8 (70.6) million
 - y-o-y sales growth 10.3%
 - organic growth 4.1%
 - In Building Facades, growth of 26.4% due to good performance in Greater Helsinki area
 - In Renovation Contracting, growth of 9.0% mainly from Greater Helsinki area and through acquisition.
 - Technical Building Services slightly above comparison period with growth of 0.6%.
 - A detailed project appraisal had a negative impact on TBS net sales during the third quarter.
- 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)

Quarterly adjusted EBIT¹ development: Profitability problems in TBS business area weakened Q3 operating result (1/2)

Quarterly EBIT development Q3/2015 – Q3/2017 (EUR m)



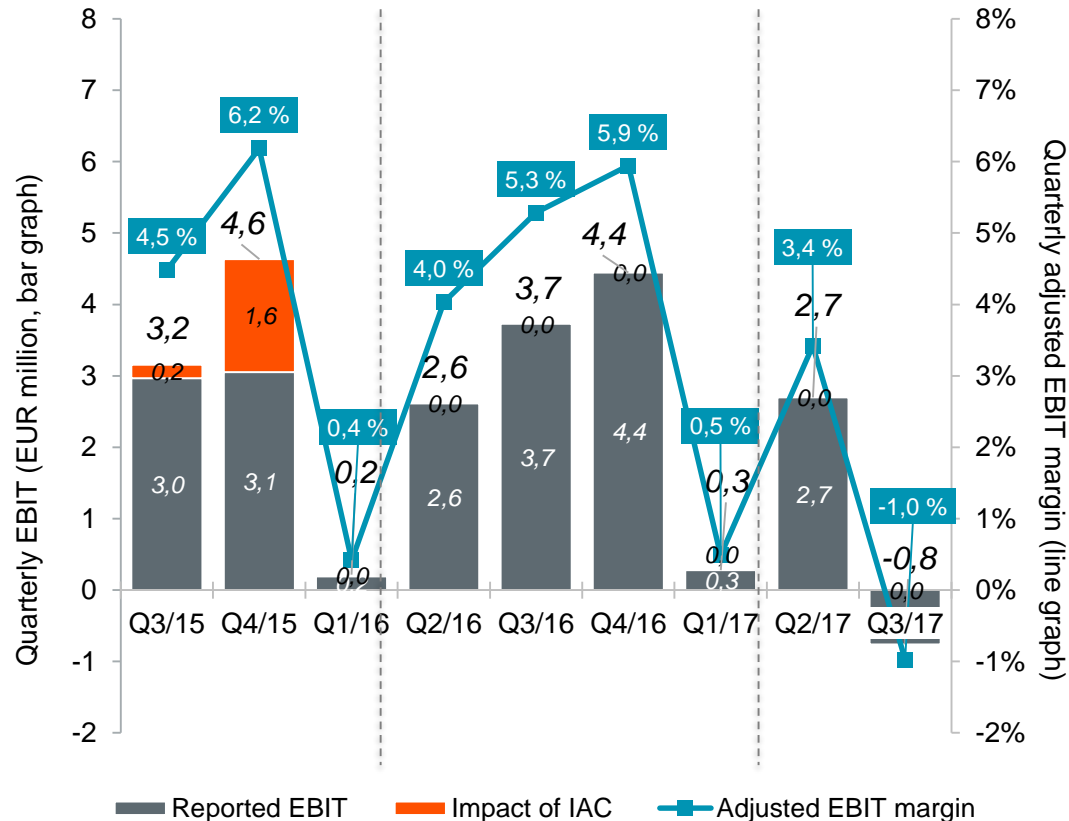
Comments

- Q3/17 EBIT -0.8 (3.7) million, or -1.0% (5.3%) of net sales
 - EBIT was affected by the 0.5 million-euro decline in profitability in TBS business area, due to a subcontractor being found insolvent.
 - A provision of 0.3 million euro was also booked to cover immediate salary costs caused by the termination of Consti Group Plc's CEO contract.
- 1-9/17 EBIT EUR 2.2m (6.5m), or 1.0% (3.5%) of net sales
- Q3/2017 EBIT is weakened by profitability problems in TBS business area.
- 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 have been adjusted.

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

Quarterly adjusted EBIT¹ development: Profitability problems in TBS business area weakened Q3 operating result (2/2)

Quarterly EBIT development Q3/2015 – Q3/2017 (EUR m)



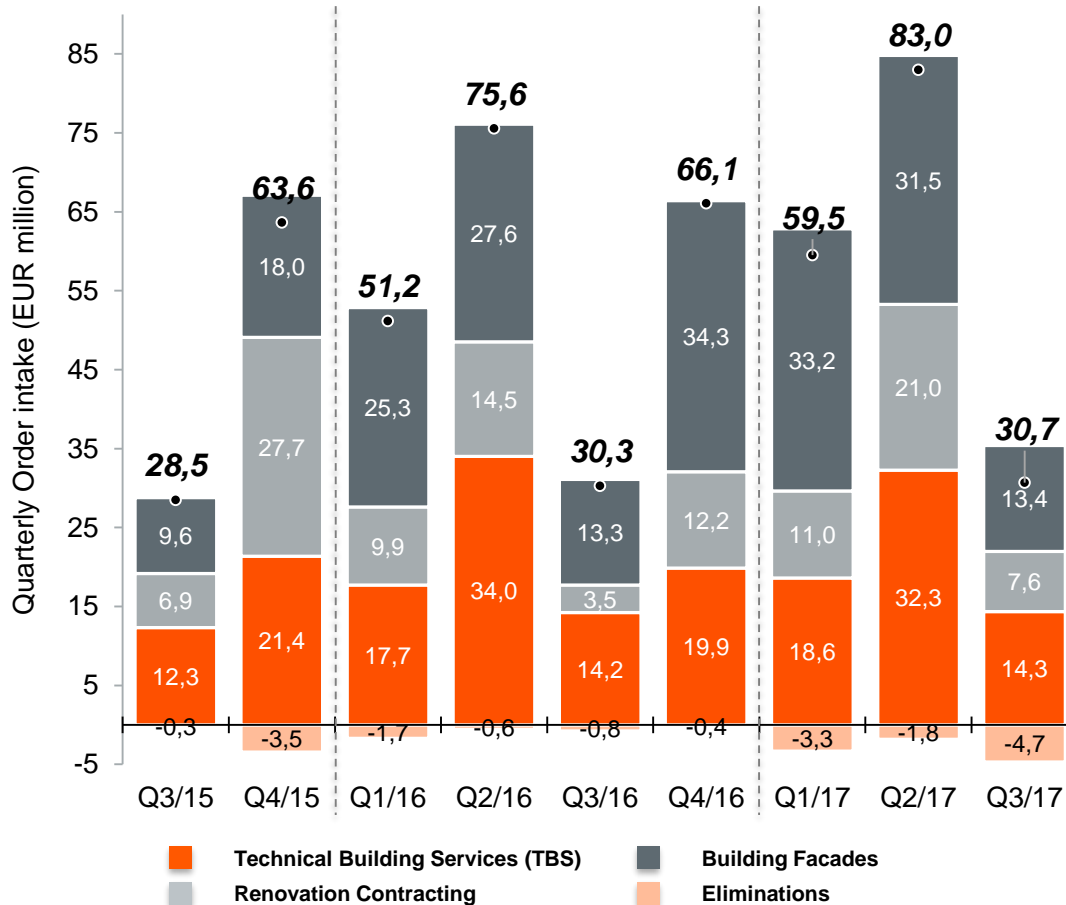
Comments (continued)

- 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.
- Corrective actions:
 - The Board of directors commenced a recruitment process for a new CEO
 - Branch level management change in TBS
 - Planning of reorganising the Technical Building Services business area has been started.
 - With the planned 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

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

Quarterly order intake development: Q3 order intake +1% and 1-9/2017 order intake +10% above comparison period

Quarterly order intake development Q3/2015 – Q3/2017 (EUR m)



Comments

- Q3/2017 order intake EUR 30.7 (30.3) million, increased 1.3% y-o-y
 - Order intake grew in Renovation Contracting (117.1%), growth particularly from Greater Helsinki area
 - In TBS and in Building Facades order intake close to comparison period level with change of +0.9% (TBS) and +0.7% (BF)
 - Major projects received during this year have increased the amount of order intake between business areas, which has increased the amount of eliminations.
- 1-9/2017 order intake EUR 173.2 million (157.0m), growth 10.3% y-o-y

Examples of new orders

TECHNICAL BUILDING SERVICES

Q3/17 order intake:
EUR 14.3m (+1%)

- **As Oy Yliskyläntie 6 & 7**, TBS installation and wet area renovation, joint repair project, Helsinki
- **HUS-Kiinteistöt Oy**, women's clinic C-wing 5th & 6th floor, ventilation renewal project, Helsinki

RENOVATION CONTRACTING

Q3/17 order intake:
EUR 7.6m (+117%)

- **HOAS Arentinkuja 1**, repair and refurbishment work, Helsinki
- **Espoo hospital**, modification work of hospital maternity ward, Espoo

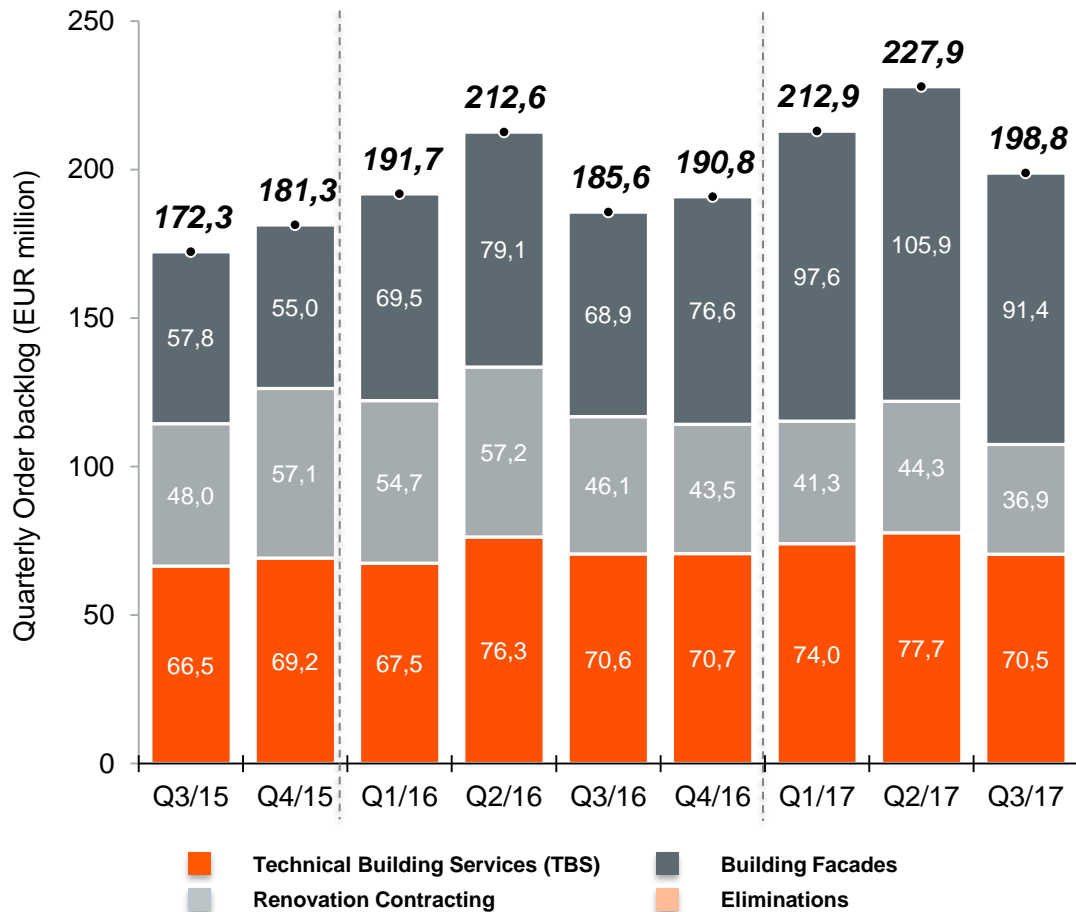
BUILDING FACADES

Q3/17 order intake:
EUR 13.4m (+1%)

- **Suomen Yliopistokiinteistöt Oy**, façades repair and modifications for premises, Oulu
- **As Oy Munkkiniemen Kone**, renovation of the glass facade, Helsinki

Quarterly order backlog development: Backlog up by 7 % y-o-y

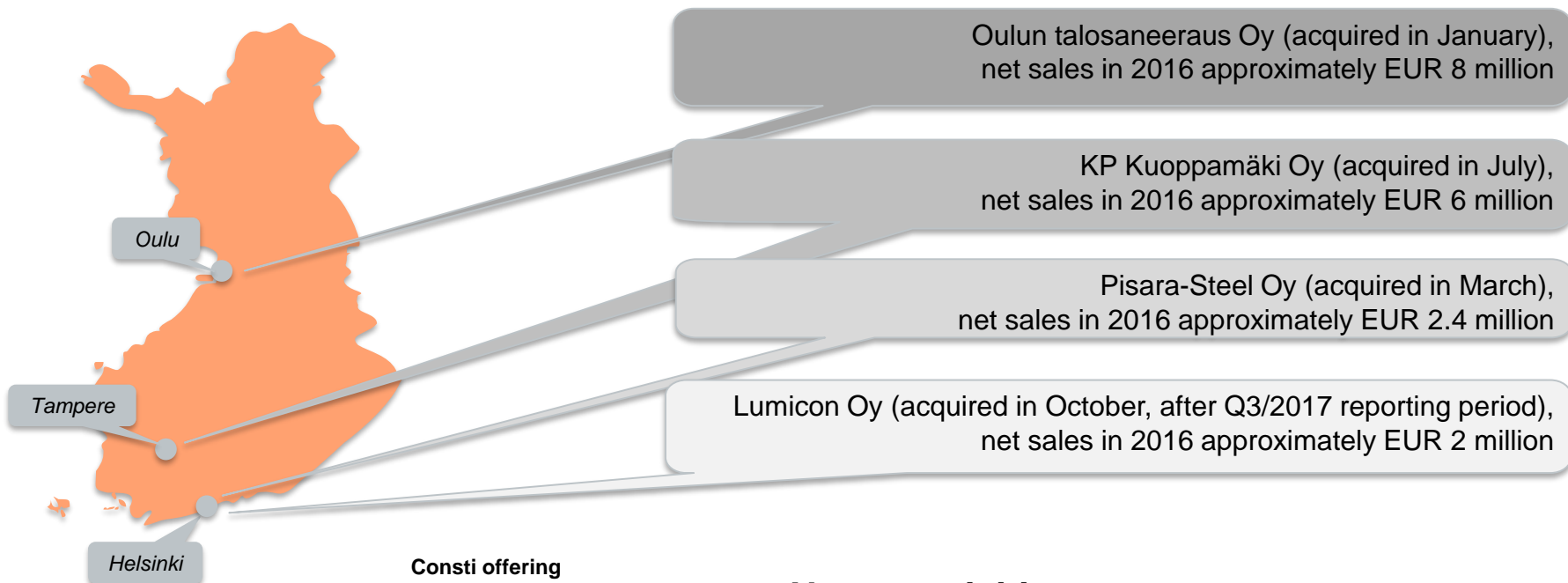
Quarterly order backlog development Q3/2015 – Q3/2017 (EUR m)



Comments

- Q3/2017 order backlog EUR 198.8 (185.6) million
 - Year-on-year growth 7.1%
 - Up by 4.2% from year-end 2016
 - Order backlog year-on-year grew in Building Facades 32.7%
 - In Technical Building Services order backlog was close to comparison period level with change of -0.1%
 - Order backlog in Renovation Contracting decreased 20.1%

Acquisitions in 2017: three acquisitions during 1-9/2017 and one acquisition in October 2017



	Consti offering			Service
	TBS	BF	RC	
Oulun Talosaneeraus Oy	✓	-	-	-
Pisara Steel Oy	-	✓	-	✓
KP Kuoppamäki Oy	-	-	✓	✓
Lumicon Oy	-	-	✓	✓

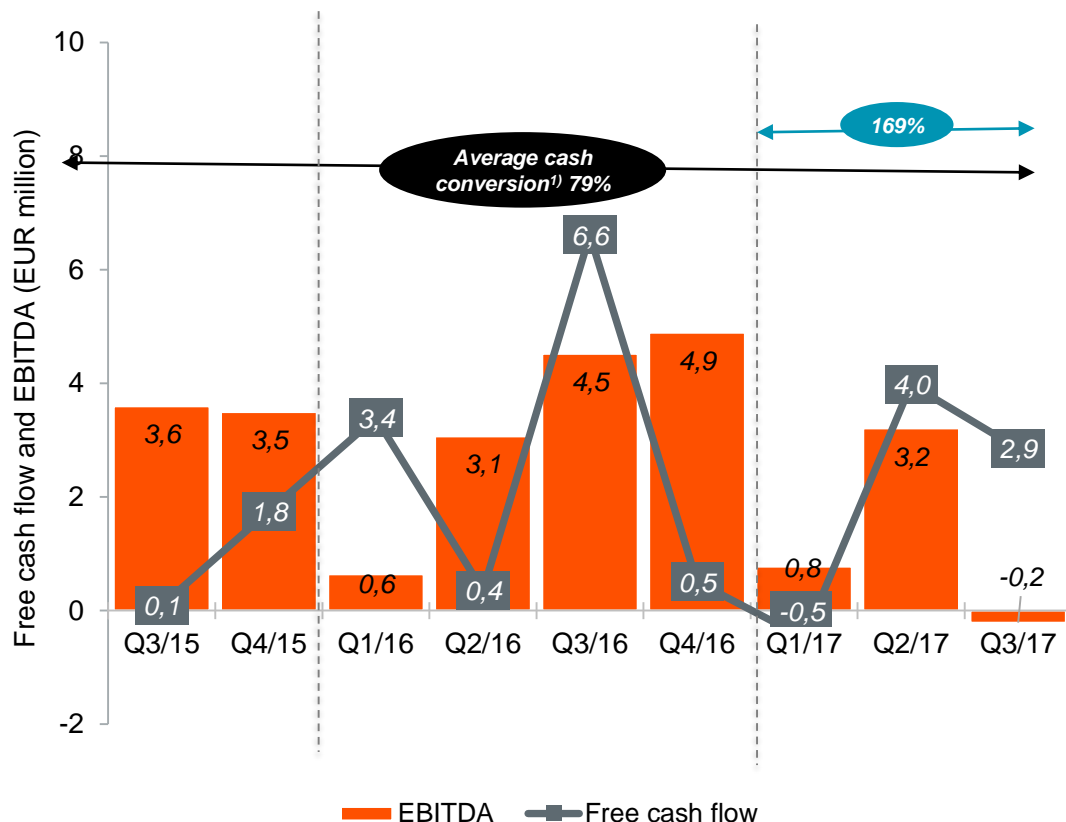
New acquisitions:

- Support strategic growth areas
 - Pipeline renovations
 - Promising specialty renovation markets such as roof renovations
 - Geographic growth

Cash Flow and Financial Position

Quarterly free cash flow development: Free cash flow EUR 2.9 million in Q3/2017

Quarterly free cash flow and EBITDA Q3/2015 – Q3/2017 (EUR m)



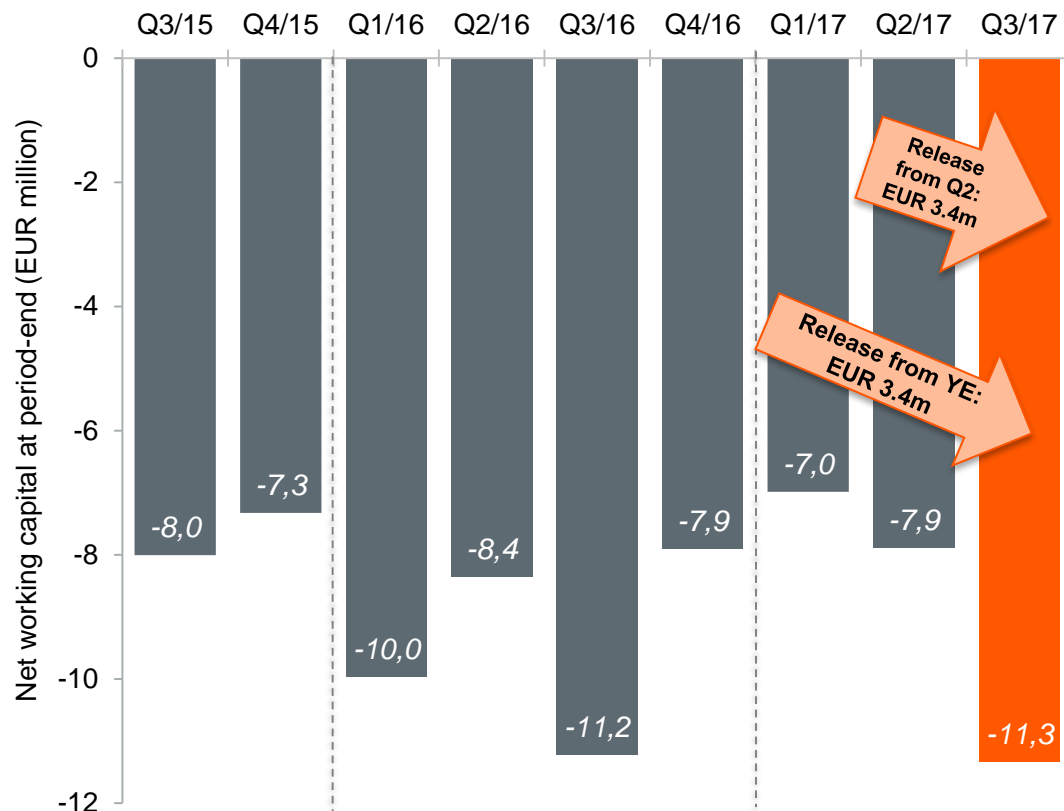
Comments

- Q3/2017 free cash flow EUR 2.9 (6.6) million
- Cash flow was negatively impacted by decreased operating result although NWC released during Q3 softened the impact
- Average cash conversion ratio of 79% in the period of Q3/2015 –Q3/2017 and 169% in 1-9/2017
- 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

Quarterly net working capital development: NWC released during Q3/2017

Quarterly net working capital¹⁾ Q3/2015 – Q3/2017 (EUR m)



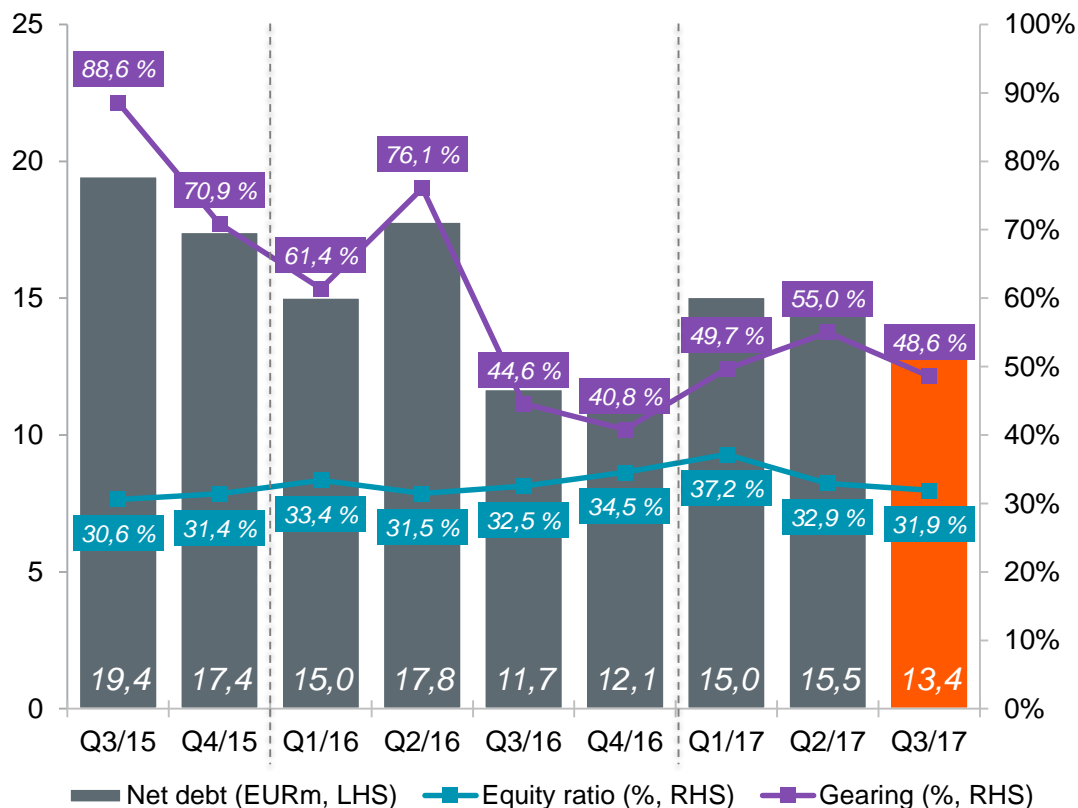
Comments

- Net working capital EUR -11.3m (-11.2m) at the end of Q3/2017
 - End of Q3 NWC on the same level than in the end of Q3/2016
 - NWC was released EUR 3.4m during Q3/2017
 - NWC change from year-end 2016 was EUR 3.4m

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

Quarterly balance sheet structure: Balance sheet remained strong in the third quarter

Quarterly net debt, equity ratio and gearing Q3/2015 – Q3/2017

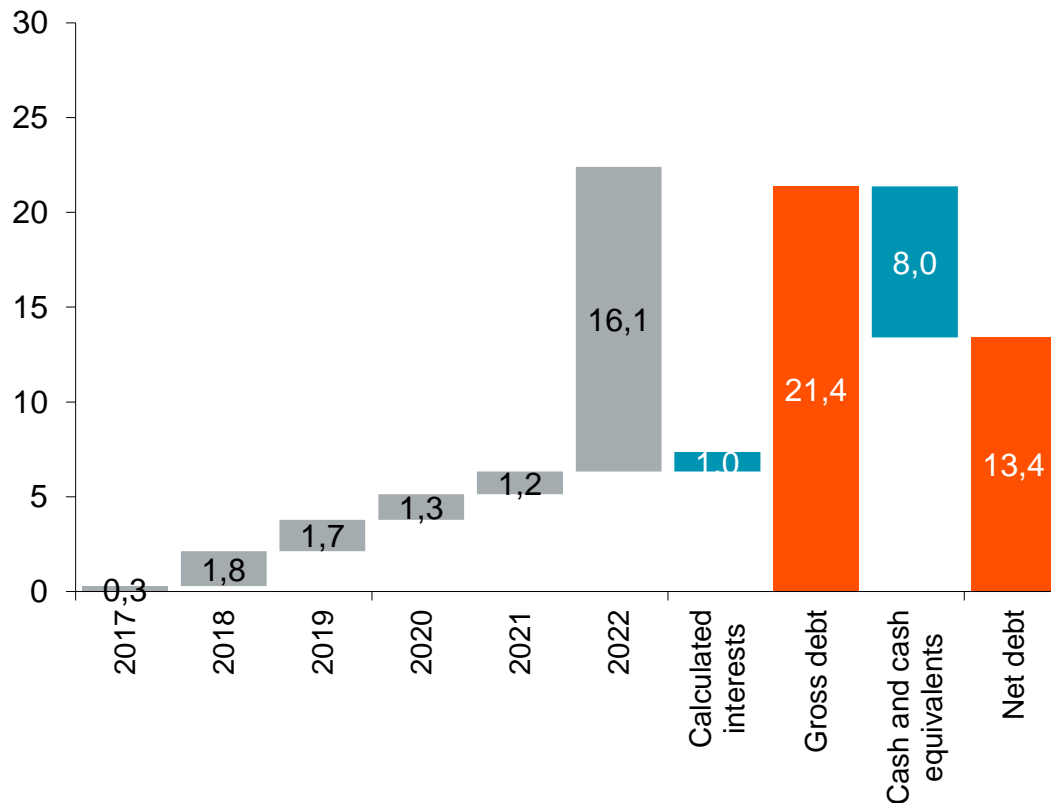


Comments

- Net debt at EUR 13.4m (11.7m)
- Refinancing of long-term debt in July 2017
- Equity ratio 31.9% (32.5%)
- Gearing at 48.6% (44.6%)

Consti refinanced its indebtedness in July 2017

Maturity profile of interest-bearing debt Q3/2017



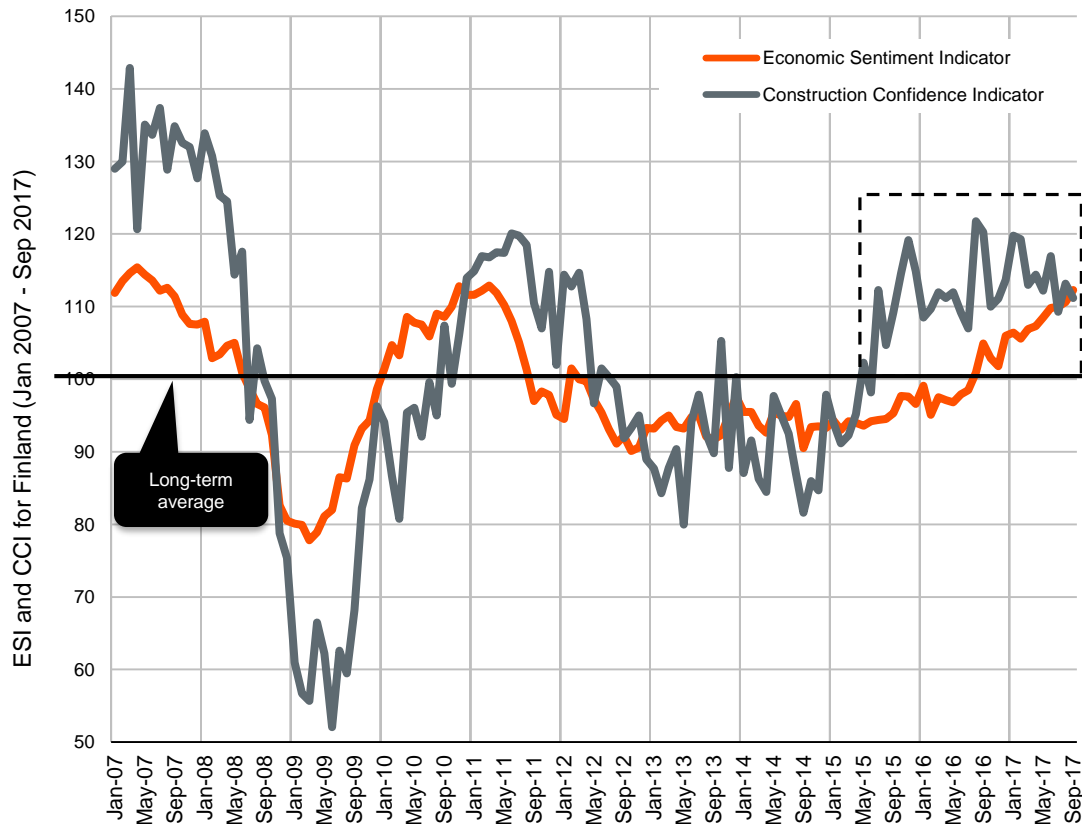
Comments

- Refinancing of liabilities EUR 20 million extended the maturity for approximately two years
- In addition, new loan agreement includes EUR 10 million extra credit for the purposes of financing future acquisitions and EUR 5 million revolving credit facilities for short-term financing needs

Market outlook, guidance and summary

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

Economic Sentiment and Construction Confidence / Finland (2007 – 9/2017)



Comments

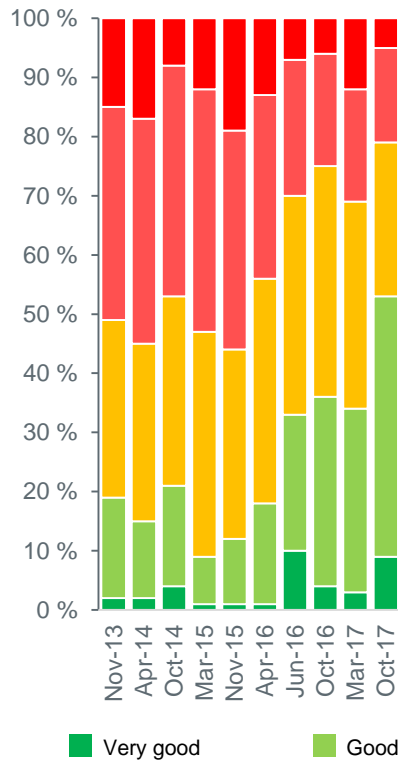
- Economic sentiment in Finland rose above the long-term average in August 2016
- Construction confidence surpassed the long-term average level in summer 2015 and has steadily remained above that level

Note: Mean-adjusted figures

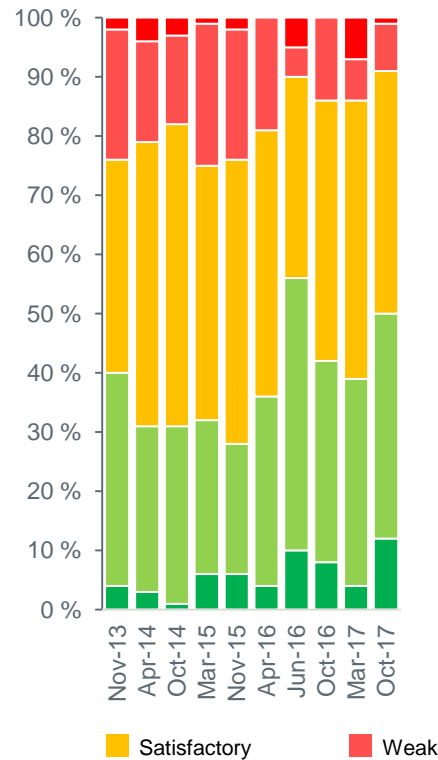
Source: European Commission, September 2017

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

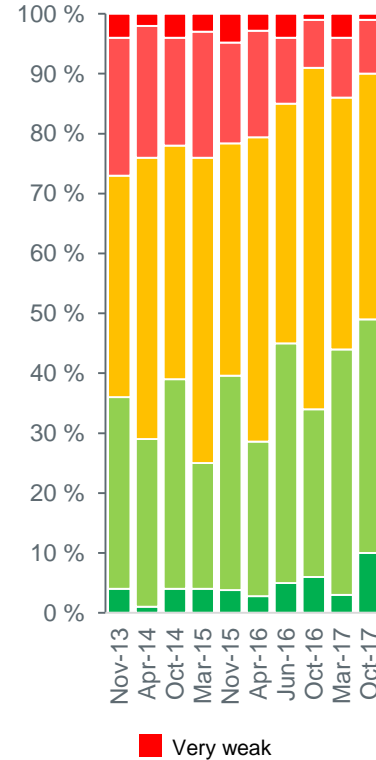
Current business conditions
New building



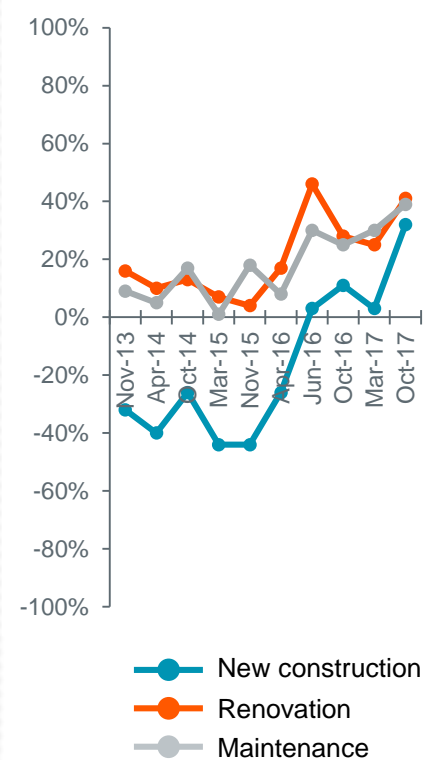
Current business conditions
Renovation



Current business conditions
Service



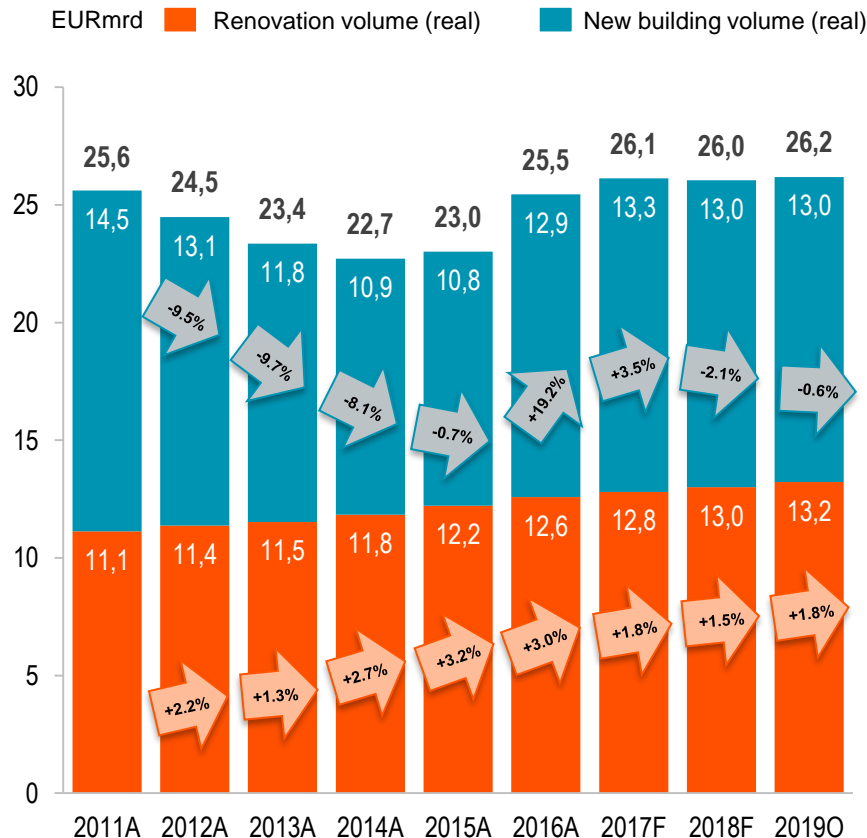
Current business conditions
Balance of opinion*



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

Stable growth in renovation to continue

Finnish new building and renovation market development

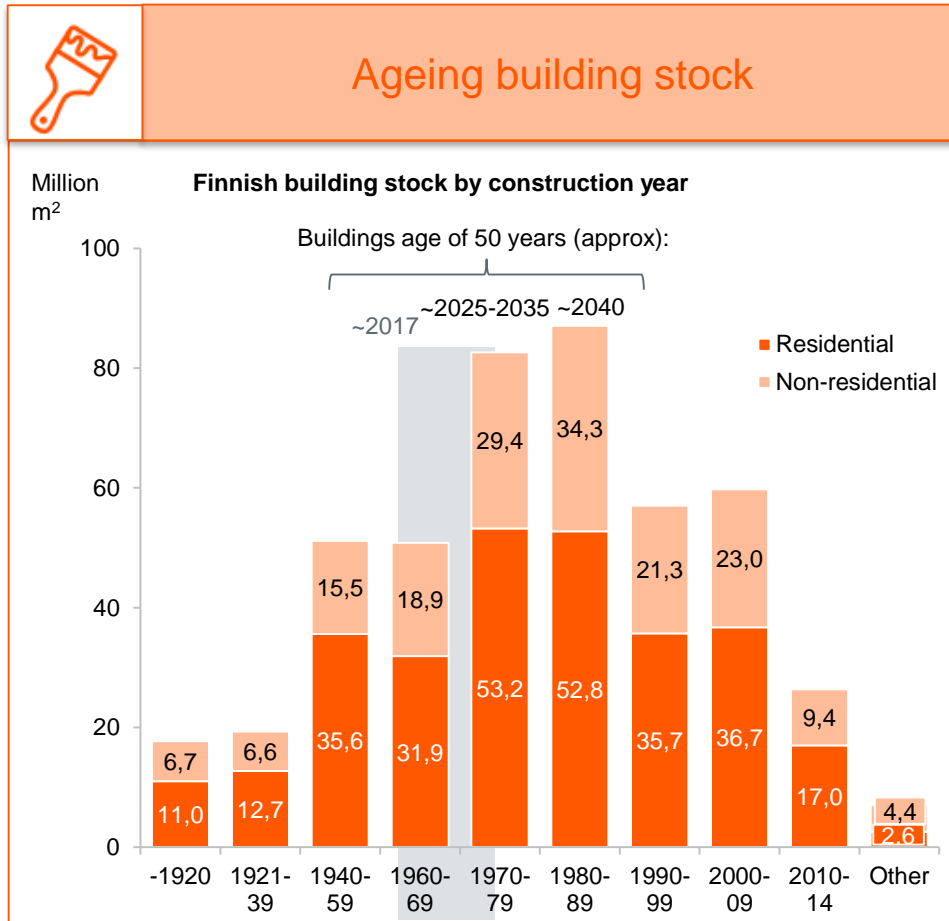


Source: Euroconstruct, June 2017

CFCI = The Confederation of Finnish Construction Industries, October 2017

- 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 +2.7% and CFCI +4.4%
- New building forecast for 2017: Euroconstruct +3.5% 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

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

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.

Guidance for 2017

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



Summary

1. Quarterly net sales up by 10.3% year-on-year
2. Order intake and order backlog continued to increase year-on-year
3. Profitability problems in TBS business area weakened Q3 operating result. Corrective actions have been started.
4. Balance sheet remained strong
5. Free cash flow EUR 2.9 million in Q3/2017
6. Steady market growth
7. **FY2017 net sales to grow but EBIT will be lower compared to 2016**

Appendix

Consti Group's strategic themes (updated during spring 2017)



- 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 management of the service offering
- 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.

Active screening of M&A candidates to support strategy implementation

Consti Group's strategy



- Expansion in Finland's growth centres
- Strengthening of the offering
- Growth in Service business

Demonstrated financial track record



- Established strong local presence with good customer relations and healthy order backlog
- Access to reliable financial data
- No specific limitations in terms of size (net sales)

Good organisational fit



- Minimised overlap with Consti's current businesses
- Committed management with clear future roles and responsibilities
- Smooth integration to attain scalable value

Relevant M&A targets



- For instance:
 - Roof renovation and glass construction companies
 - Service businesses
 - Pipeline renovation and building automation specialists
 - New geograph. areas



CONSTI

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1-9/2017
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Q3

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