

Lehto Group Plc

Half-Year Financial Report January–June 2018

August 9, 2018 – Internal material

Innovator in construction business



Economically driven
construction

Cost-conscious
design
competence

Standardised
solutions

Industrial
manufacturing

Digital construction process

Motivated employees

Changes in
the business
environment

Digitalization
New technologies

Urbanization

Requirements for
renovation and changes

Ecologically efficient

Cost-efficiency

Aging population



LEHTO

YRITYS

LIIKE
YHTIÖ



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

January–June 2018

Order backlog
grew by 24%
to MEUR 665

Expansion of
factory
capacity:
acquisition of a
new factory in
Hartola

In construction
activities,
productisation
and concept
development
continued

Slow expansion
of operations in
Sweden

Housing
construction is
booming:
over 2,500
apartments
under
construction

A large number
of new projects
for business
premises

Increasing
complexity in
social care and
educational
premises

Renovation
service area has
financially
challenging
projects
underway

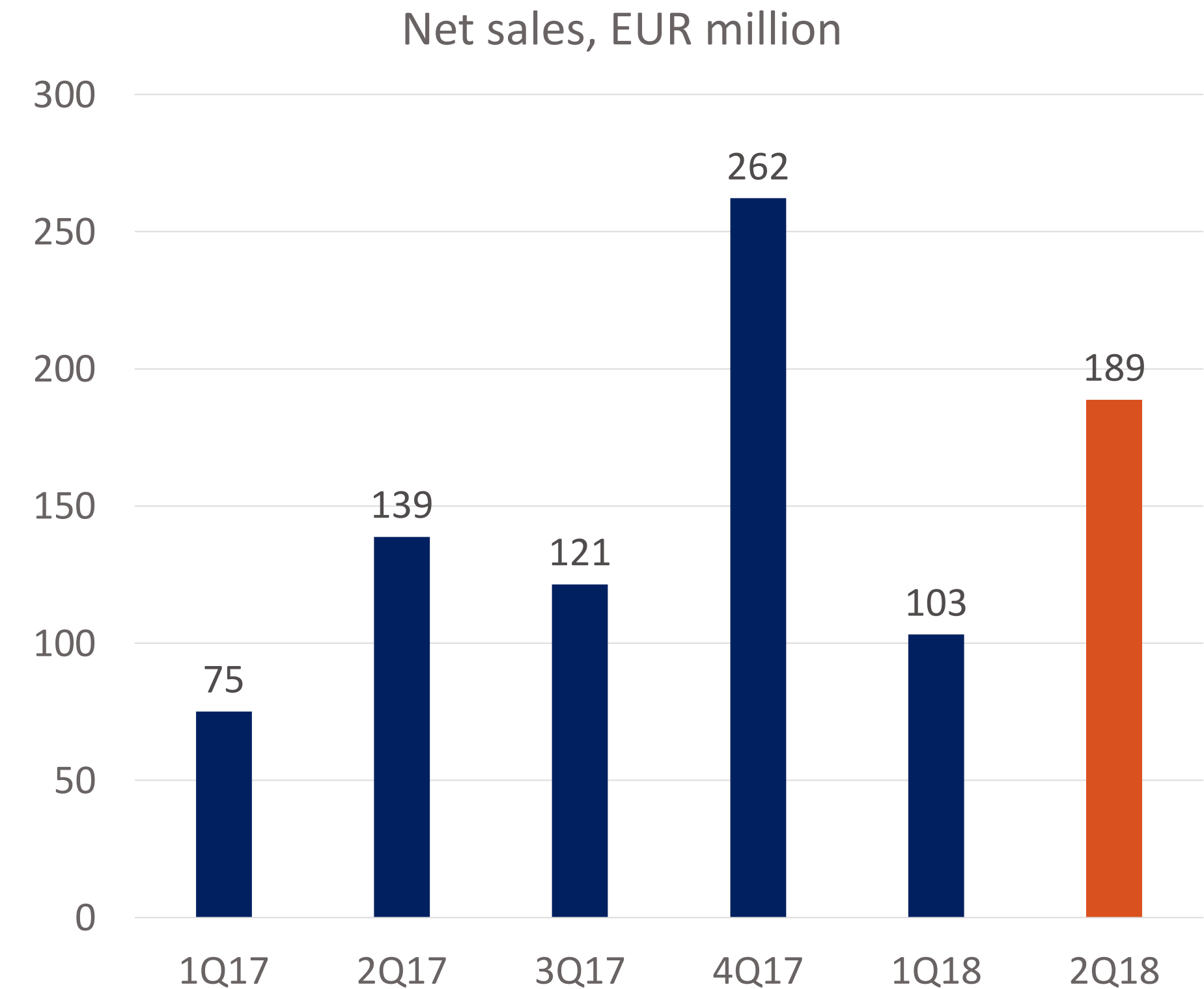
Growth in net sales

1H 2018

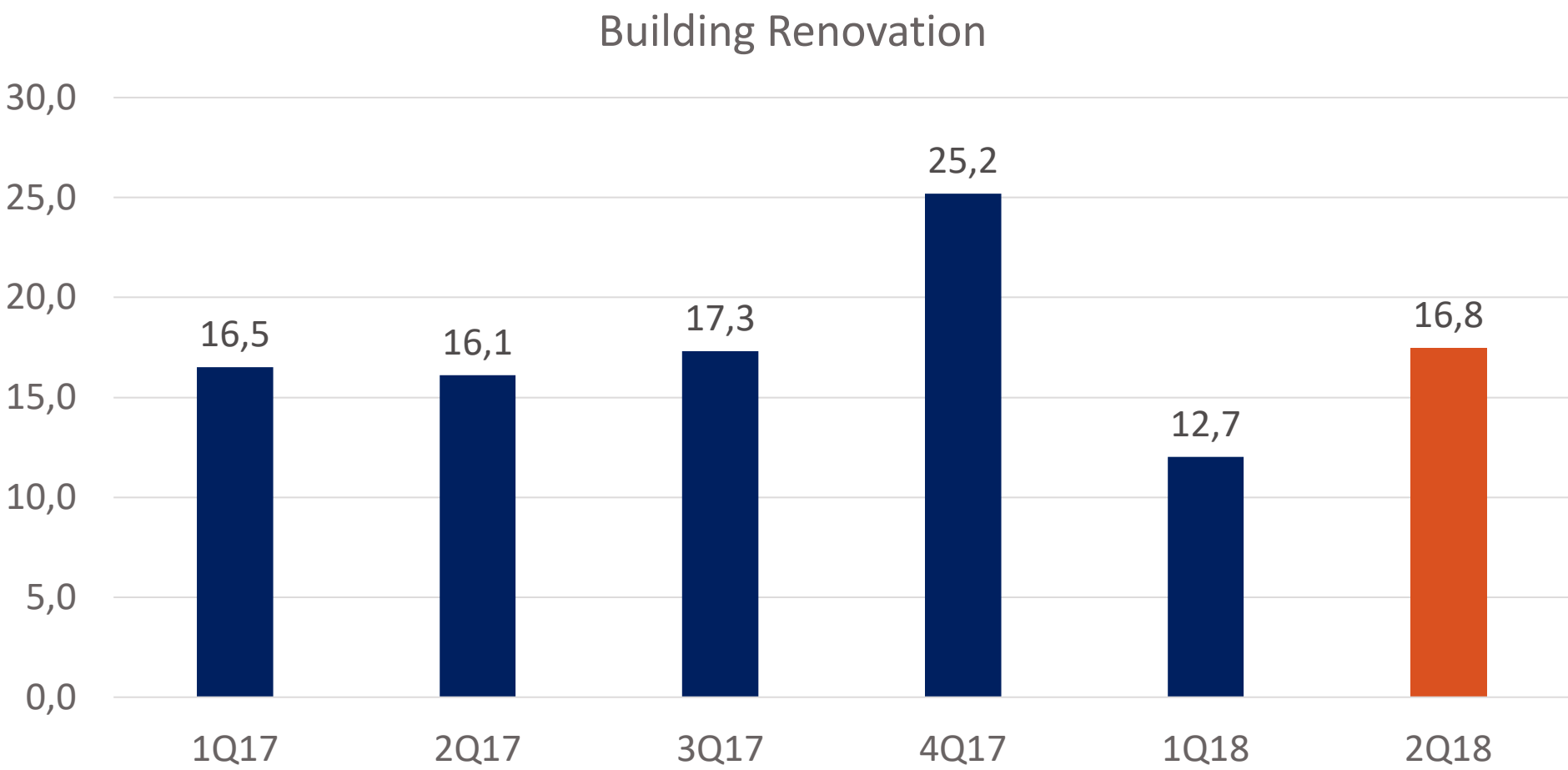
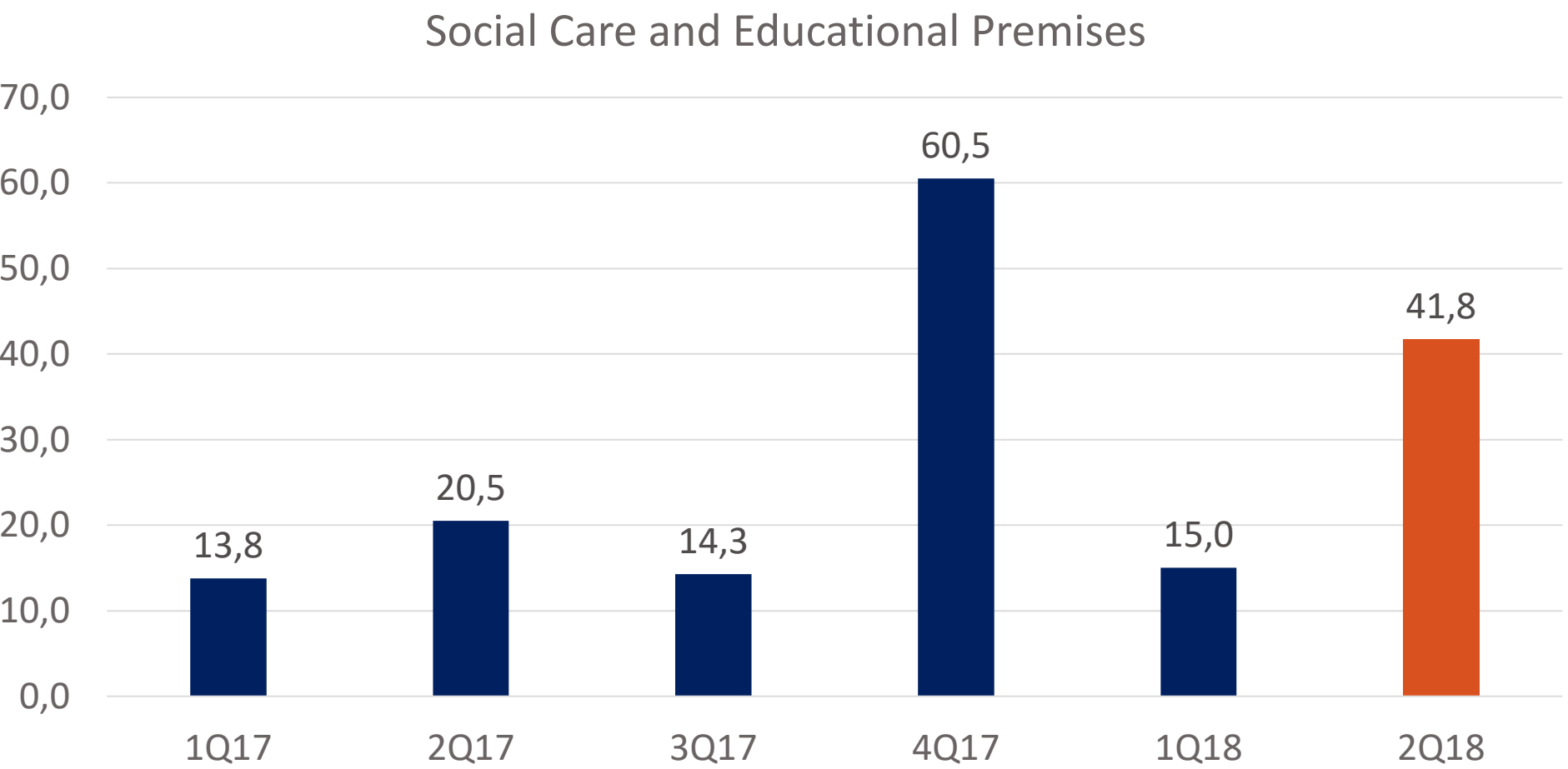
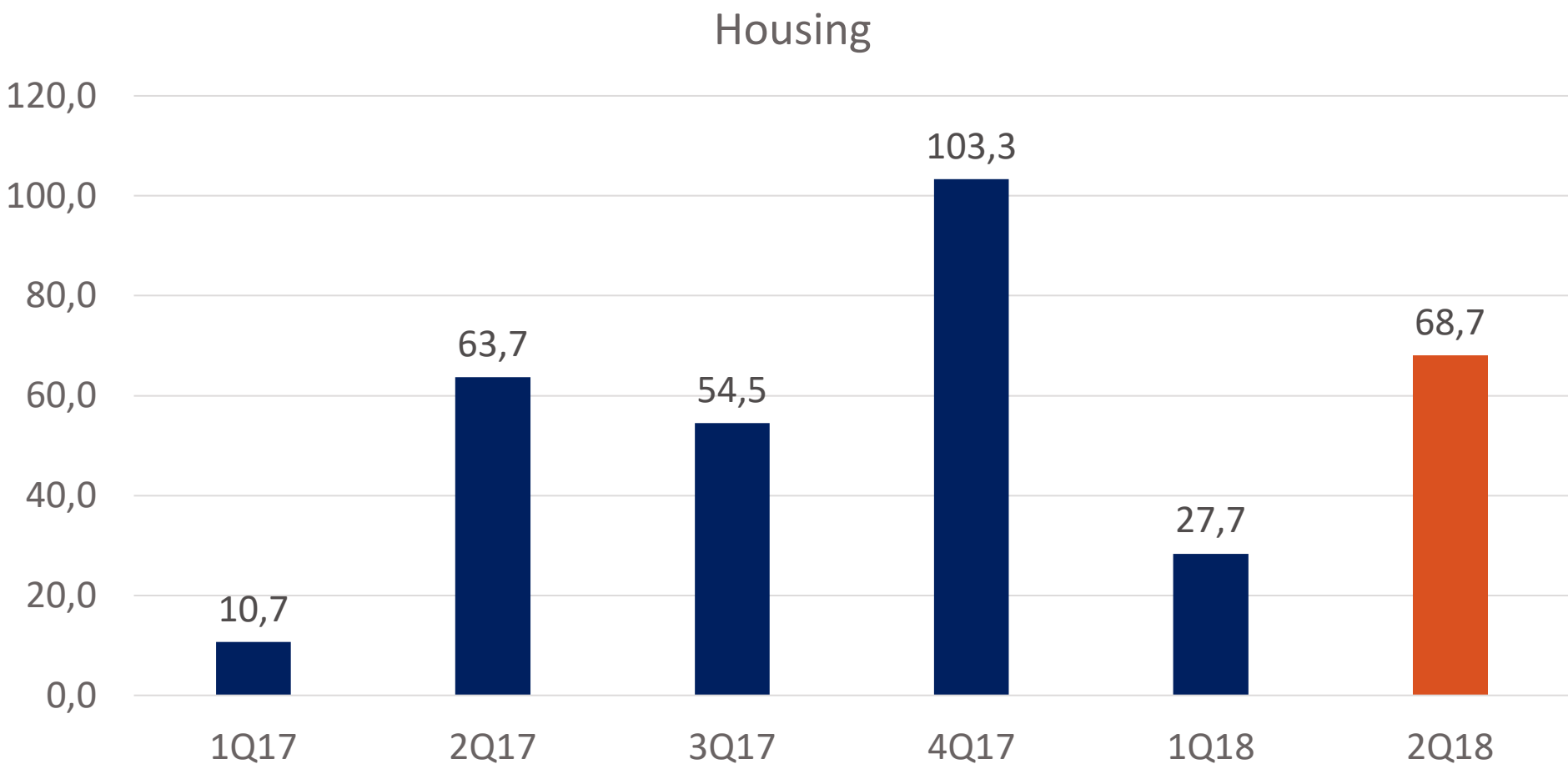
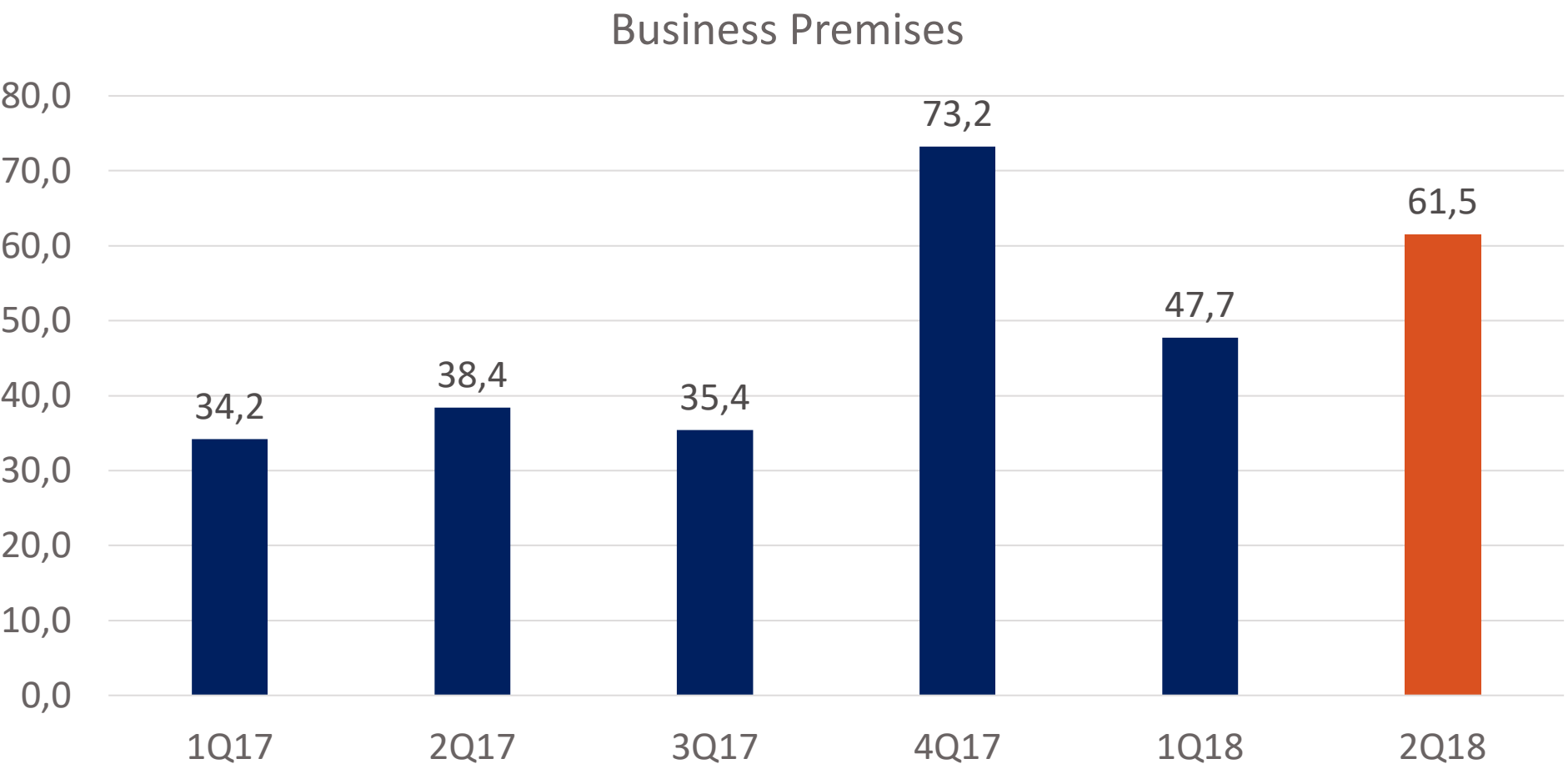
- Net sales grew by 36.4% year-on-year, to EUR 292 million
- Net sales grew in the Housing, Business Premises, and Social Care and Educational Premises service areas but declined in the Building Renovation service area

2Q 2018

- In April–June, net sales grew by 36.0% to EUR 189 million



Net sales by quarter and service area



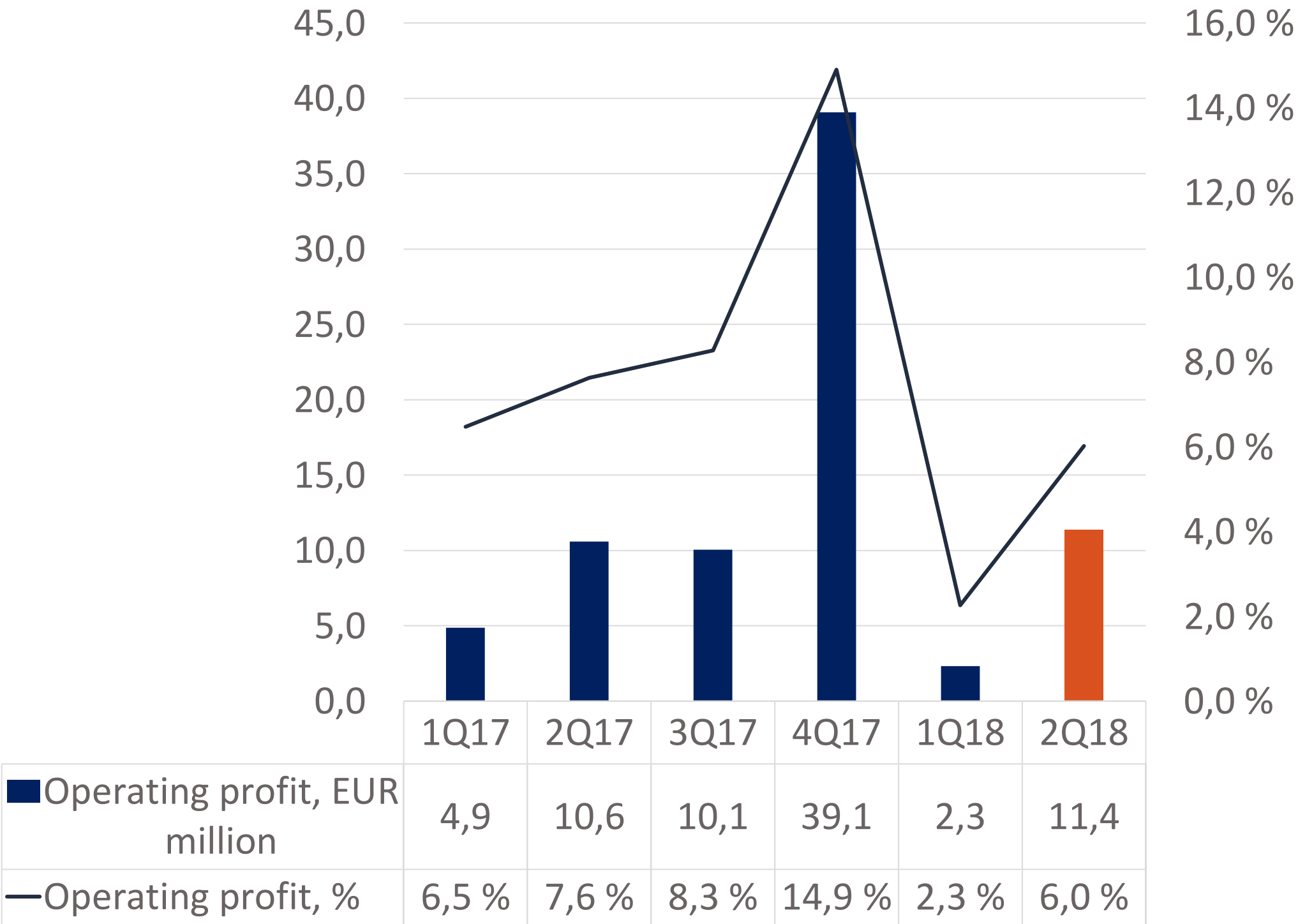
Operating profit decreased

1H 2018

- Operating profit weakened to EUR 13.7 (15.4) million and was 4.7% (7.2%) of net sales
- The decrease resulted from lower project margins in Building Renovation and Social Care and Educational Premises service areas

2Q 2018

- Operating profit grew to EUR 11.4 (10.6) million and was 6.0% (7.6%) of net sales



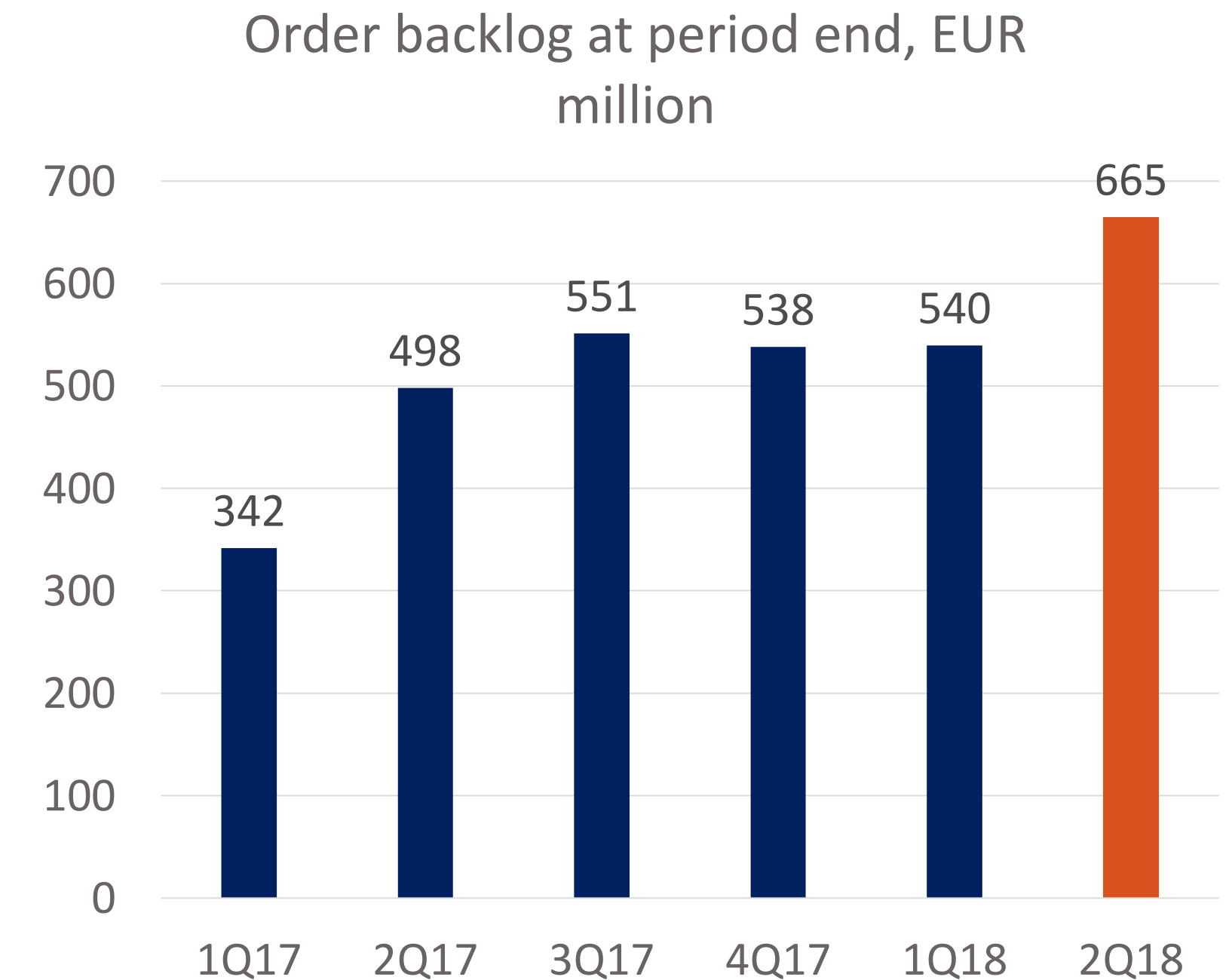
Growth in order backlog

30 June 2018 vs. 30 June 2017

- Order backlog grew by 33.5% year-on-year, to EUR 665 million
- Growth in all service areas

30 June 2018 vs. 31 December 2017

- Order backlog grew by 23.6% from the year-end
- Growth particularly in the Housing and Business Premises service areas. A slight decline in the order backlog of the Social Care and Educational Premises service area.



Outlook for 2018

- Lehto updated its operating profit outlook for 2018 in a stock exchange release published on 1 August 2018. According to the updated outlook, Lehto estimates that
 - the Group's **net sales for 2018 will grow by 20–30% compared to 2017** (EUR 597.6 million in 2017), and
 - **operating profit is expected to be 8–9% of net sales** (2017: 10.8%).
 - The accrual of net sales and operating profit is expected to be strongly weighted towards the end of the year. The figures for the comparison year 2017 have been adjusted to reflect the accounting principles of the IFRS 15 standard adopted on 1 January 2018.
- 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 main risks associated with the development of net sales and operating profit are related to the completion of ongoing projects within the estimated timeframe and costs, delays in the start of projects currently in the negotiation phase, the availability of skilled labour, and an increase in input prices.

Balance sheet

Consolidated balance sheet, EUR million	30 June 2018	30 June 2017	31 Dec 2017
Non-current assets	33.6	25.3	25.1
Current assets			
Inventories	198.6	131.5	132.9
Current receivables	148.1	66.2	111.2
Cash and cash equivalents	13.0	58.5	68.0
Total assets	393.3	281.5	337.2
Equity	144.7	110.5	150.7
Financial liabilities	59.6	41.9	36.9
Prepayment received	104.3	72.4	69.3
Other payables	84.6	56.6	80.2
Total equity and liabilities	393.3	281.5	337.2

- Balance sheet growth was attributable in particular to the growth in working capital items (inventories, receivables)

Cash flow statement

Cash flow statement, EUR million	1–6/2018	1–6/2017	1–12/2017
Cash flow from operating activities	-44.2	-20.9	-2.8
Cash flow from investments	-8.3	2.1	-0.3
Cash flow from financing	-2.4	9.6	3.4
Change in cash and cash equivalents	-54.9	-9.2	0.3
Cash and cash equivalents at beginning of period	68.0	67.7	67.7
Cash and cash equivalents at end of period	13.0	58.5	68.0

- Cash flow from operating activities was strongly negative as a result of the growth in working capital
 - A large amount of capital is tied up in projects under construction or preparation
- The key items in cash flow from investments are related to the expansion of factory production
- Working capital management has become increasingly important

Business Premises – a large number of new orders

- Net sales grew by 50.4% year-on-year, to EUR 109.2 (72.6) million
- 12 projects were completed, the largest of which was an office and hotel building in Tikkurila, Vantaa
- Lehto continued the development and planning of Citycon Oyj's Lippulaiva project. The final agreement has not yet been signed.
- The further development stage of the Hippos2020 project was launched
- A turn-key project agreement (EUR 65 million) on the construction of Ideapark shopping centre in Seinäjoki
- Order backlog EUR 163.4 million (EUR 127.3 million on 31 Dec. 2017)



Housing – strong growth continues

- Net sales grew by 29.5% year-on-year, to EUR 96.4 (74.4) million
- 11 housing projects were completed, or a total of 478 apartments
- 43 housing projects under construction, or a total of 2,576 apartments
 - Lehto is one of the largest housing construction companies in Finland
- 14 completed, unsold apartments
- Order backlog EUR 292.0 million
- 340 apartments were sold in one go to Avara through a portfolio transaction



Social Care and Educational Premises – product range expanding

- Net sales grew by 65.7% year-on-year, to EUR 56.8 (34.3) million
- 17 nursing homes for elderly people were completed
- 17 nursing homes, two day care centres and three schools under construction
- Increasing number of individualised construction projects
 - Projects in countryside and city centres
 - Buildings in various shapes and sizes
 - Effects on project costs
- New forms of housing services under development in cooperation with operators
- Development of school concepts continues
 - The first prefabricated, modular school project underway
 - New business models under investigation



Building Renovation – fluctuations in project results

- Net sales decreased by 9.6% year-on-year, to EUR 29.5 (32.6) million
- Five pipeline renovation projects and three basic renovation projects were completed
- 17 pipeline renovation projects in the form of contracting, and six basic renovation projects are underway
 - Largest projects on Satamakatu and Kanavakatu in Katajanokka, Helsinki, and renovation projects in the centres of Helsinki and Kuopio
- Pipeline renovation business developed as planned
- Project margins in some basic renovation projects remained clearly below targets
 - Amount of work higher than expected
 - Increase in subcontracting and material costs
 - Corrective measures have been taken. Resources in the fields of supervision, planning control and procurement have been reorganised.
- Lehto continued to develop its product concept for the construction of additional floors.
 - The goal is to launch a solution based on prefabricated modules on the market in the spring of 2019



Operations in Sweden – activities at initial stage

- A business premises project will soon be completed and three modular day care centres in the municipality of Botkyrka underway
- The first housing construction project in the Stockholm region is starting up
- The Swedish housing market has changed considerably during the last 12 months
- Lehto's main focus is on modular day care centre and school projects as well as in small, reasonably priced apartments

Share

- 12,848 shareholders (30 June 2018)
- Closing price EUR 9.93 (29 June 2018)
- Highest rate during the review period EUR 14.18
- Lowest rate during the review period EUR 9.60
- A total of 22,065,319 shares in the company were traded during the period. The value of the trading was approximately EUR 256 million. The trading includes the 4,971,845 shares sold by the company's significant shareholders on 28 February 2018 using an accelerated book-building process.



LEHTO

TALOUSOHJATTUA RAKENTAMISTA