

Lehto Group Plc

Financial statements 2017

12 February 2018

Financial statements 2017 | ECONOMICALLY DRIVEN CONSTRUCTION

Innovator in construction business



Our customer promise: the most desired partner in the market

- 1 One agreement
- 2 Fixed price
- 3 Agreed move-in date
- 4 Agreed content and quality

The cornerstones of economically driven construction



Cost-conscious design competence

80% of construction costs are determined at the design stage



Standardised solutions

Standardised solutions enhance quality and enable more rapid completion of onsite work



Factory-made modules and elements

Manufactured in our own facilities in dry factory conditions

Better quality and improved productivity

Our innovations

Kitchen-bathroom element



Renovation element



HVAC control room



Apartment module



Service areas – key projects



Business Premises

- Shopping centres
- Business premises
- Logistics premises
- Storage premises
- Production facilities
- Offices



Housing

- Blocks of flats
- Balcony access blocks
- Terraced houses
- Area construction



Social Care and Educational Premises

- Care homes
- Assisted living facilities
- Day care centres
- Schools



Building Renovation

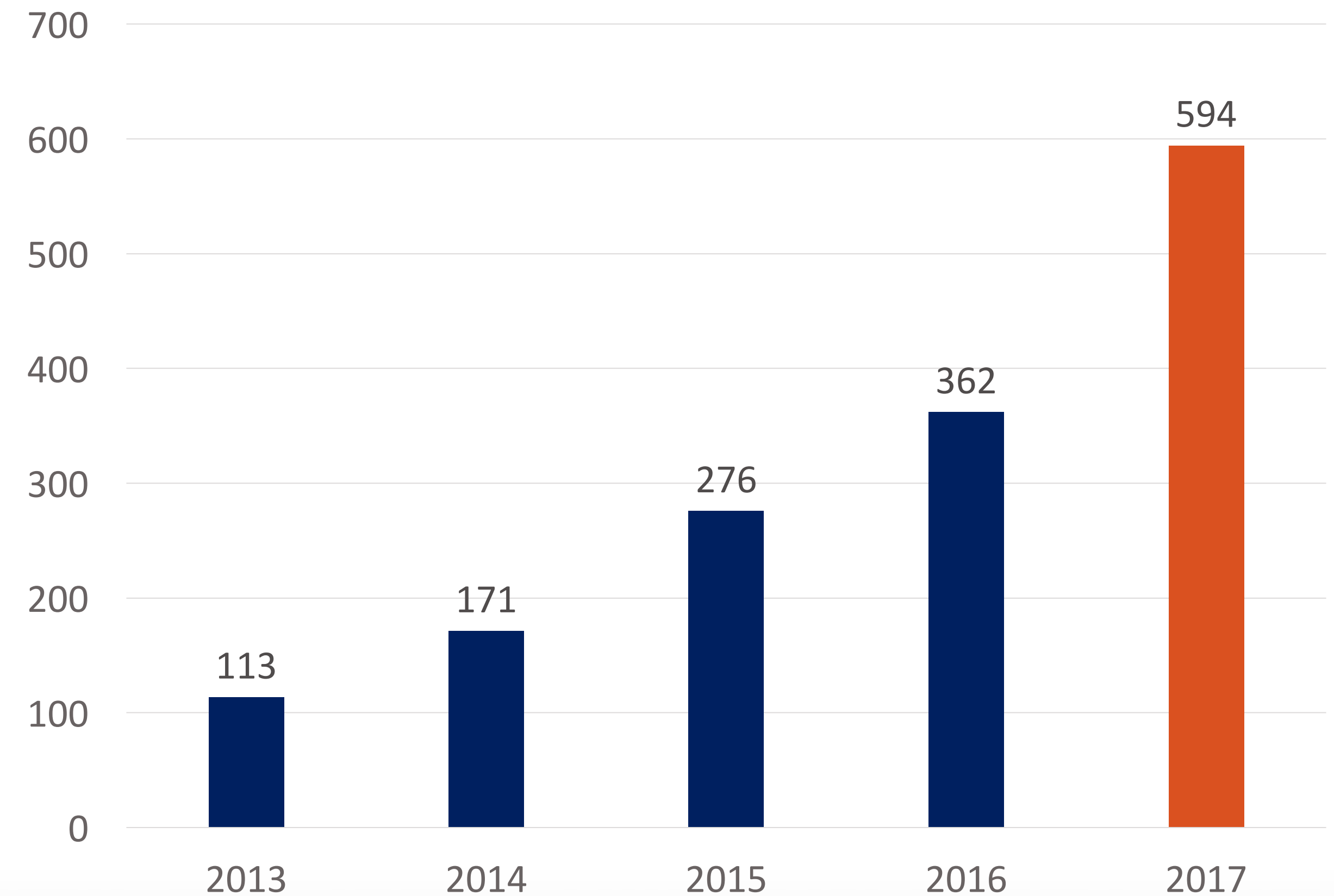
- Residential property development
- Additional construction
- Pipeline renovations
- Bathroom and sauna renovations
- Flat and office renovations
- Demanding roof repairs

Financial statements January–December 2017

Net sales continued strong growth

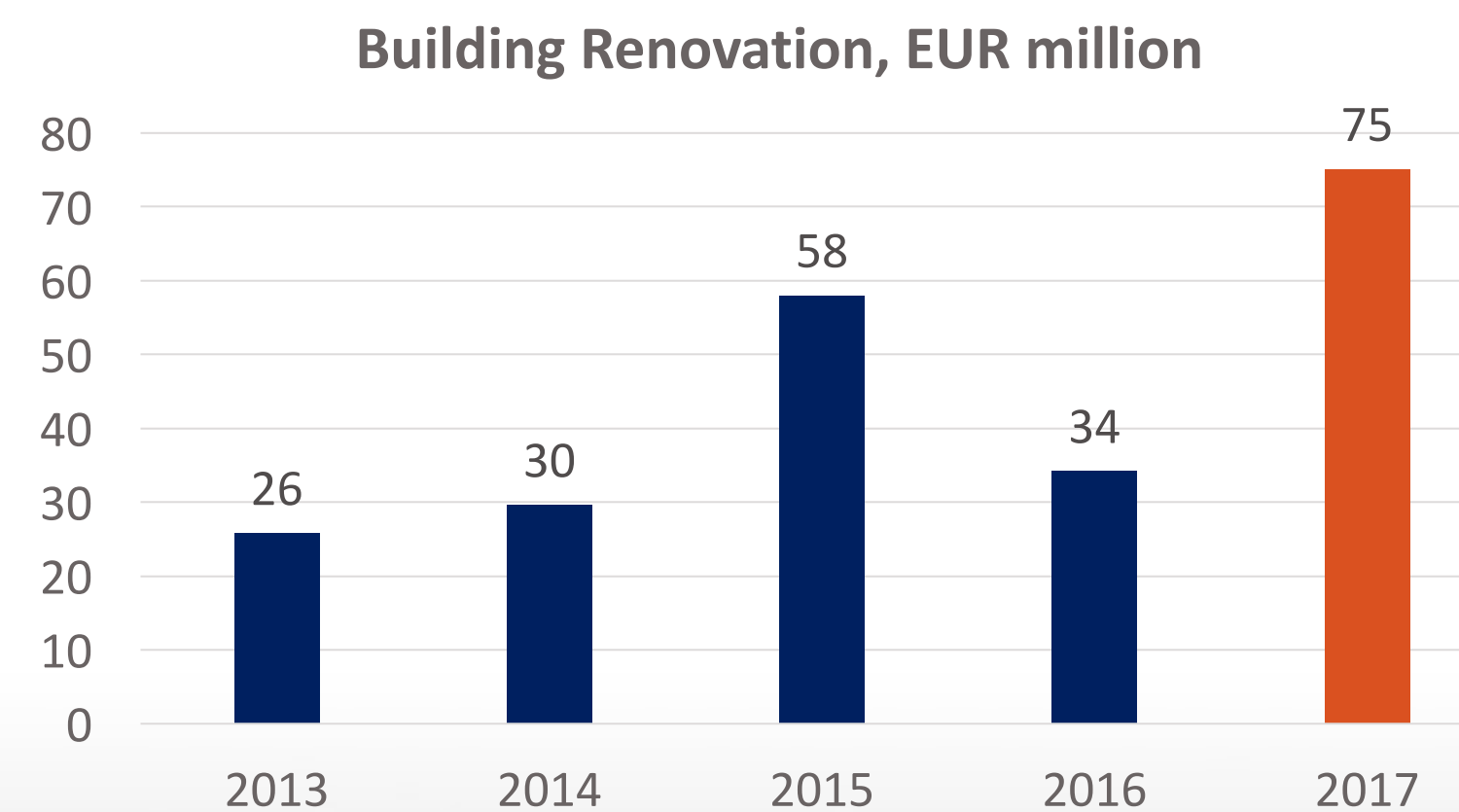
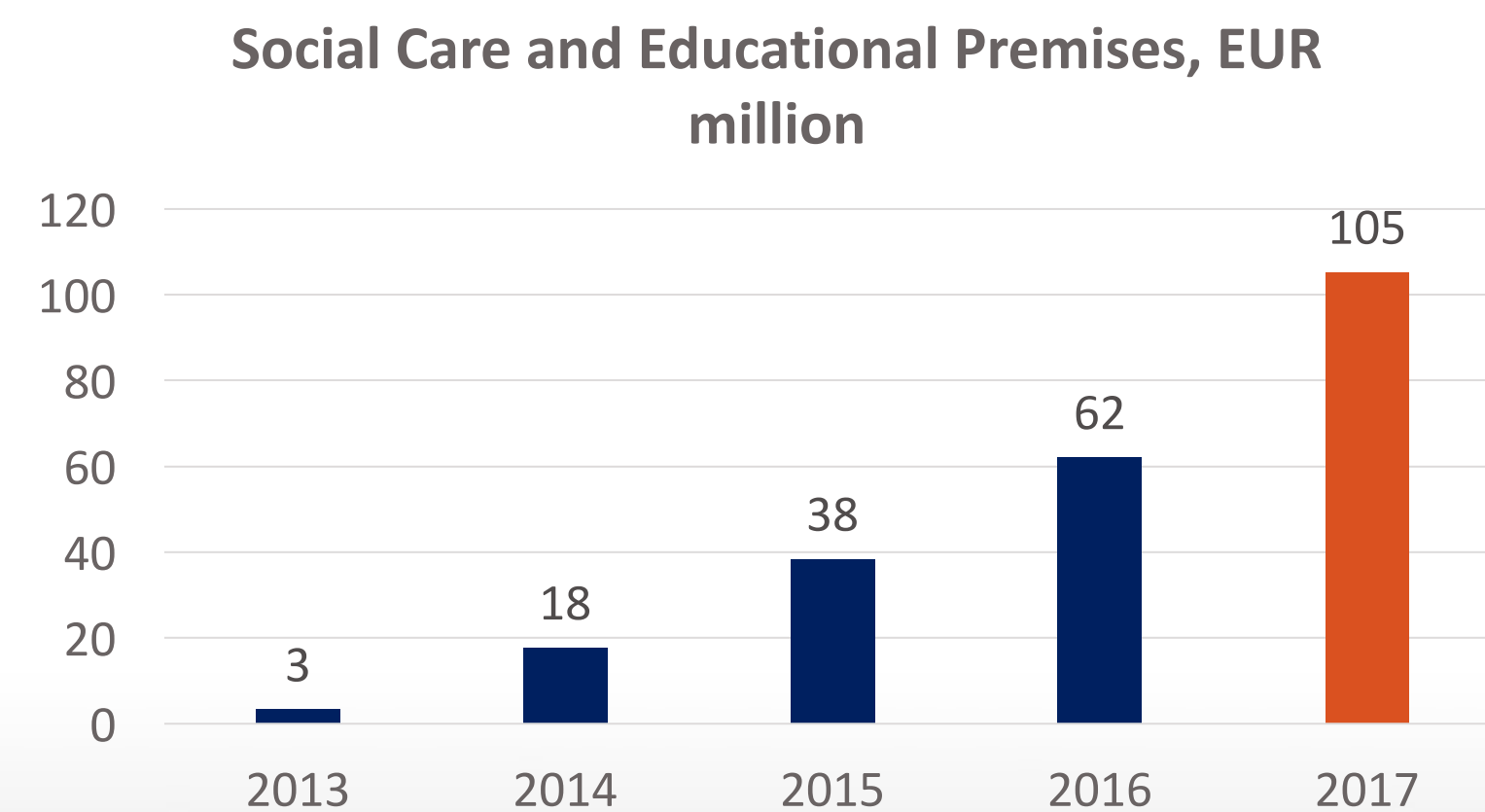
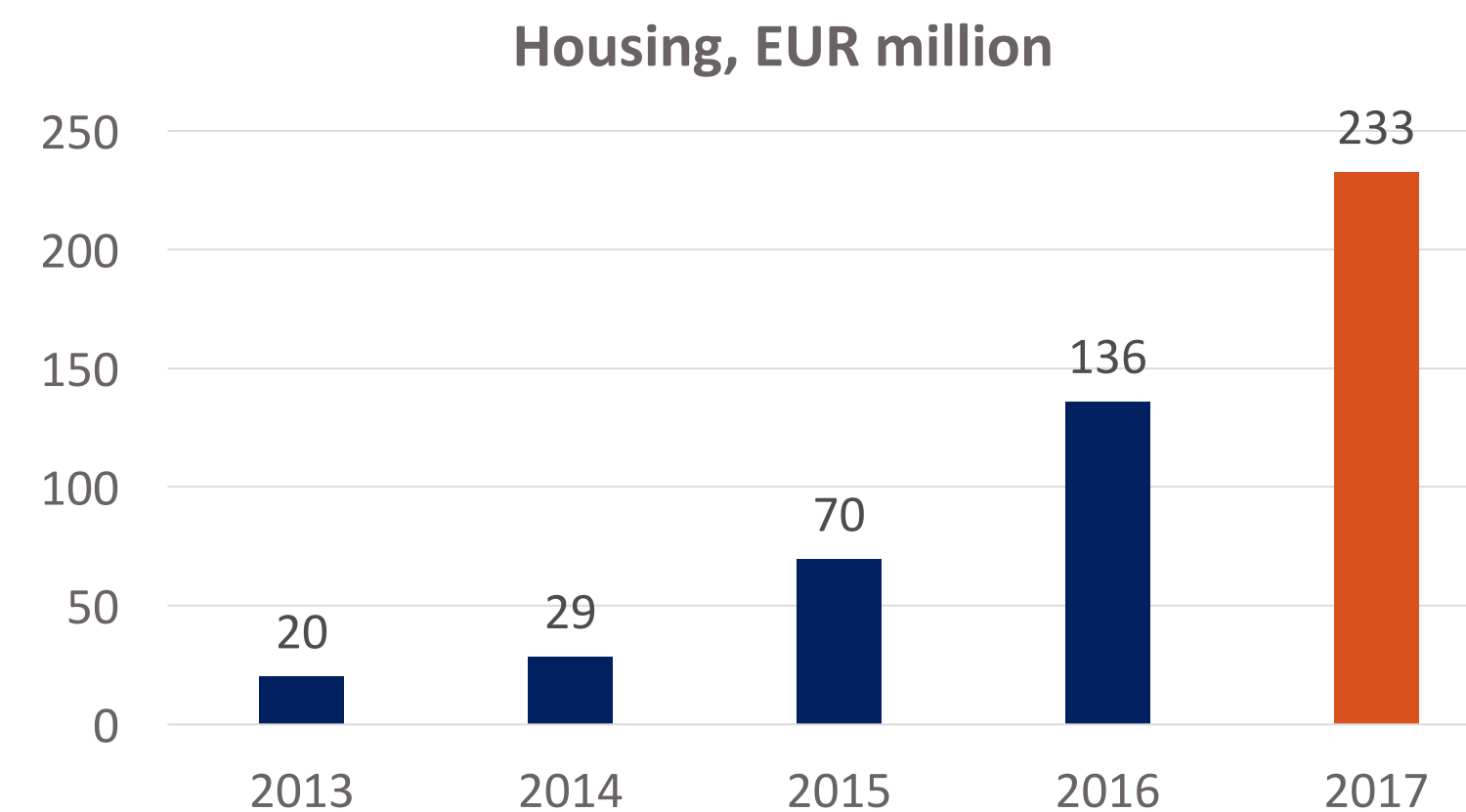
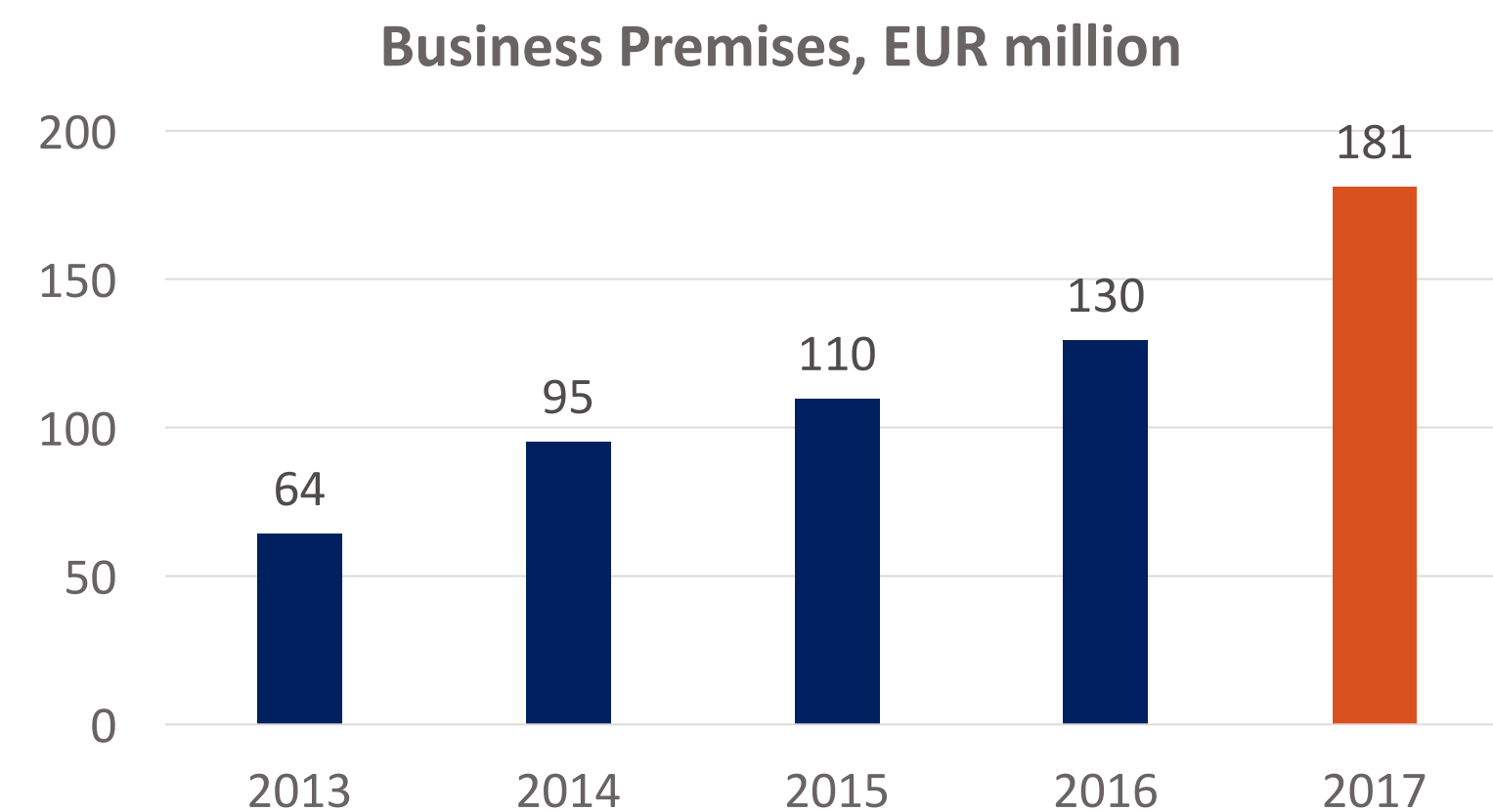


Net sales, EUR million



- Net sales grew in all service areas – total growth EUR 232 million
- Greatest growth in euros in the Housing service area

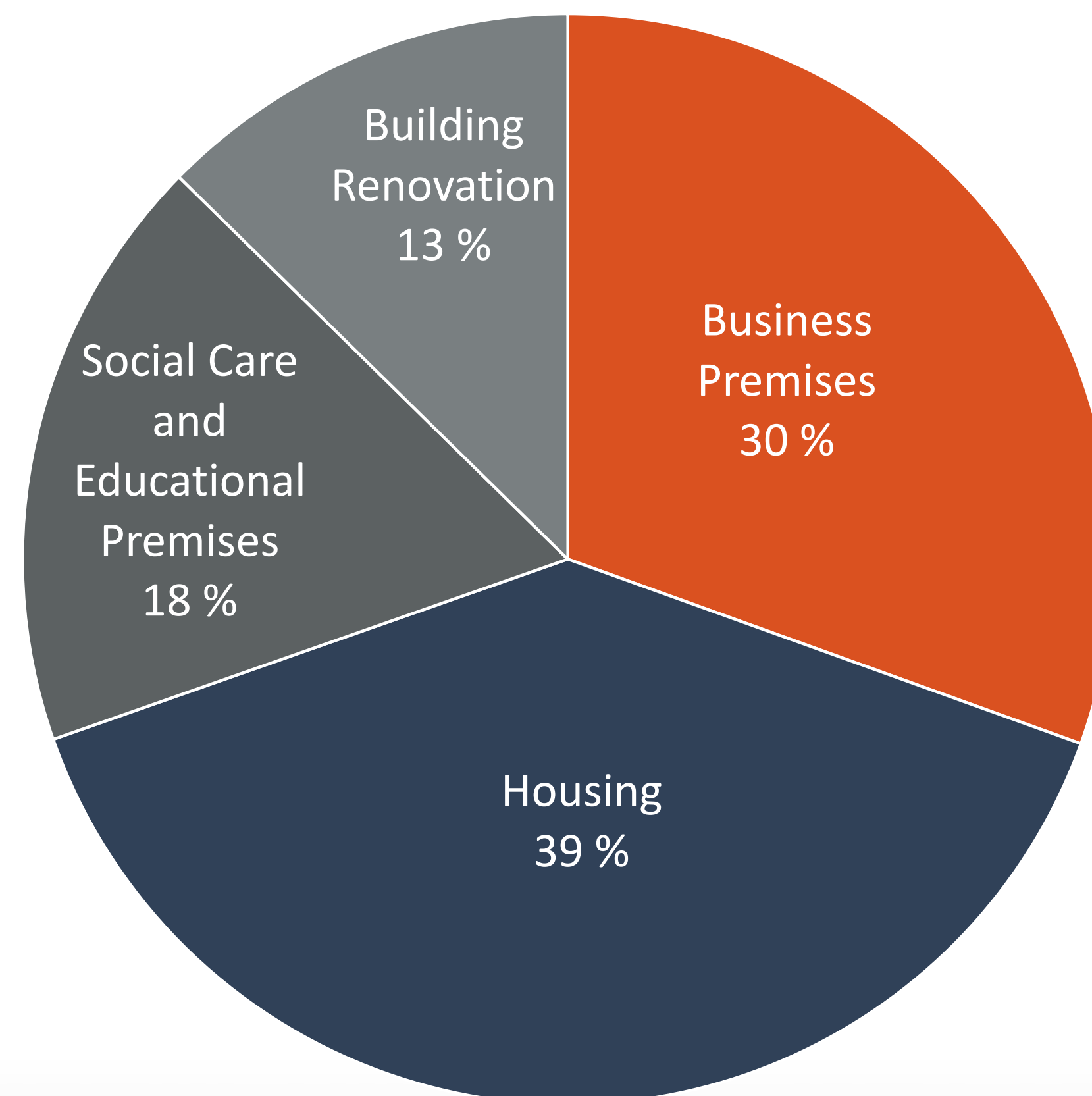
Net sales by service area 2013-2017



Distribution of net sales by service area

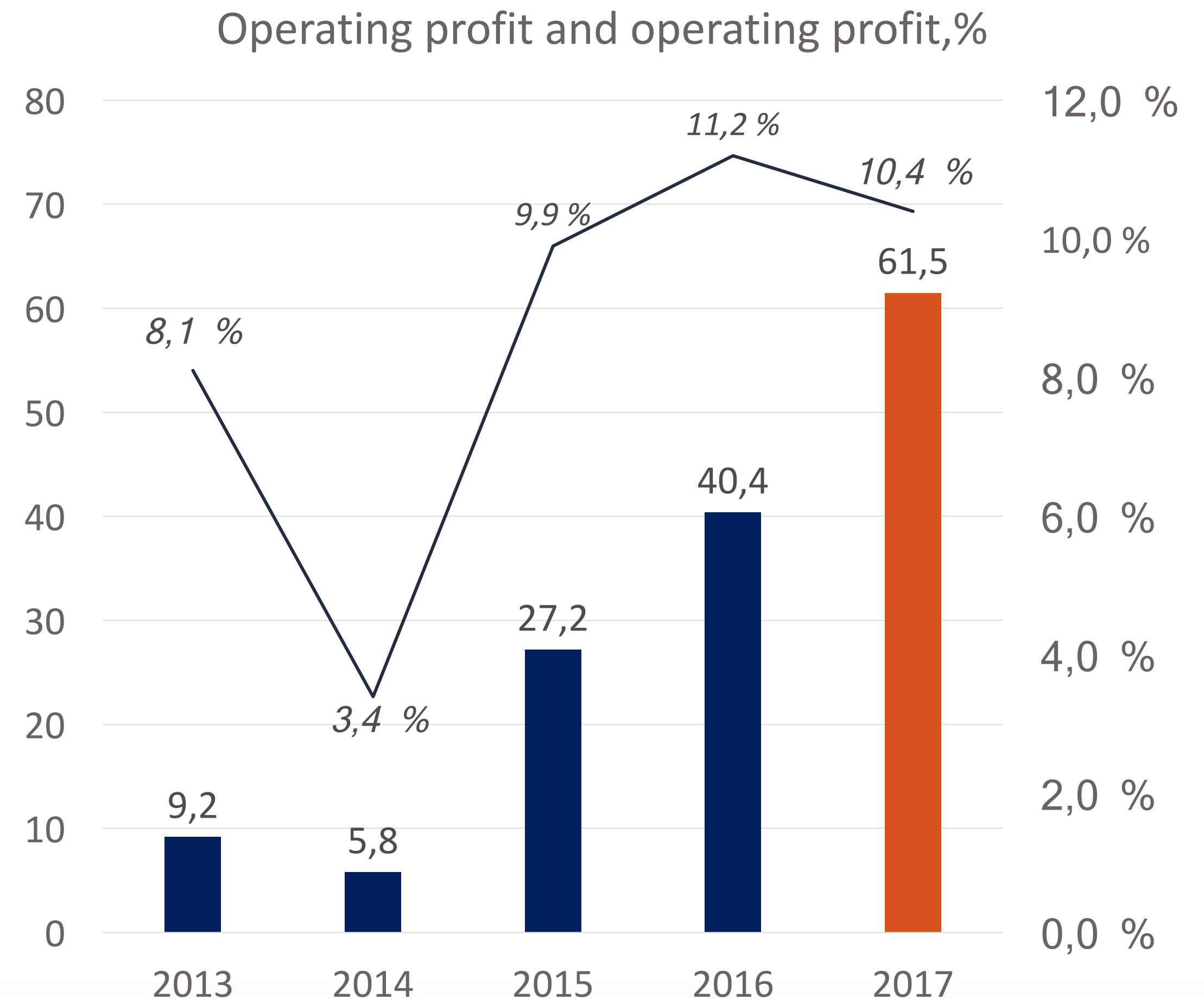
NET SALES BY SERVICE AREA, EUR MILLION	2016	2017	Change
Business Premises	129.5	181.2	39,9%
Housing	136.0	232.6	71.1%
Social Care and Educational Premises	62.1	105.3	69.4%
Building Renovation	34.2	75.1	119.5%
Total	361.8	594.1	64.2%

Distribution of net sales 2017



Operating profit 10.4% of net sales

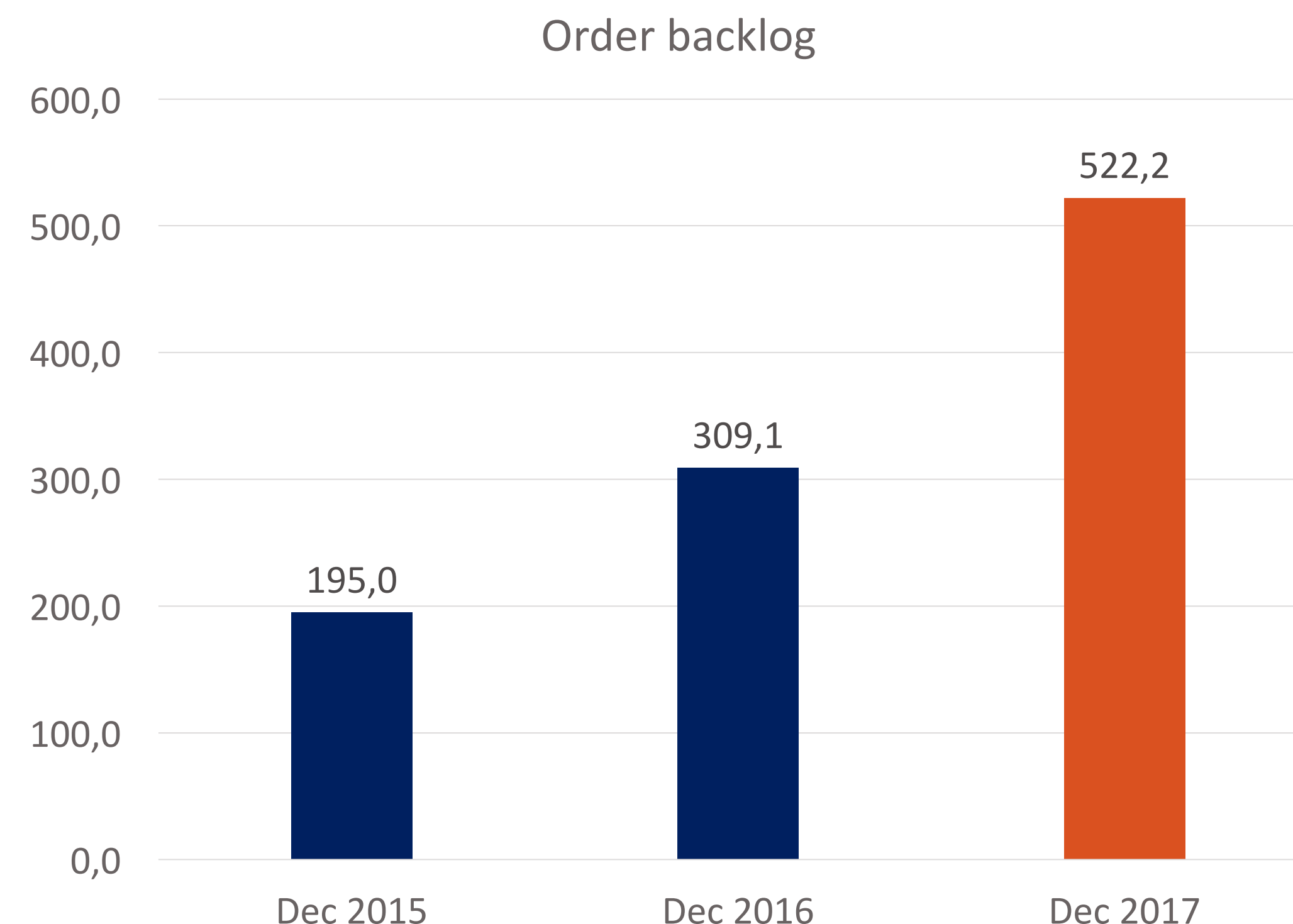
- Profitability remained excellent. Operating profit EUR 61.5 million
- Net sales in % was slightly lower than in the previous year (11.2% -> 10.4%). Key factors:
 - Costs related to the expansion of factory capacity
 - Weakened project margins in some areas due to increased competition
 - Costs related to the expansion in Sweden



Order backlog grew by 68.9%

- The order backlog grew in all service areas
- Relatively strongest growth was seen in the Building Renovation service area

Order backlog, MEUR	31 Jan 2017	Change 2017
Business Premises	127.3	+68.7%
Housing	216.5	+63.0%
Social Care and Educational Premises	84.8	+48.2%
Building Renovation	93.6	+115.0%
Total	522.2	+68.9%



Business Premises – increasingly large projects

- Net sales grew by 39.9% to EUR 181.2 million
- A total of 30 projects were completed
- Major projects:
 - Pikkulaiva, Espoo (approx. 10,000 m²)
 - Kalajoki commercial centre (approx. 11,800 m²)
 - Commercial centre in the Seppälä area of Jyväskylä (approx. 10,000 m²)
 - DSV logistics centre, Vantaa (approx. 60,000 m²)
 - Frode Laursen logistics centre, Vantaa (approx. 27,000 m²)
- Lehto was chosen to further develop the Jyväskylä Hippos2020 project



Housing – major housing projects under construction

- Net sales grew by 71.1% to EUR 232.6 million.
- A total of 2,002 apartments were sold during the year
- 32 different housing projects finished during the year
- Major projects ongoing:
 - Kaivoksela, Vantaa, approx. 550 apartments
 - Kilo, Espoo, approx. 370 apartments



Social Care and Educational Premises – excellent momentum in the care area

- Net sales grew by 69.4% to EUR 105.3 million
- A total of 29 nursing homes, two day care centres and one school were completed during the period
- A school for 450 students being built in municipality of Limika
- Contract for building three modular day care centres in the municipality of Botkyrkan in Sweden
- Framework agreement with eQ Hoivakiinteistöt for the construction of 10 care sector properties in different parts of Finland



Building Renovation – main focus in the Helsinki Metropolitan area

- Net sales grew by 119.5% to EUR 75.1 million
- Major projects:
 - Contract for the renovation of old premises and their conversion into apartments in Töölö, Helsinki
 - Contract for the conversion of office premises into hotel and accommodation use in Helsinki
 - Renovation of Kesko's former head office in Katajanokka, Helsinki, into apartments and expansion of the grocery store
 - Project to add floors to existing apartment building in the Myllypuro district of Helsinki



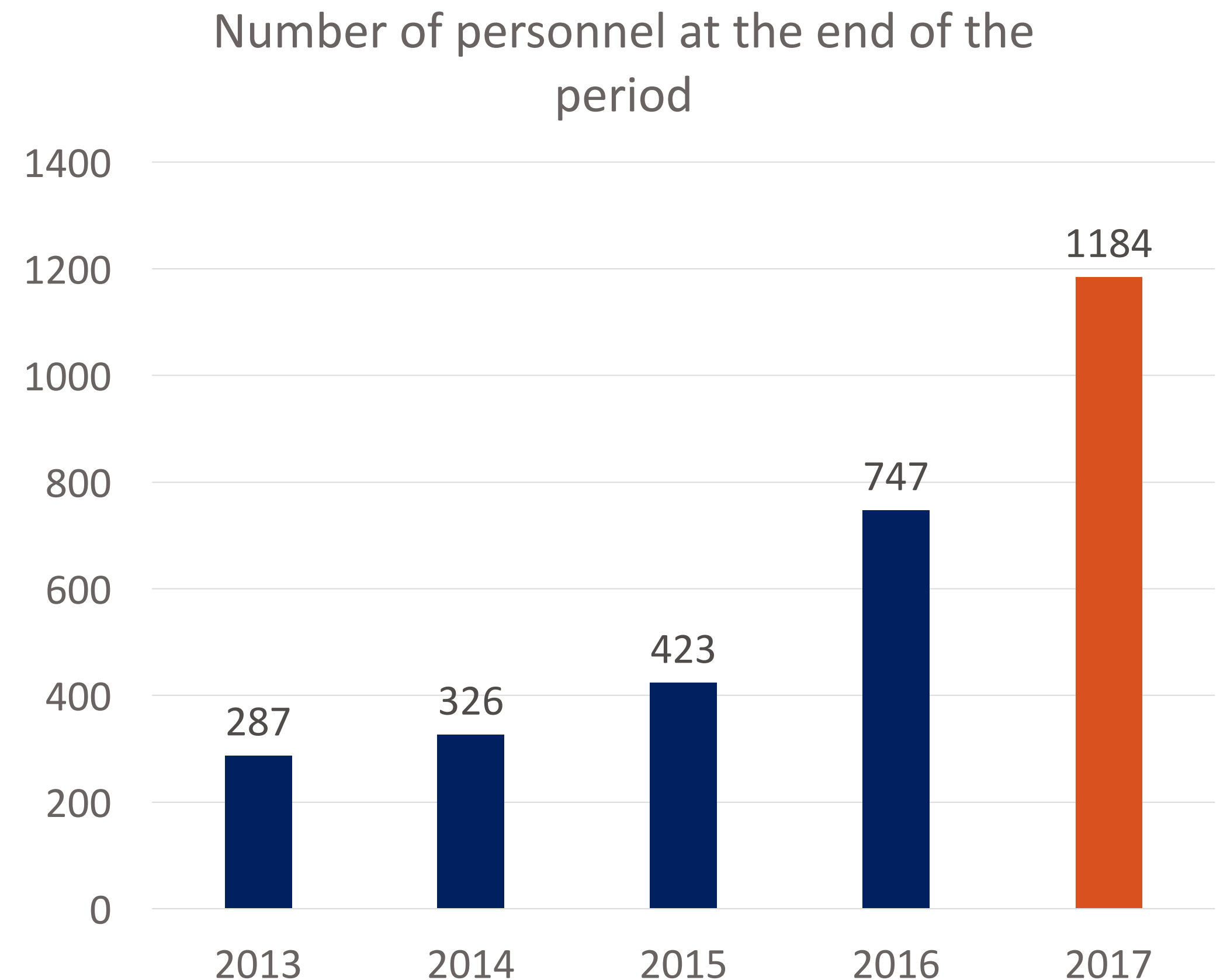
Factory production – capacity was increased

- Purchase of the production facilities and installations of Fasadi Oy in Ii
- Expansion into leased premises in Oulainen
- Starting construction of a factory of approx. 9,000 m² in Oulainen
- Approximately 200 new employees for the factories. At the end of the year, there were 312 employees in factory operations.



Almost 1,200 employees

- The number of personnel increased by 437; the greatest growth was in factory operations.
- 49% of personnel are salaried employees and 51% work at construction sites.
- Challenges in the availability of supervisors and designers in particular.



Outlook for 2018

- Lehto estimates that the Group's **net sales for 2018 will grow by 20-30%** from 2017 (EUR 594.1 million in 2017) and **operating profit is expected to be above 10% of net sales** (2017: 10.4%). The accrual of net sales and operating profit is expected to concentrate on the second half of the year.
- The outlook is based on the information available to the company on the progress of ongoing construction projects and the company's estimate of construction projects to be started and sold in 2018.
- The most significant risks related to net sales and operating profit are delays in the start of business projects currently at the negotiation phase, higher than expected implementation costs of renovation contracts, and a decline in the demand for housing.

Share performance and trading

Share performance 2 Jan–29 Dec 2017



- Closing price of the share (29 December 2017) EUR 12.66
- Lowest rate during the review period EUR 9.79
- Highest rate during the review period EUR 14.26
- Trading: 16,344,696 shares / EUR 196,9 million

- Dividend proposal EUR 0.34 per share
- Earnings per Share EUR 0.84



LEHTO

TALOUSOHJATTUA RAKENTAMISTA