

CONSTI GROUP PLC

FINANCIAL STATEMENTS

1 JANUARY – 31 DECEMBER 2018

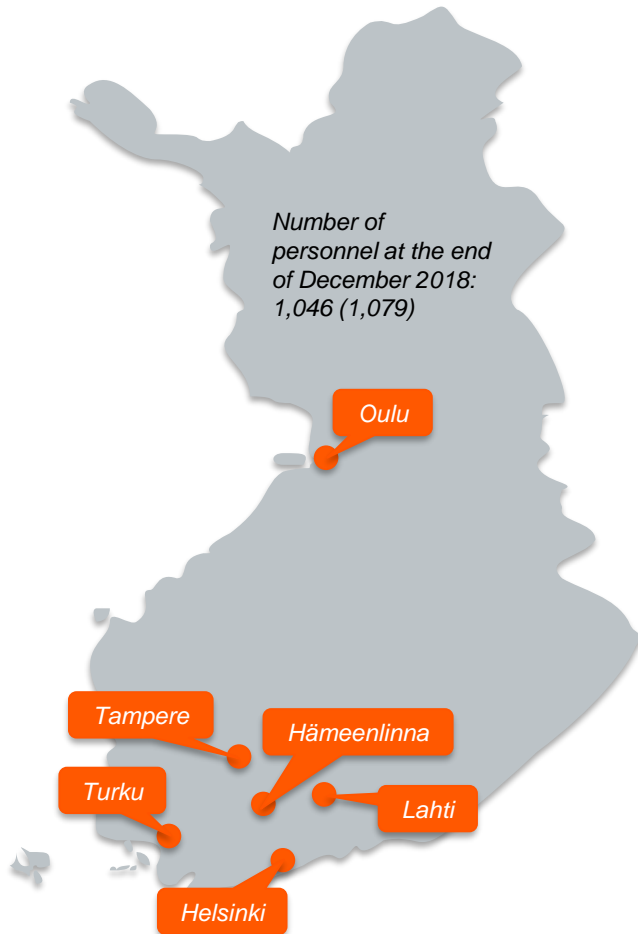
CEO Esa Korkeela
CFO Joni Sorsanen



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

Highlights of the financial year 2018



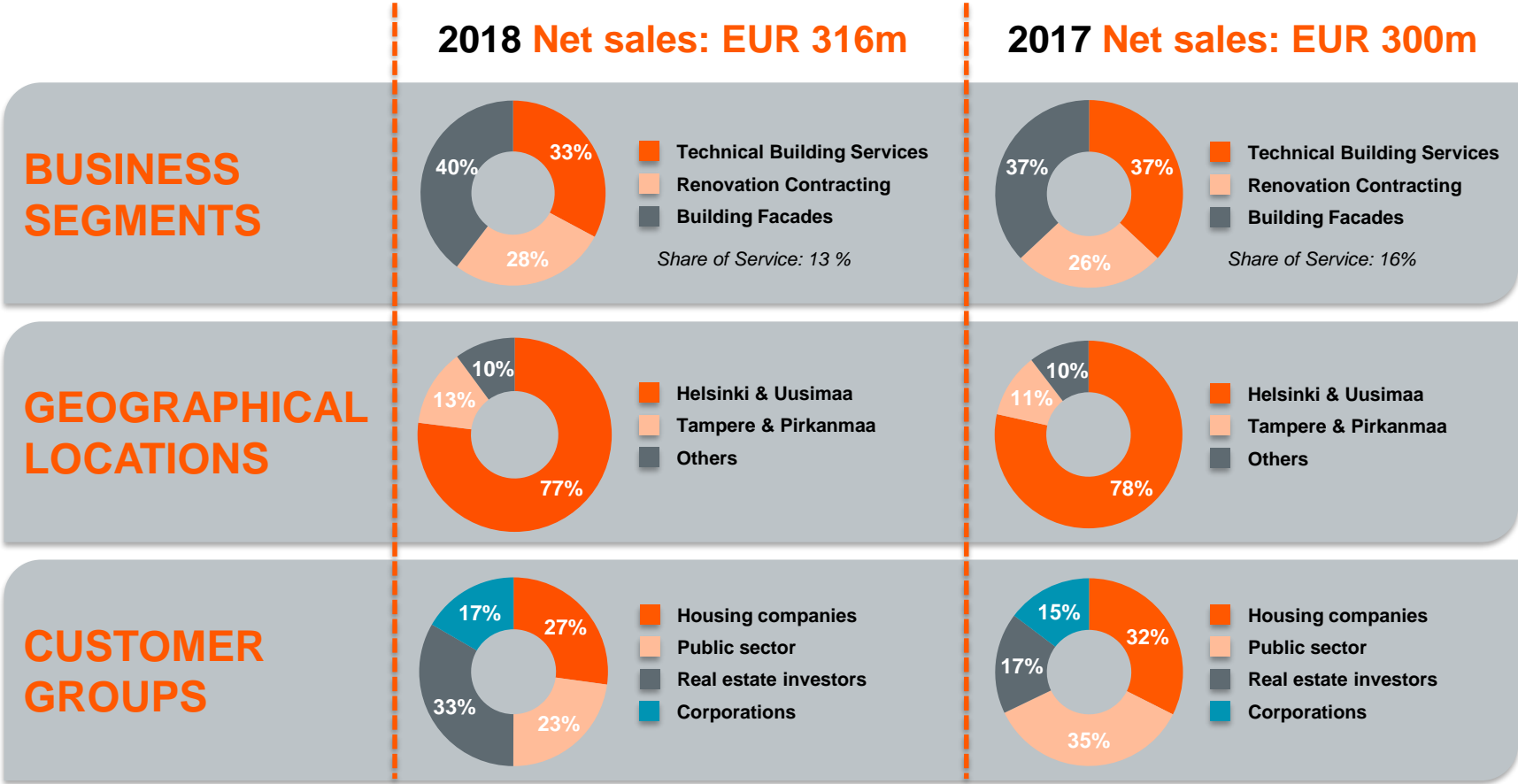
Highlights of 10-12/2018 (y-o-y comparison in brackets)

- Net sales EUR 96.8 (86.3) million, growth 12.1%
- EBITDA EUR -1.7 (-2.1) million, EBITDA margin -1.8% (-2.4%)
- EBIT EUR -2.2 (-2.6) million, EBIT margin -2.2% (-3.0%)
- Free cash flow EUR 1.9 (2.6) million
- Earnings per share EUR -0.25 (-0.30)

Highlights of 1-12/2018 (y-o-y comparison in brackets)

- Net sales EUR 315.8 (300.2) million, growth 5.2%
- EBITDA EUR -0.5 (1.7) million, EBITDA margin -0.1% (0.6%)
- EBIT EUR -2.1 (-0.4) million, EBIT margin -0.7% (-0.1%)
- Order backlog EUR 225.1 (225.7) million, change -0.3%
- Free cash flow EUR -7.1 (8.9) million
- Gearing 83.6% (47.7%)
- Net debt EUR 19.6 (12.1) million
- Earnings per share EUR -0.30 (-0.14)
- The Board proposes that no dividend will be paid for 2018

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

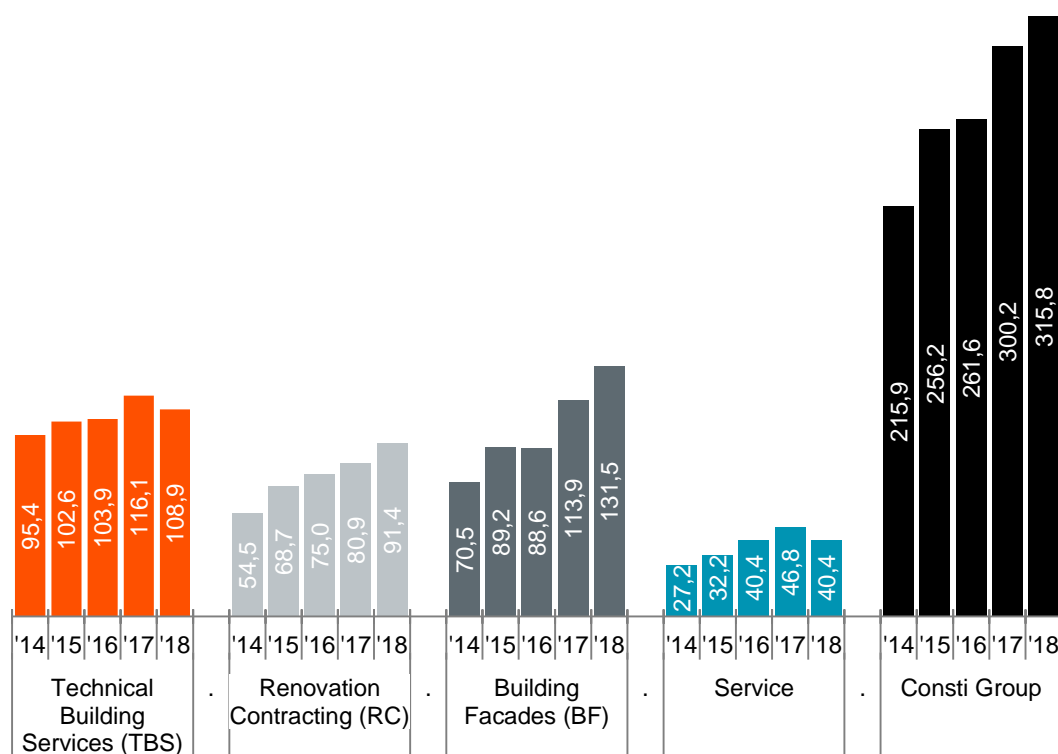


1) Business area splits excluding eliminations

Net sales development in 2018:

Net sales grew in Building Facades and Renovation Contracting but decreased in Technical Building Services

Annual net sales development by business area 2014 – 2018 (EUR m)



Not a separate business area

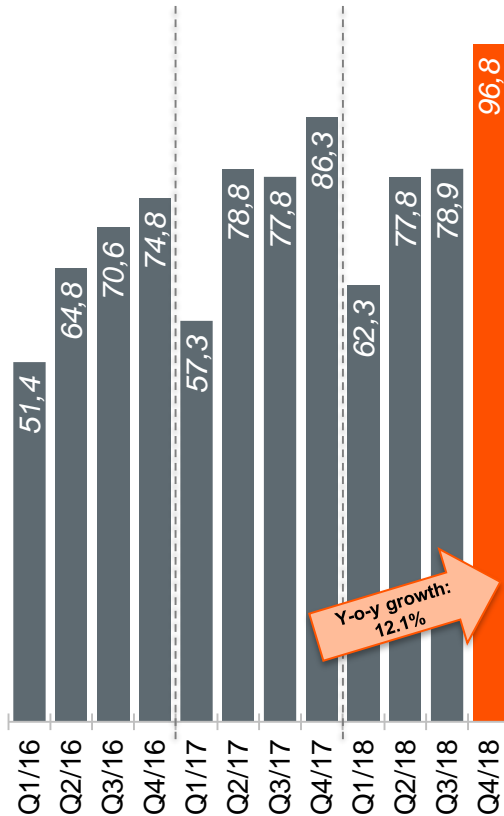
Comments

- FY2018 net sales EUR 315.8 million
 - Y-o-y sales growth 5.2% (EUR 15.6 million)
 - Organic growth 3.4% (EUR 10.1 million)
 - Acquisition growth 1.8% (EUR 5.5 million)
 - Building Facades +15.4%
 - Building Facades net sales grew mainly thanks to volume growth in housing repair business
 - Renovation Contracting +13.0%
 - In Renovation Contracting, net sales were positively affected by the acquisitions made during the second half of 2017 as well as growth in Greater Helsinki area's renovation business
 - Technical Building Services -6.2%
 - In TBS, net sales decreased due to the business areas' reorganising which was started towards the end of 2017; as well as taking new operating models into use, and the more disciplined bidding activity applied to pipeline renovation services
 - Service net sales, which are included in business areas' figures, totalled EUR 40.4m

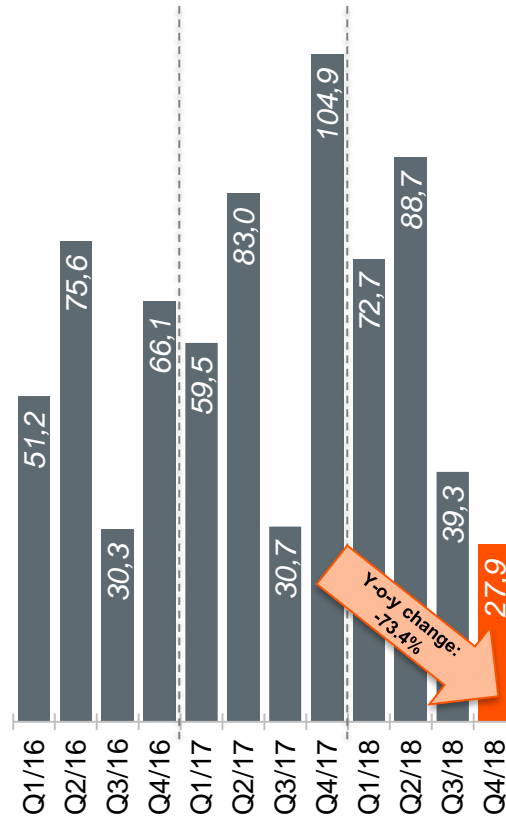
Quarterly performance overview

Net sales grew y-o-y, order backlog remained at previous year's level despite decrease in order intake y-o-y

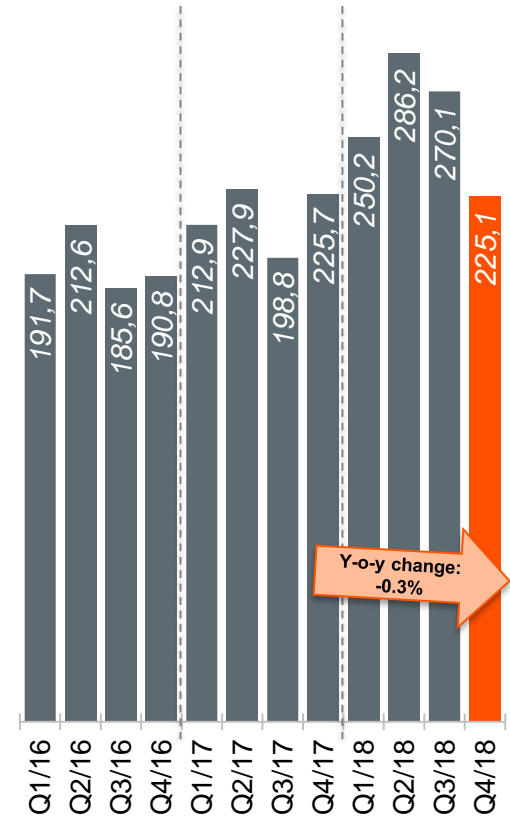
Quarterly net sales (EUR m)



Quarterly order intake (EUR m)



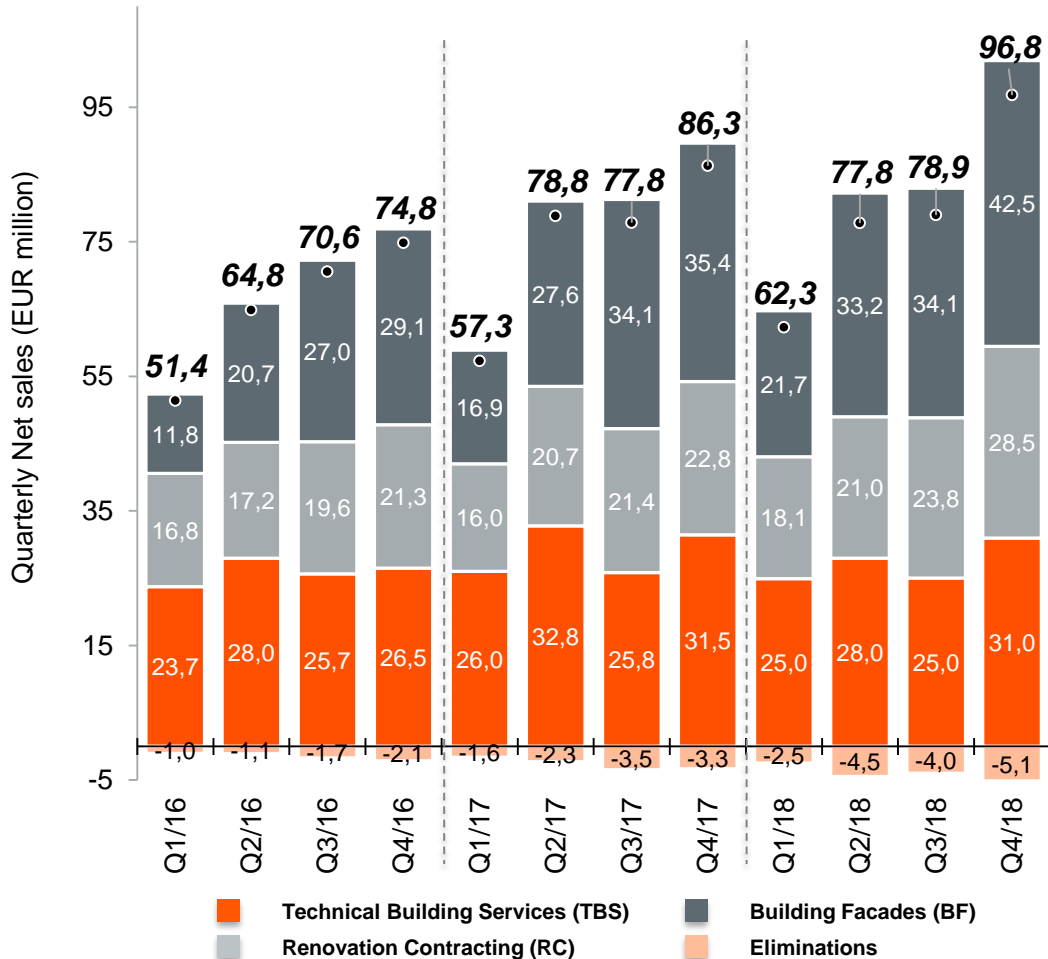
Quarterly order backlog (EUR m)



Quarterly net sales development

Q4 net sales EUR 96.8m, growth of 12.1% year-on-year

Quarterly net sales development Q1/2016 – Q4/2018 (EUR m)



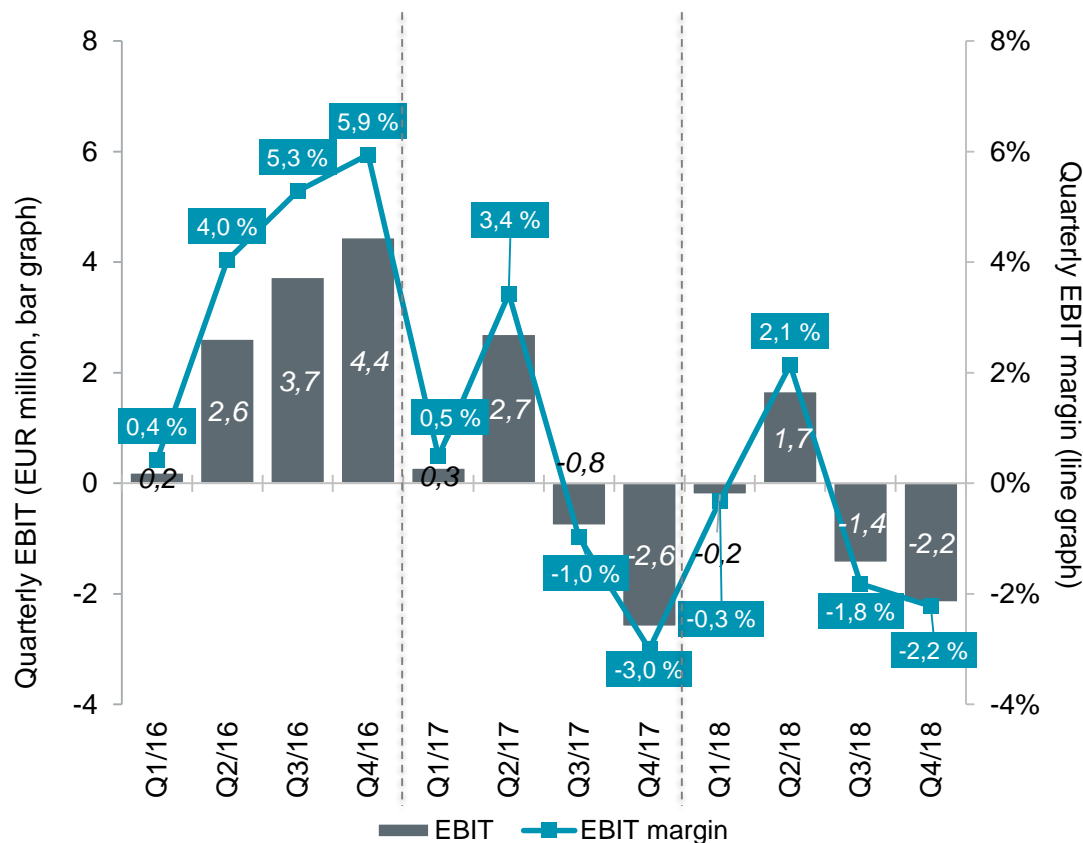
Comments

- Q4/2018 net sales EUR 96.8m (86.3 m)
 - Year-on-year growth 12.1% (EUR 10.5 million)
 - Renovation Contracting net sales grew 25.2 percent. Most growth in Renovation Contracting net sales was from the renovation business in the Greater Helsinki area and Tampere
 - Building Facades net sales grew 19.9 percent mainly thanks to volume growth in housing repair business
 - Technical Building Services net sales decreased 1.6 percent due to the business areas' reorganising which was started towards the end of 2017; as well as taking new operating models into use, and the more disciplined bidding activity applied to pipeline renovation services

Quarterly EBIT development

Q4 EBIT burdened by a building purpose modification project

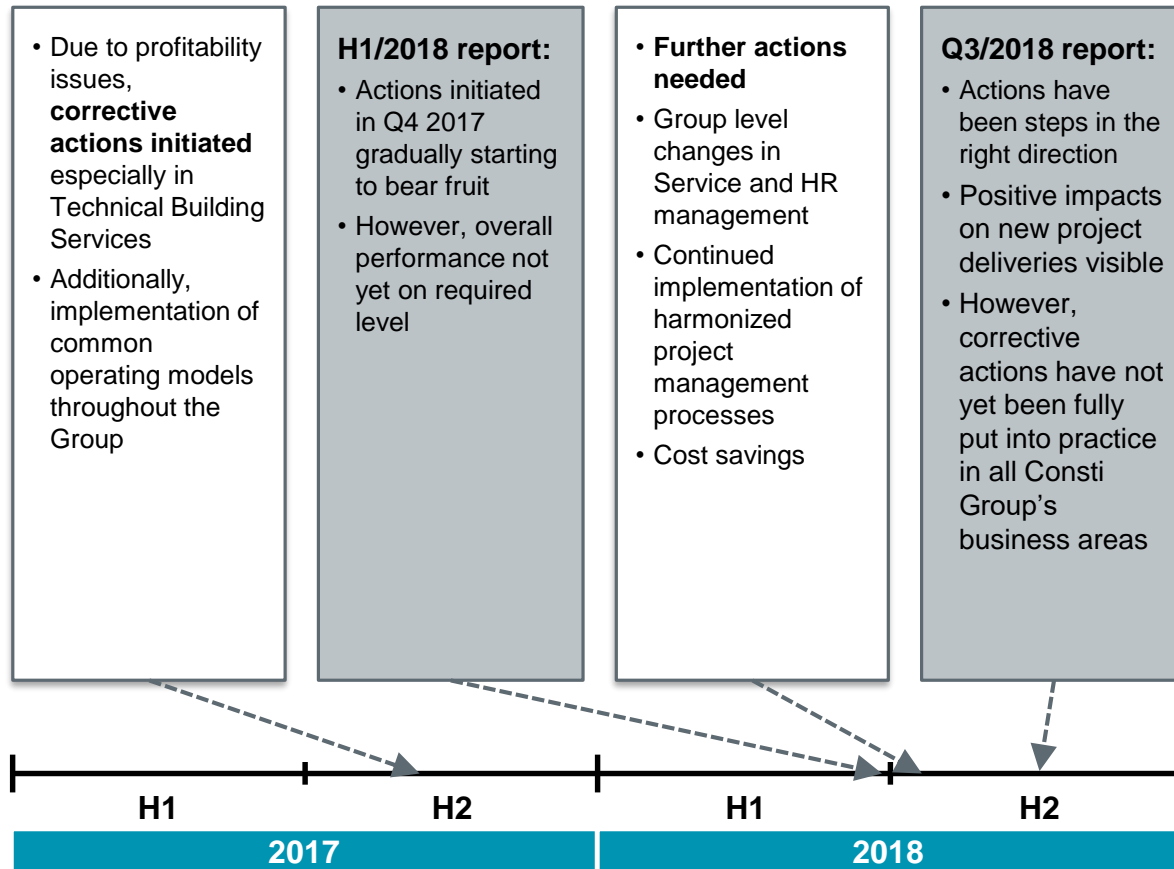
Quarterly EBIT development Q1/2016 – Q4/2018 (EUR m)



Comments

- Q4/18 EBIT amounted to EUR -2.2 (-2.6) million, or -2.2% (-3.0%) of net sales
 - Operating result was negative due to weaker than expected profitability in the housing repair unit included in the Building Facades business area
 - The operating result was impaired by higher than expected costs of a building purpose modification project related to a high-value property
- Full-year 2018 EBIT amounted to EUR -2.1 (-0.4) million, or -0.7% (-0.1%) of net sales
 - H1 result was weakened by certain projects that were identified as low-margin in late 2017, particularly Hotel St. George
 - During H2 the result was weakened due to weak profitability of project deliveries from the technical installations unit included in TBS, and also from the housing repair unit included in BF
 - Full-year EBIT was considerably weakened by the negative impact from two demanding building purpose modification projects

Actions to improve profitability were continued in the fourth quarter



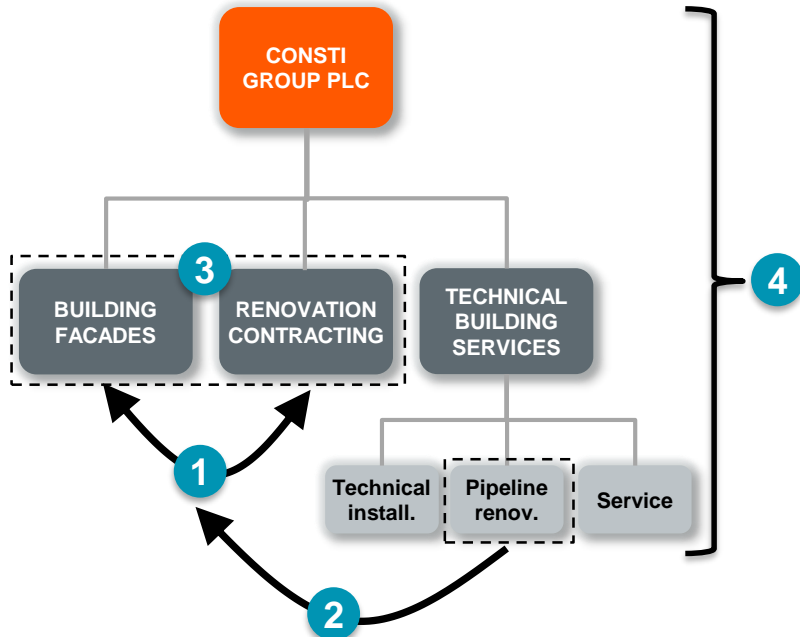
CORRECTIVE ACTIONS IN Q4/2018 AND THEREAFTER →

- ▶ Targeted actions to restore the performance of low-profitability units
 - ▶ Personnel changes and reductions
 - ▶ Responsibilities in the line organisation clarified
 - ▶ Tendering criteria further tightened
- ▶ Savings from the above-mentioned personnel reductions expected to materialise in 2019, and to take effect fully from the beginning of 2020 onwards
- ▶ Consti will no longer take on building purpose modification projects in which the project delivery method is not balanced with the risks and profit potential of the project
- ▶ Continued implementation of (1) common operating models to improve project steering and monitoring and (2) performance management principles on all organisation levels

Consti's new organisation structure and change program

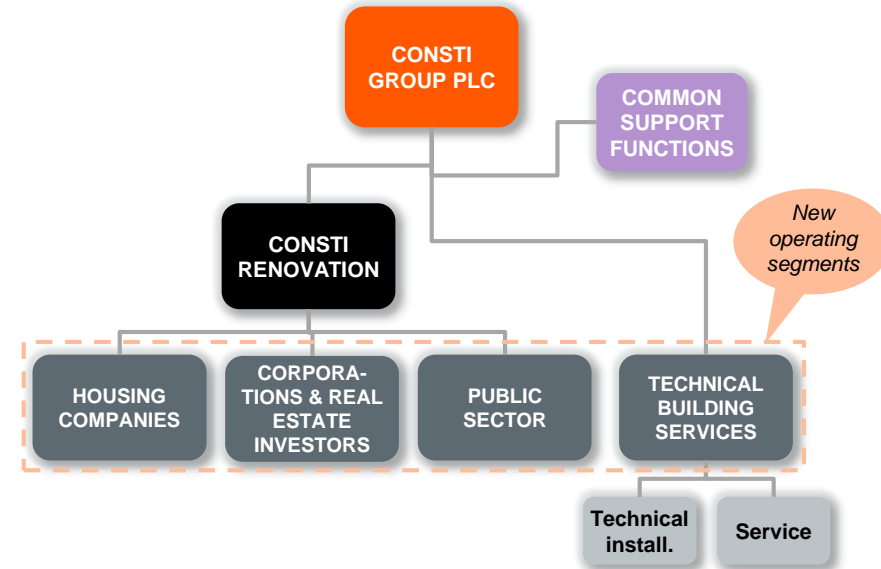
Target to improve profitability and competitiveness going forward

CONSTI'S CURRENT ORGANISATION AND PLANNED CHANGES



- 1 Building Facades and Renovation Contracting will be combined into one business area providing renovation services: Consti Renovation
- 2 Pipeline renovation business will be transferred from Technical Building Services to the new Consti Renovation business area
- 3 Combined renovation services will be re-grouped in accordance with Consti's customer groups, and hence new line organisation created
- 4 Majority of Consti's support functions will be unified in the future

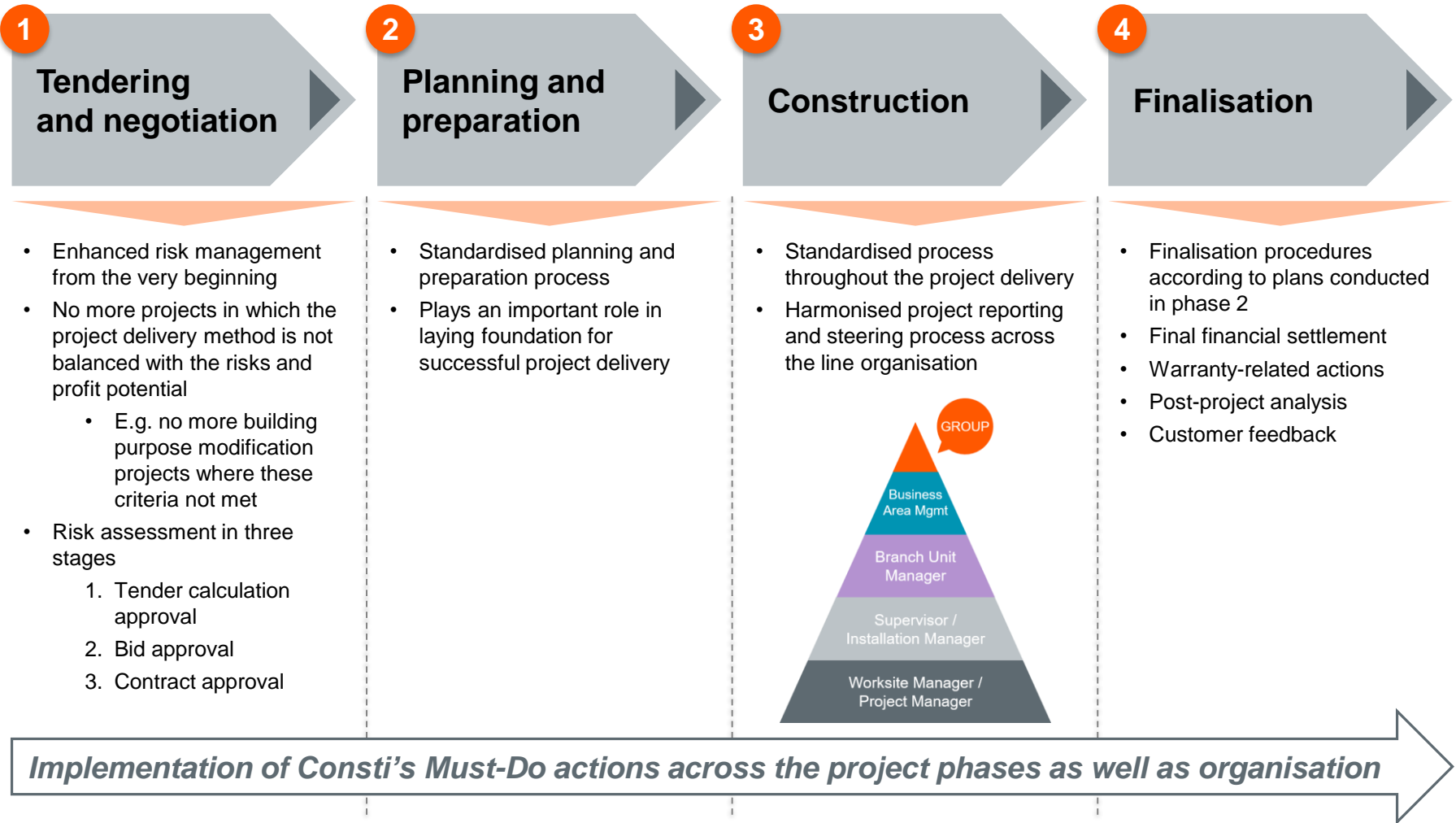
CONSTI'S NEW ORGANISATION AND TARGETED BENEFITS



TARGETED BENEFITS OF THE NEW ORGANISATION AND CHANGE PROGRAM:

- 1 Enhanced strategy implementation throughout the Group
- 2 New organisation drives customer-centric, effective and efficient operations
- 3 Enables centralisation of expertise and flexibility in resourcing
- 4 Improves risk management and agility of the organisation
- 5 Targeted annual cost savings of EUR ~2m, fully effective as of 2020

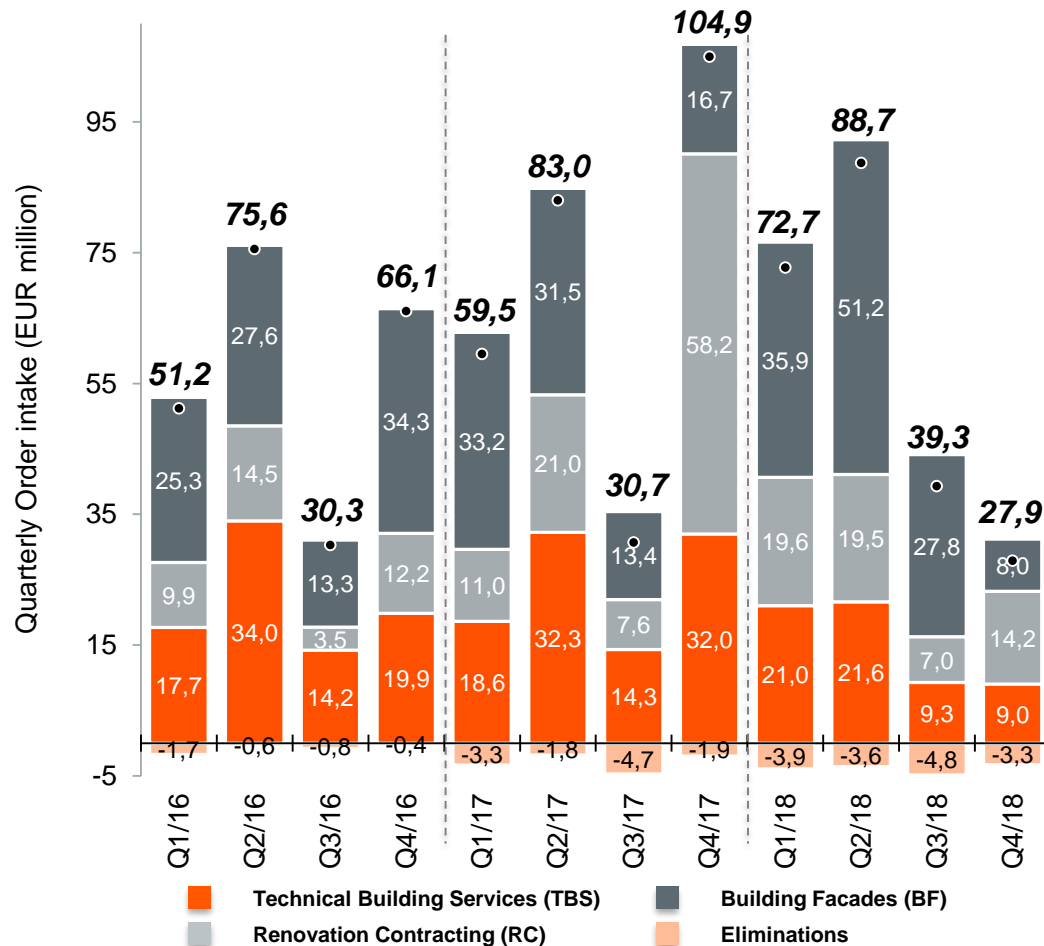
Means to improve project steering and management going forward, end-to-end view



Quarterly order intake development

Q4 order intake decreased compared to strong comparison period

Quarterly order intake development Q1/2016 – Q4/2018 (EUR m)



Comments

- Q4/2018 order intake EUR 27.9 million (104.9m), decreased by 73.4% y-o-y
 - Order intake decreased in Building Facades (-52.3% y-o-y), in Renovation Contracting (-75.6% y-o-y) and in Technical Building Services (-71.8% y-o-y)
 - The decrease in new orders during October-December was caused by the tightening of project selection criteria and also the unusually large number of orders in the comparison period, which were driven up especially by two large projects
- Full-year 2018 order intake EUR 228.5 million (278.1m) decreased by 17.8%
 - Order intake increased in Building Facades (+29.6%)
 - Order intake decreased in Renovation Contracting (-38.4%) and in Technical Building Services (-37.3%)

Examples of new orders received in Q4/2018

TECHNICAL BUILDING SERVICES

Q4/18 order intake:
EUR 9.0m (-71.8% yoy)

EXAMPLES OF NEW ORDERS:

- **As Oy Helsinginkatu 42, Helsinki**
 - Pipeline renovation
- **HOAS Kitarakuja 1 ja 3, Helsinki**
 - Installation of technical building systems as a part of comprehensive renovation

RENOVATION CONTRACTING

Q4/18 order intake:
EUR 14.2m (-75.6 % yoy)

EXAMPLES OF NEW ORDERS:

- **HOAS Kitarakuja 1 ja 3, Helsinki**
 - Comprehensive renovation
- **Turun yliopistollinen keskussairaala, Turku**
 - Modification work of C-wing in 4th floor of U-building

BUILDING FACADES

Q4/18 order intake:
EUR 8.0 m (-52.3% yoy)

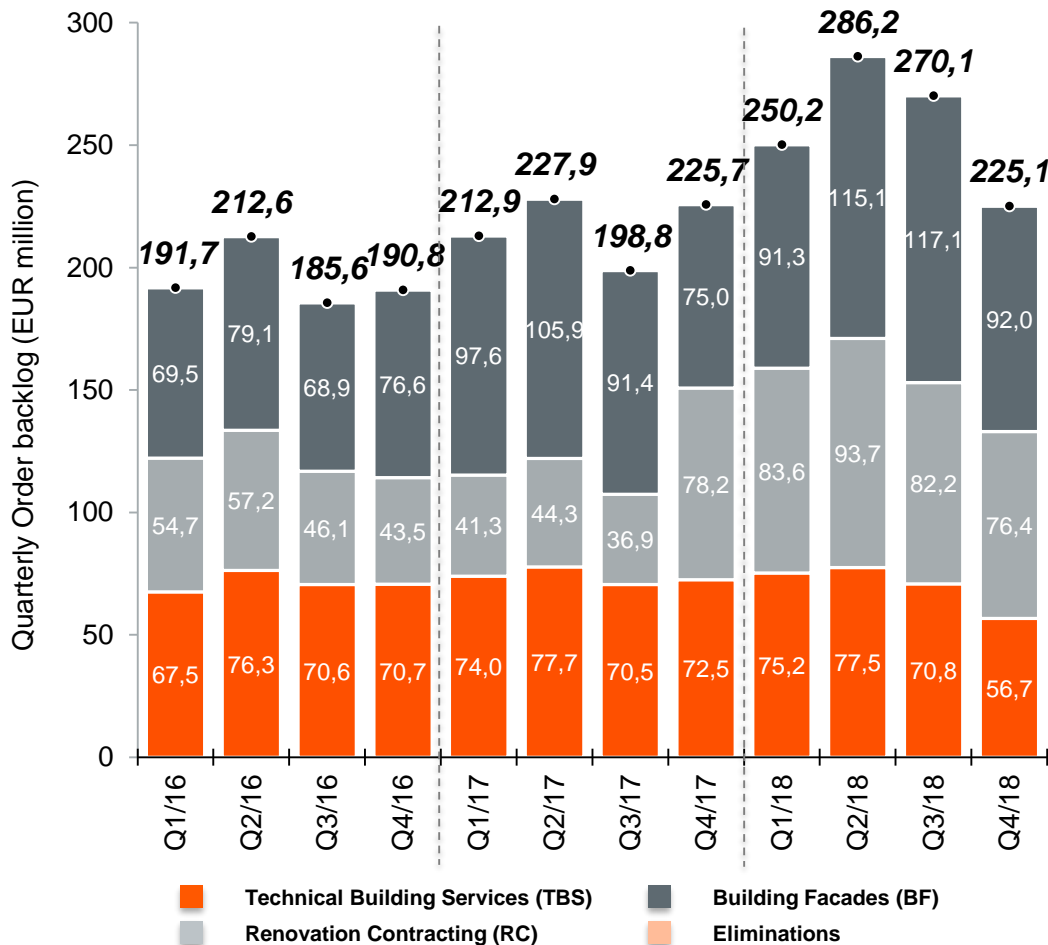
EXAMPLES OF NEW ORDERS:

- **Hakaniemen Merikiinteistö Oy, Helsinki**
 - Repair of facades
- **As Oy Hakakoti, Oulu**
 - Complete renovation of facades and roof

Quarterly order backlog development

Order backlog remained at previous year's level

Quarterly order backlog development Q1/2016 – Q4/2018 (EUR m)



Comments

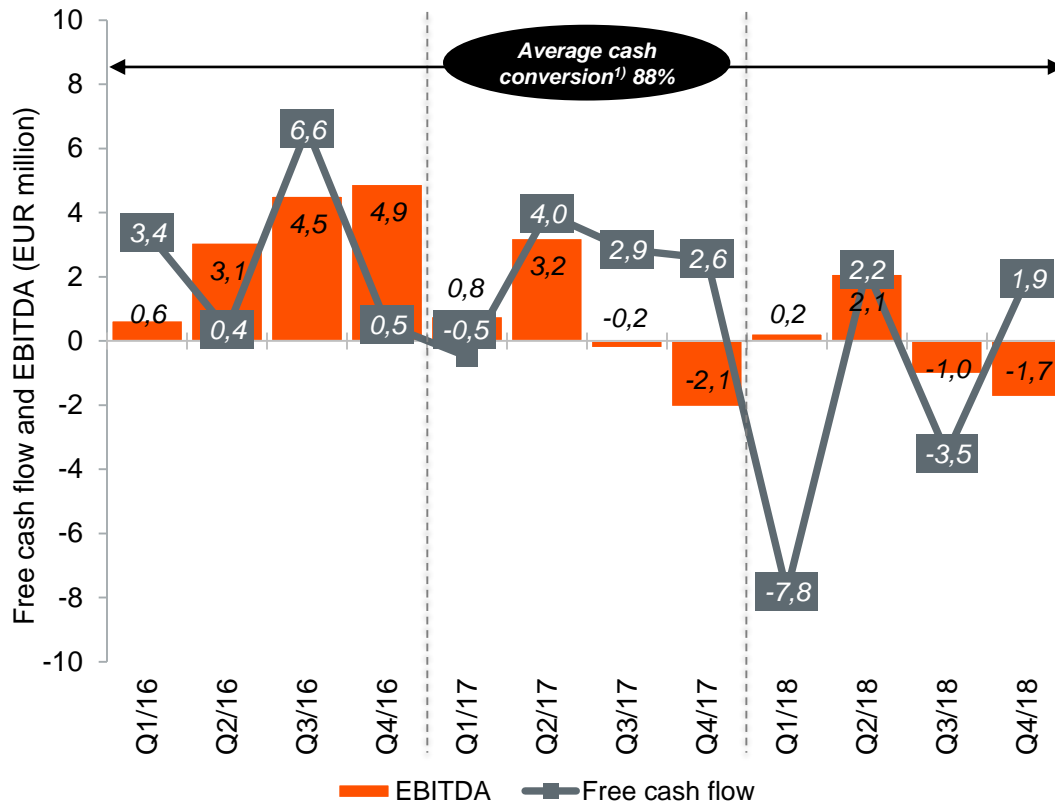
- Q4/2018 order backlog at EUR 225.1 million (225.7m)
 - Year-on-year change -0.3%
 - Order backlog in Building Facades grew +22.7% y-o-y due to strong order intake during Q2-Q3/18
 - Order backlog in Renovation Contracting close to previous year's level (-2.4% year-on-year)
 - In Technical Building Services, order backlog decreased -21.8% y-o-y due to more disciplined bidding activity applied to pipeline renovation services

Cash flow and financial position

Quarterly free cash flow development

Q4 free cash flow positive despite negative result

Quarterly free cash flow and EBITDA Q1/2016 – Q4/2018 (EUR m)



Comments

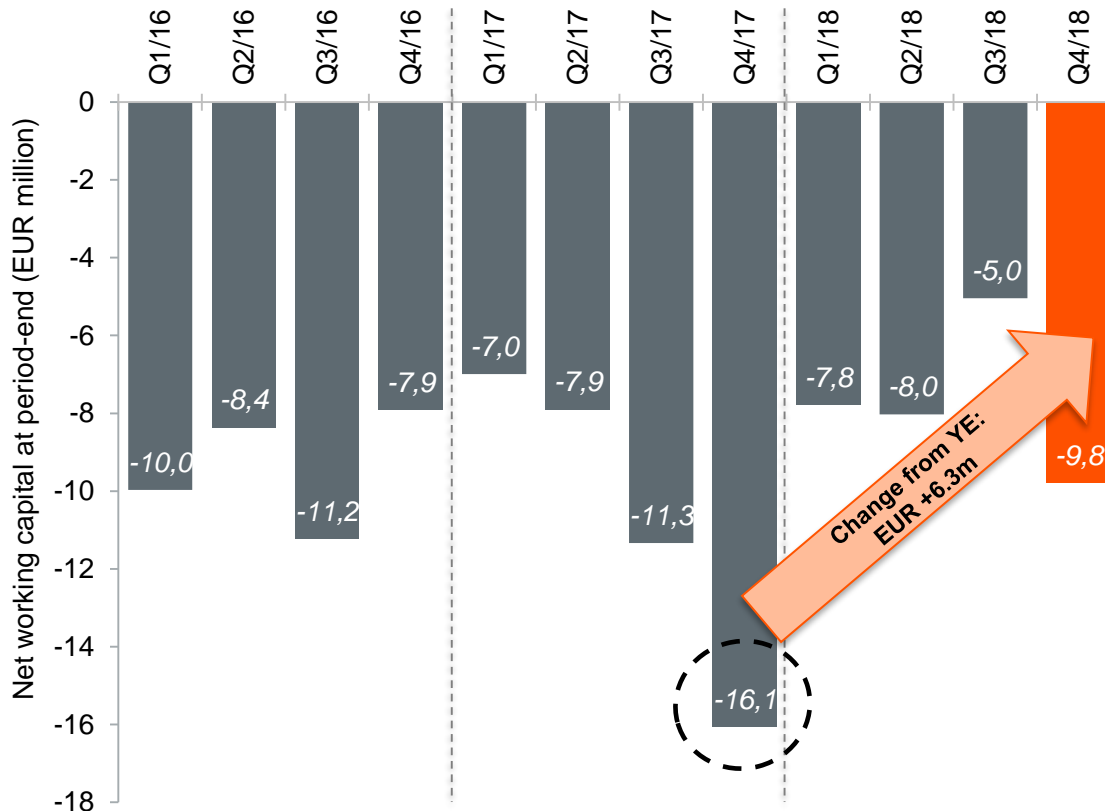
- Q4/2018 free cash flow amounted to EUR 1.9m (2.6m)
 - Cash flow was positive thanks to release of working capital during the quarter
- Full-year 2018 free cash flow amounted to EUR -7.1m (8.9m)
 - Cash flow was negatively impacted by weakened operating result as well as working capital tied up during the period
- Average cash conversion ratio of 88% in the period of Q1/2016 – Q4/2018
 - 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

Net working capital at EUR -9.8 million at the end of Q4/2018

Quarterly net working capital¹⁾ Q1/2016 – Q4/2018 (EUR m)



Comments

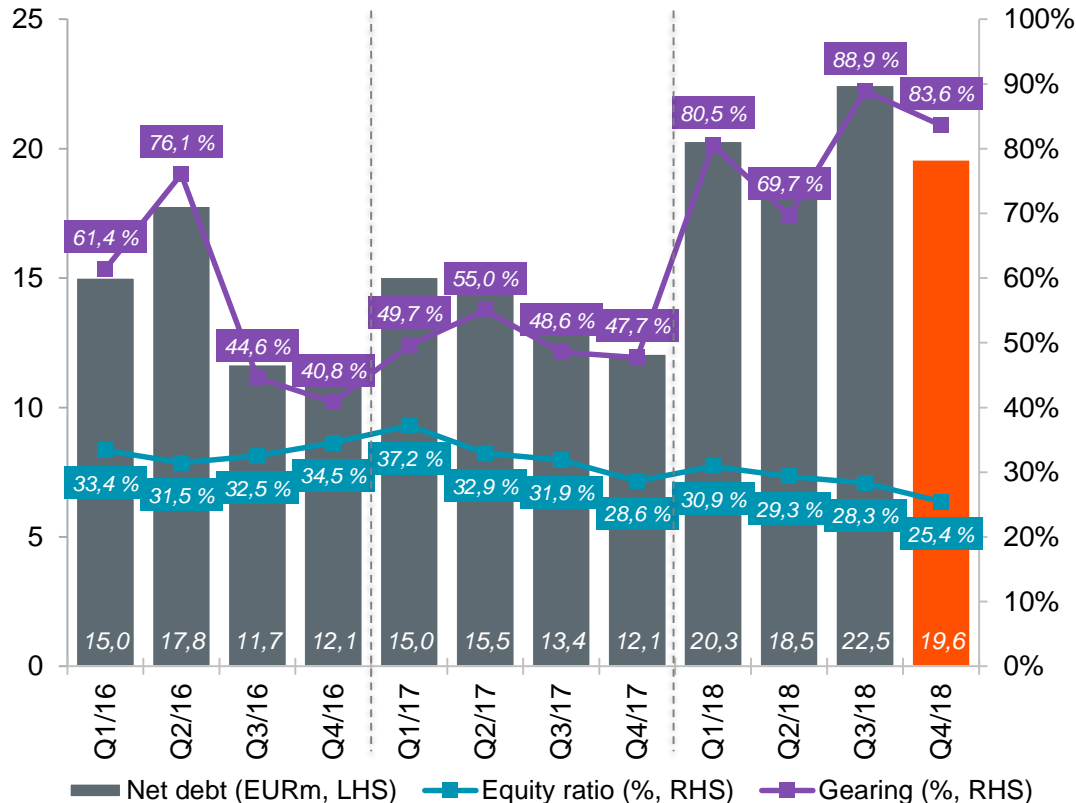
- Net working capital EUR -9.8m (-16.1m) at the end of Q4/2018
- NWC change during 2018 amounted to EUR +6.3m
 - Exceptionally low NWC level at year-end 2017
 - Hotel St. George project in Renovation Contracting tied up capital during 2018

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

Quarterly balance sheet structure

Financial position strengthened slightly compared to previous quarter

Quarterly net debt, equity ratio and gearing Q1/2016 – Q4/2018



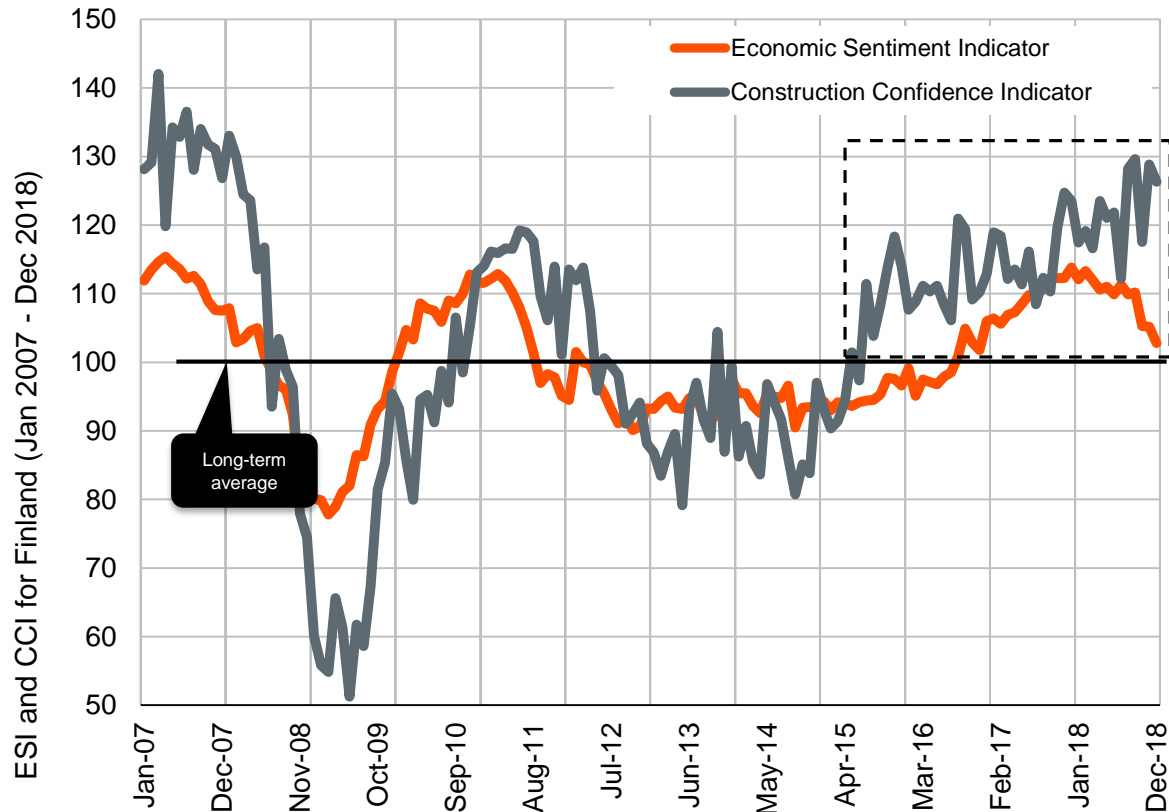
Comments

- Financial position strengthened somewhat from the previous quarter due to positive cash flow in the fourth quarter
- Q4/2018 net debt at EUR 19.6m (12.1m)
- Q4/2018 equity ratio at 25.4% (28.6%)
- Q4/2018 gearing at 83.6% (47.7%)
- At the balance sheet date, the Group's interest-bearing net debt to adjusted EBITDA ratio was under the covenant's maximum level according to the confirmed calculation principles

Market outlook, guidance and summary

Lead indicators for the Finnish construction still on a good level, economic sentiment declining recently

Economic Sentiment and Construction Confidence / Finland (2007 – 12/2018) Comments



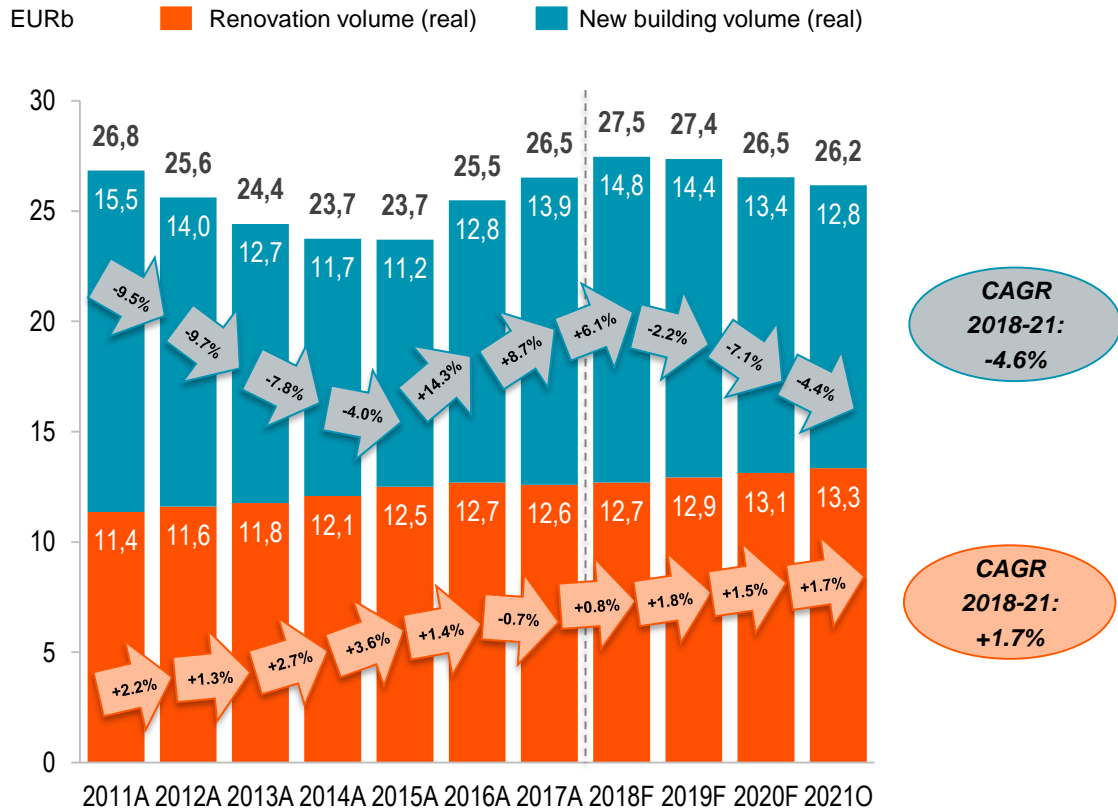
- During the past few years Economic sentiment and Construction confidence in Finland have remained above the long-term average
- Construction confidence indicator has remained at a good level throughout 2018
- Economic sentiment indicator declined during Q4/2018, however still remaining above the long-term average

Note: Mean-adjusted figures

Source: European Commission, December 2018

Stable growth in renovation expected to continue going forward

Finnish new building and renovation market development 2011 – 2021O



Comments

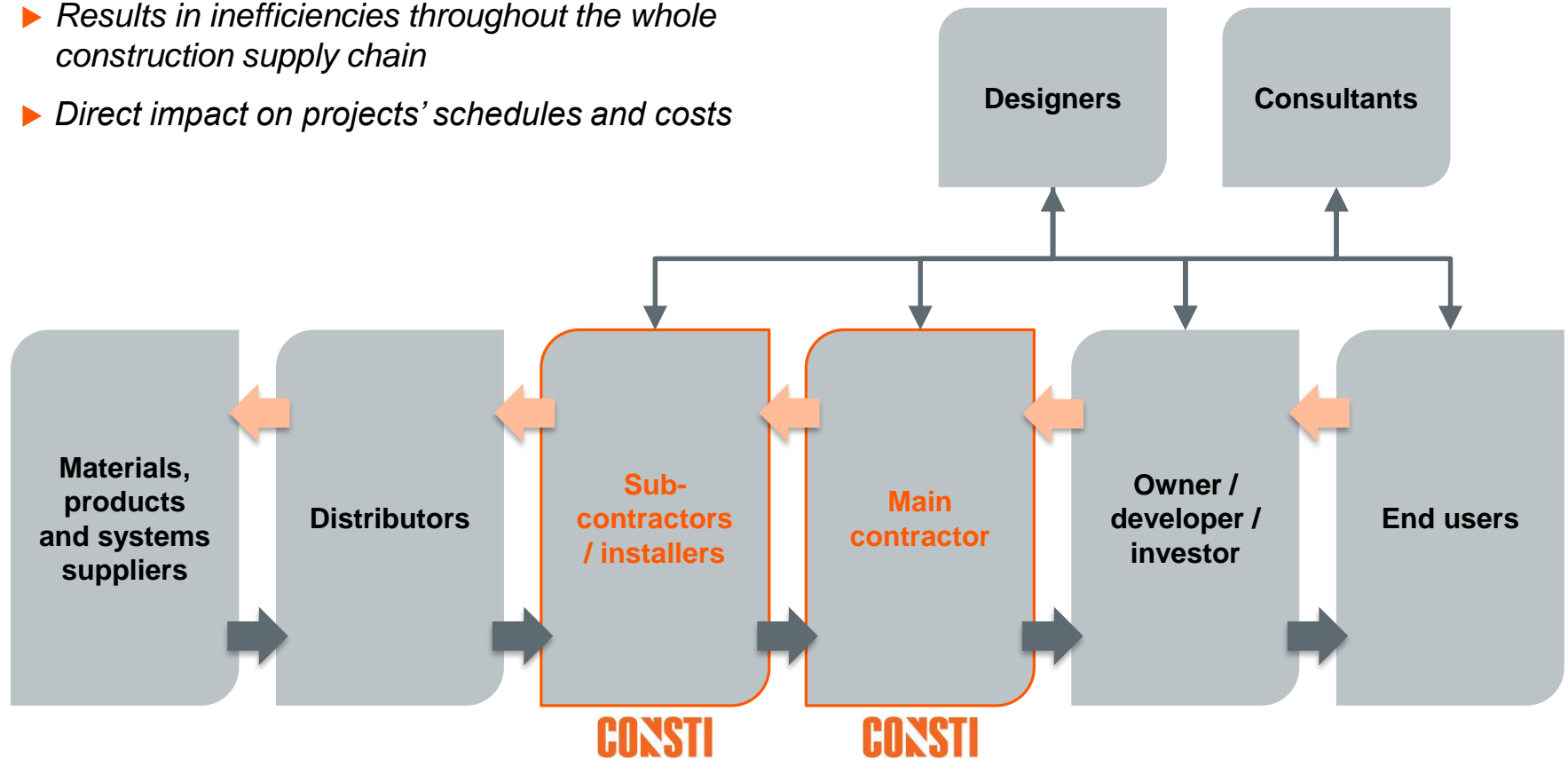
- The economic cycle in construction sector still strong
 - Challenges in availability of certain sub-contractors
 - However, recent statistics show that although the volume of building production is still growing, the number of issued building permits during the spring, summer and fall 2018 have declined compared to previous year
- Euroconstruct estimates new building to decline by 2.2% in 2019 while renovation is expected to grow by 1.8%
- In 2019, growth is expected to be seen in both residential (2.0%) and non-residential (1.6%) renovation

Source: Euroconstruct, November 2018

CFCI = The Confederation of Finnish Construction Industries, October 2018

The whole construction sector value chain currently under pressure (illustrative)

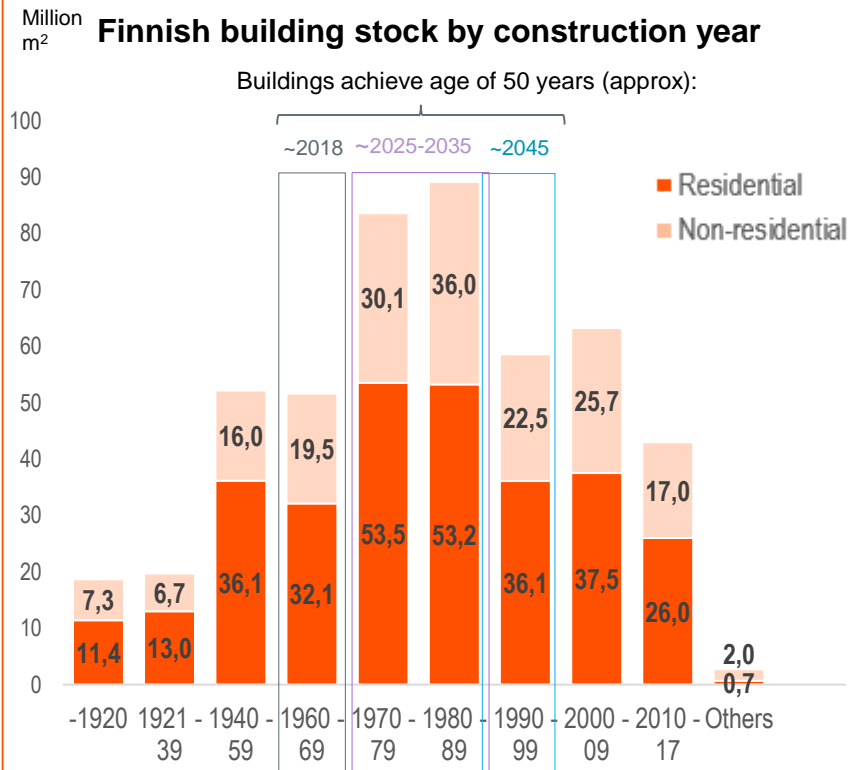
- ▶ Challenges in availability of professionals are not limited to contractors
- ▶ Results in inefficiencies throughout the whole construction supply chain
- ▶ Direct impact on projects' schedules and costs



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



Ageing building stock



Source: Statistics Finland

Construction year



Energy efficiency



Urbanisation and concentration of renovation in growth centers



Modifications of the use of buildings



Increased need for building technology and automation

Guidance for financial year 2019

“The Company estimates that its operating result for 2019 will improve compared to 2018.”



Summary

1. Net sales grew but Q4 EBIT negative due to higher than expected costs of a building purpose modification project related to a high-value property
2. FY2018 result significantly weakened by the impact of negative results from two demanding building purpose modification projects
3. New Group-wide program launched in order to improve profitability and competitiveness going forward
4. Market environment continued to be predominantly good, outlook positive also for the future
5. Strong order backlog together with the new change program to support performance in 2019
6. FY2019 operating result to improve compared to 2018

Appendix

Long term strategic goals

Growth: Average annual growth in revenue at least **10 %**

Profitability: adjusted EBIT-margin exceeding **5 %**

Cash flow: Cash conversation ratio exceeding* **90 %**

Capital structure: Net debt to adjusted EBITDA ratio of less than **2,5 x** while maintaining an efficient capital structure

STRATEGY

MISSION

Our mission is to improve the value of the building stock, and the value of life. The satisfaction of our customers and partners, as well as the well being of our personnel are the prerequisites to all our operations.

CUSTOMER PROMISES

Fast and reliable
– and ready in one go

Consti – the human factor

We listen, understand
and offer a solution

We do what
we promise

STRATEGIC INITIATIVES

1 Profitable and competitive operations

2 The best customer experience

3 Excellent services and solutions

4 The best professionals

5 Renewal and growth

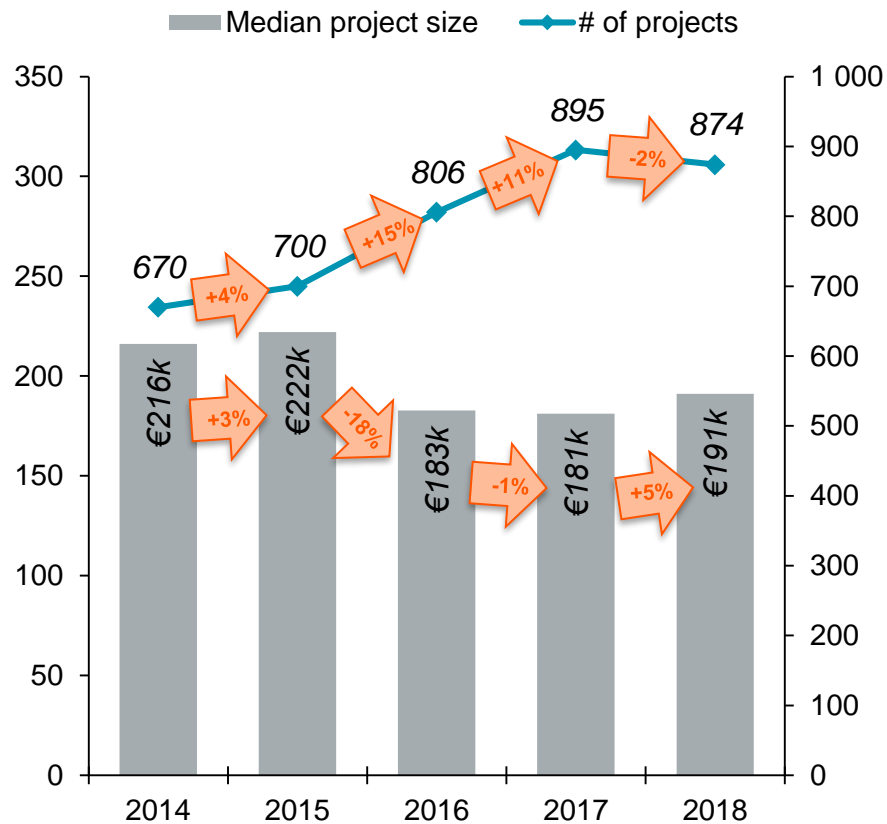
VALUES

Profitable growth
Professional skill and experience
Customer orientation
Enthusiasm
Reliability and honesty

* 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 expenses and taxes, less capital used for purchase of intangible assets and property, plant and equipment

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

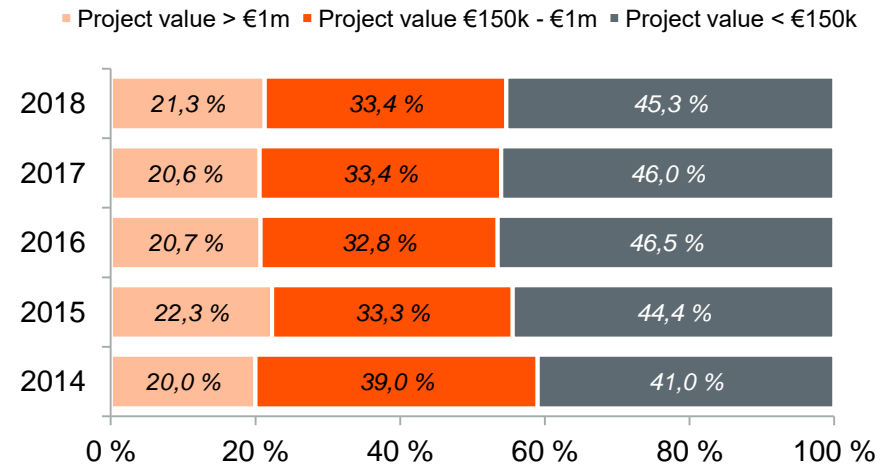


1) Number of projects based on management accounts. Project is qualified if it is accounted for according to the POC method and had realised revenue during the financial year. Total number of work tasks performed is larger (including non-POC)

Comments

- In 2018, the company had 874 projects¹⁾ with a median project size of EUR 191 thousand
- Large projects typically realise in net sales over several years
- 79% of the projects in progress in 2018 were valued at EUR 1 million or below
- However, approximately 70% of 2018 revenue was generated from projects valued in excess of EUR 1 million

Project size distribution 2014-2018 (# of projects)





CONSTI

FINANCIAL STATEMENTS

1-12/2018

CONSTI GROUP PLC

FY2018

CONSTI GROUP PLC
HOPEATIE 2
FI-00440, HELSINKI
BUSINESS ID 2203605-05
WWW.CONSTI.FI