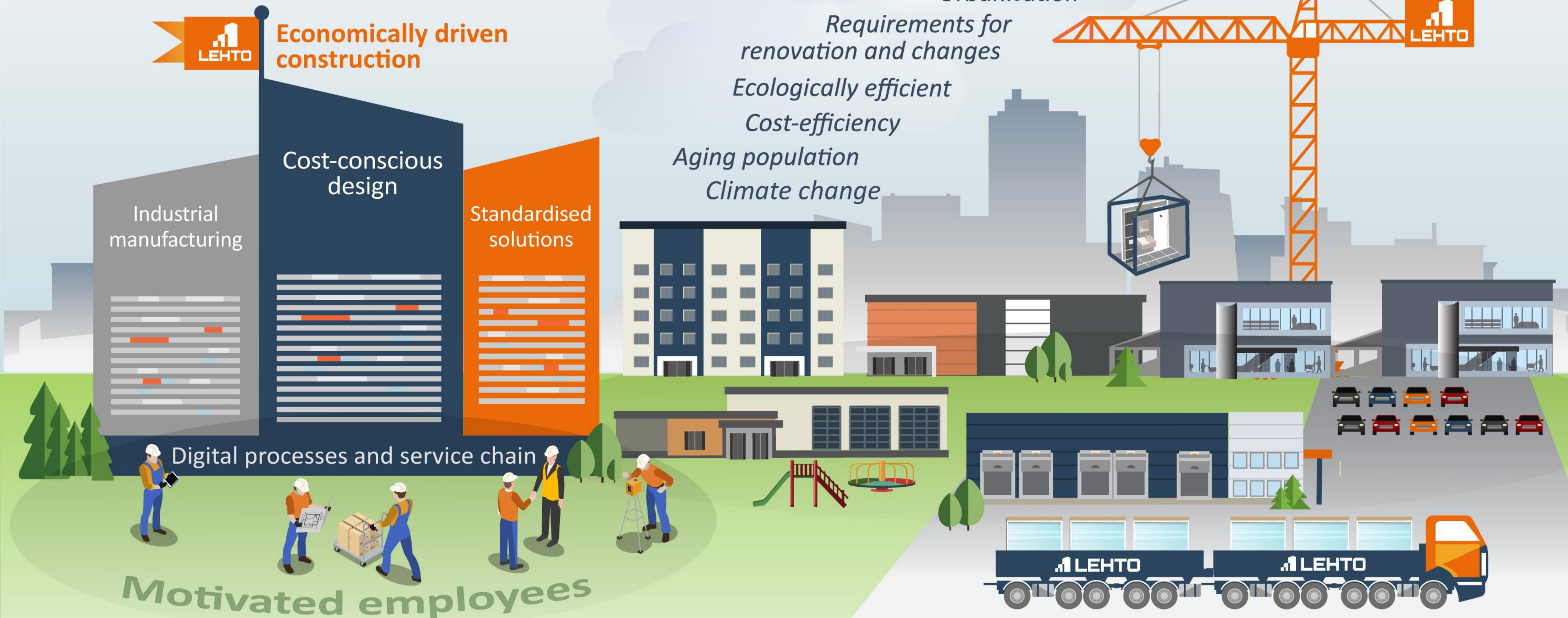




Business Review January-March 2019

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

January - March 2019 in brief

Net sales grew,
operating loss as a
result

Losses continued from
the complete
renovation projects

Weaker project
margins in the Social
Care and Educational
Premises and
Business Premises

Net sales, MEUR

117.8

Net sales grew

14.2%

The housing trade
remains healthy

The slowdown of
decision-making
processes in building
sector affects also our
profitability

Factory overcapacity
compared with the
current need

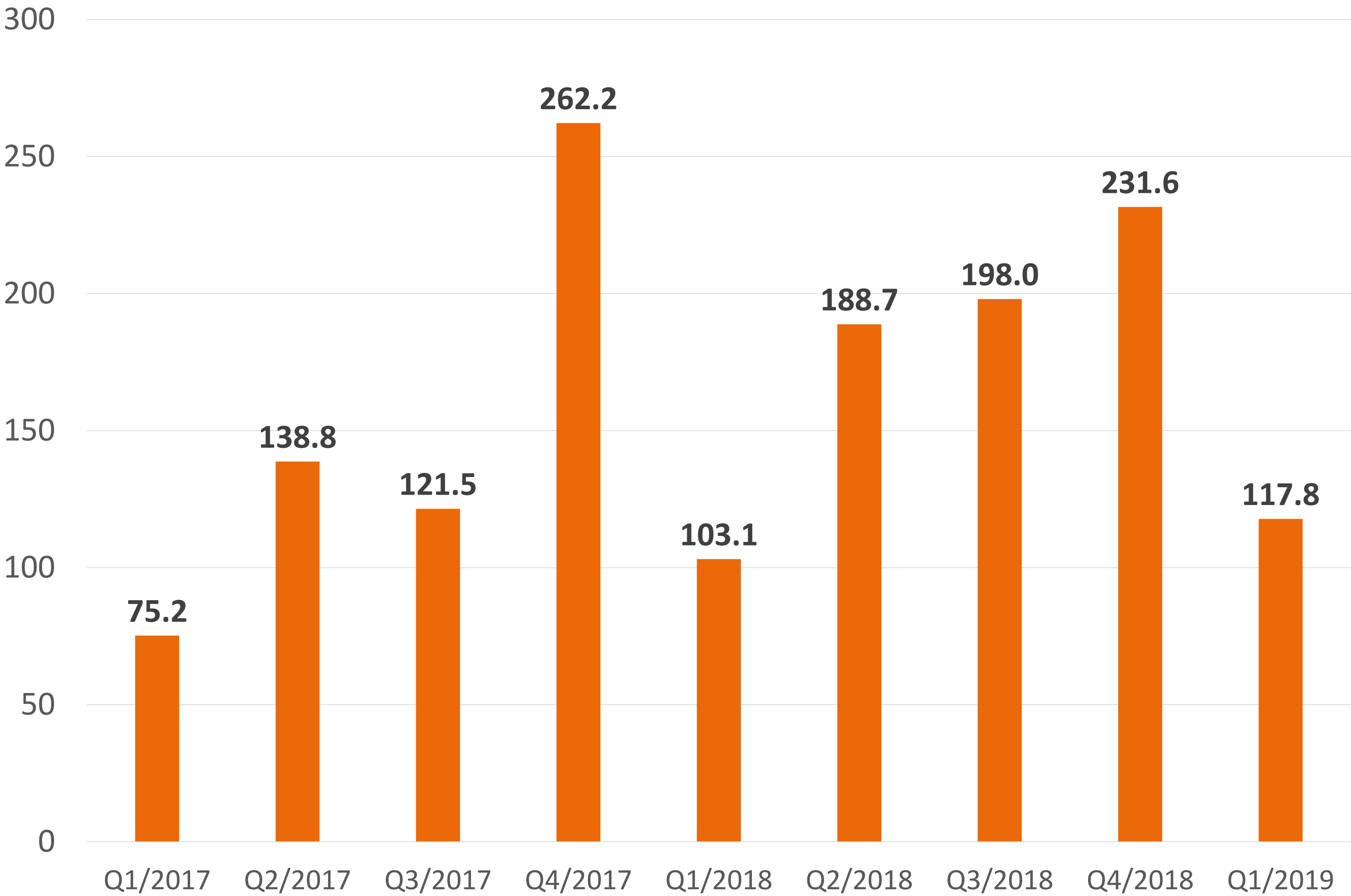
Operating loss of
the net sales

-7.9%

Net sales by service area (EUR million)

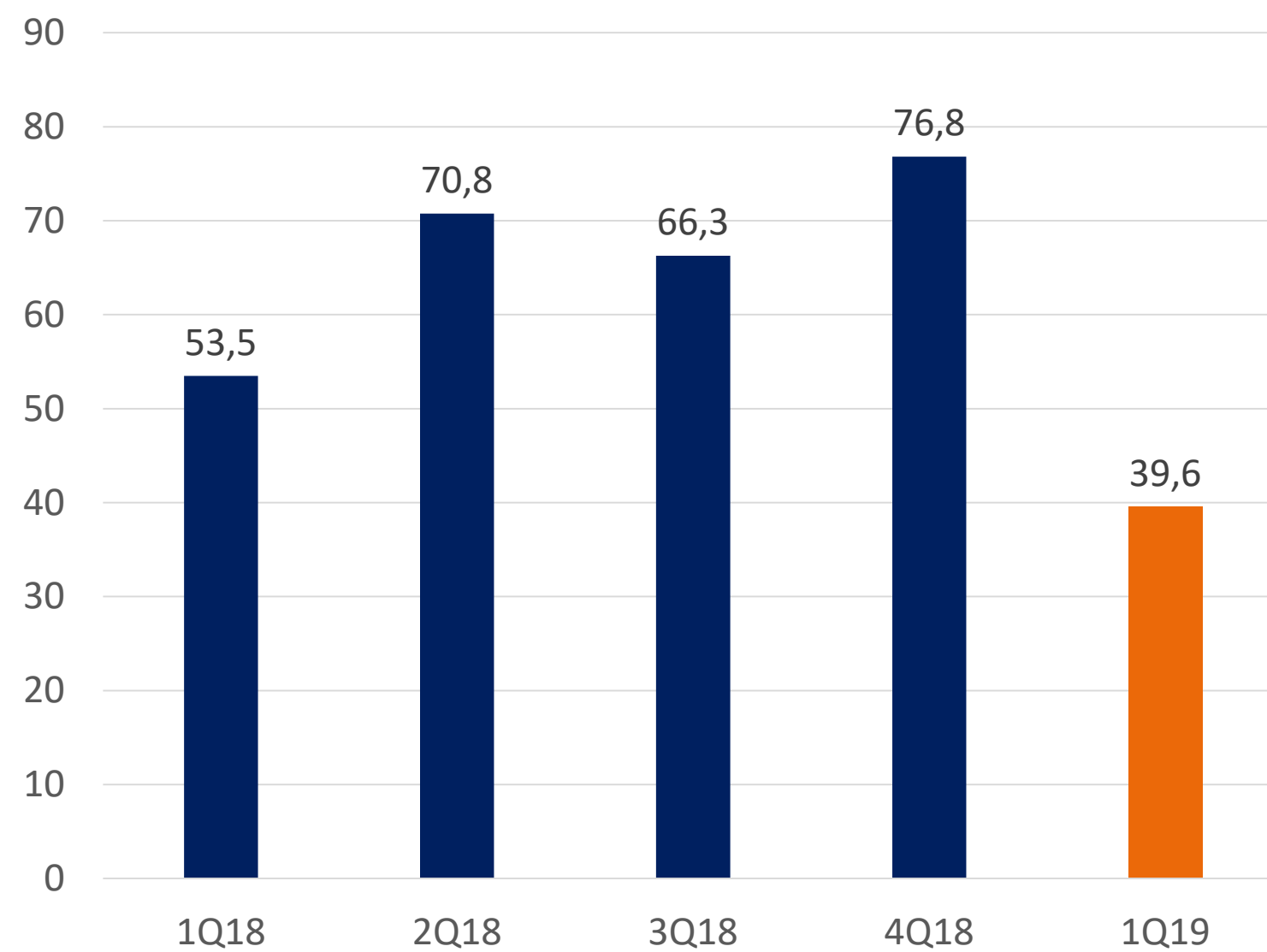
Service area	1-3/2019	1-3/2018	Change
Business Premises	39.6	53.5	-26.0%
Housing	63.1	34.6	82.3%
Social care and Educational Premises	15.1	15.0	0.3%
TOTAL	117.8	103.1	14.2%

Group's netsales by quarter 2017 > (MEUR)

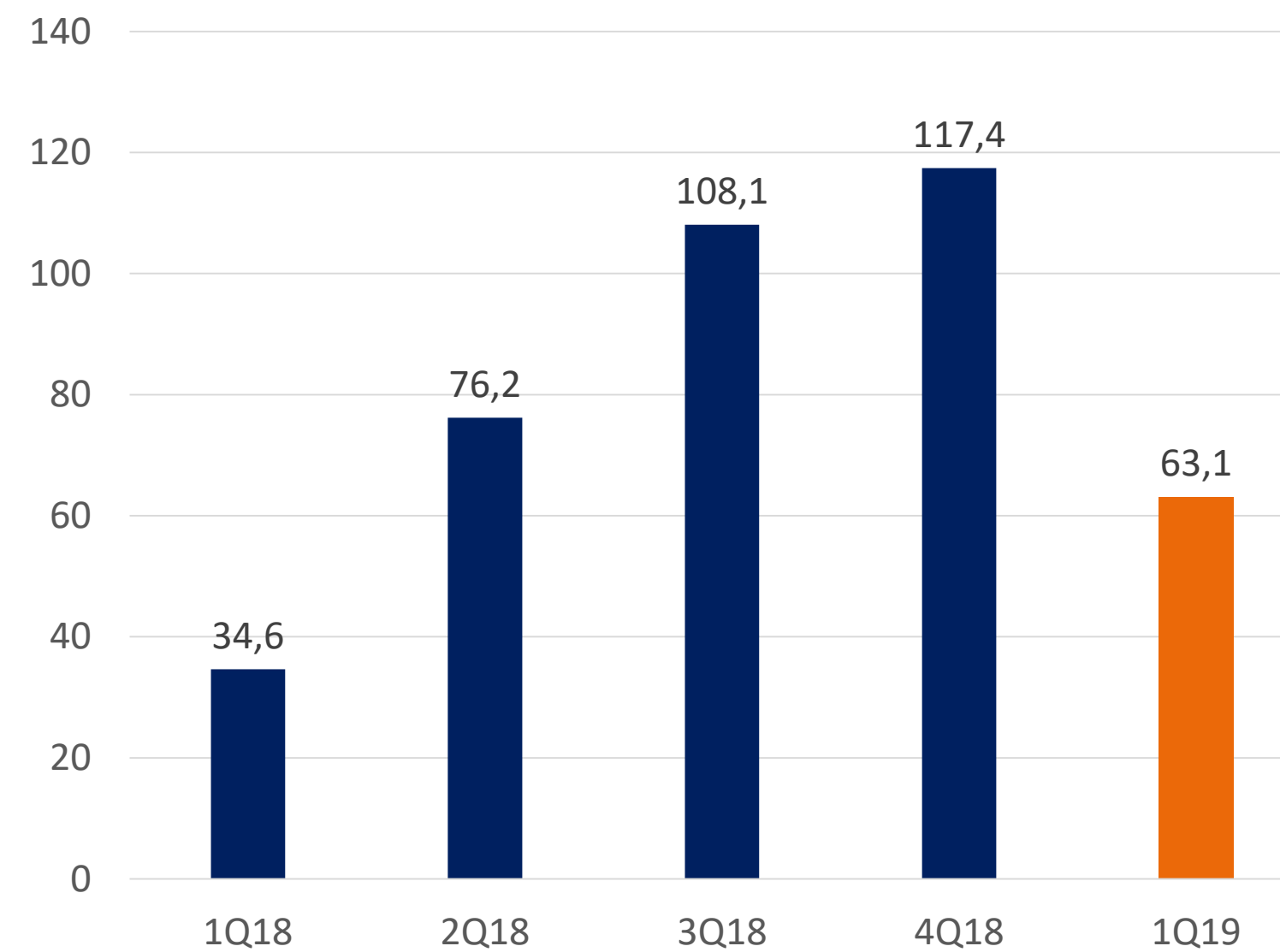


Net sales by quarter and service area (EUR million)

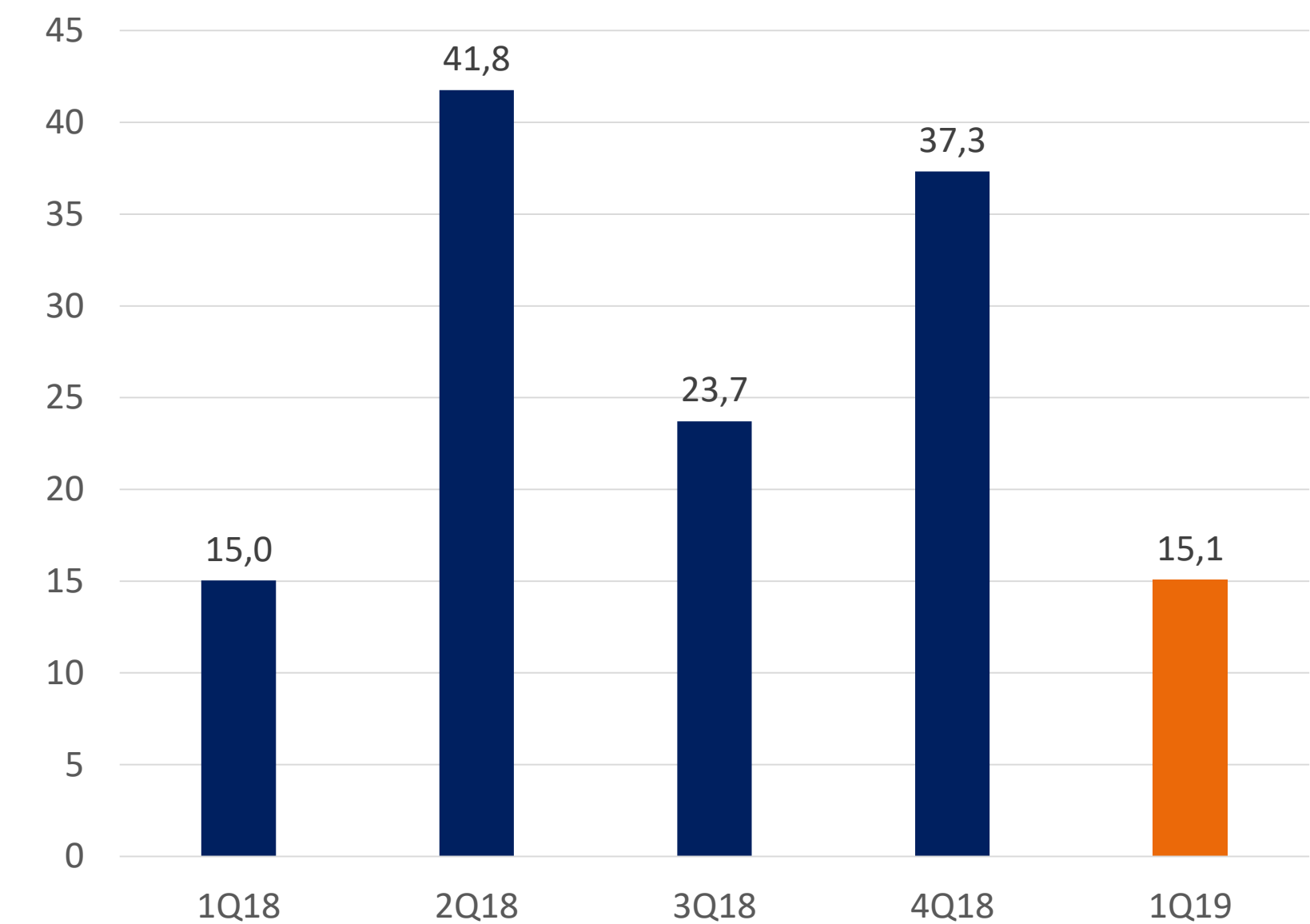
Business Premises



Housing

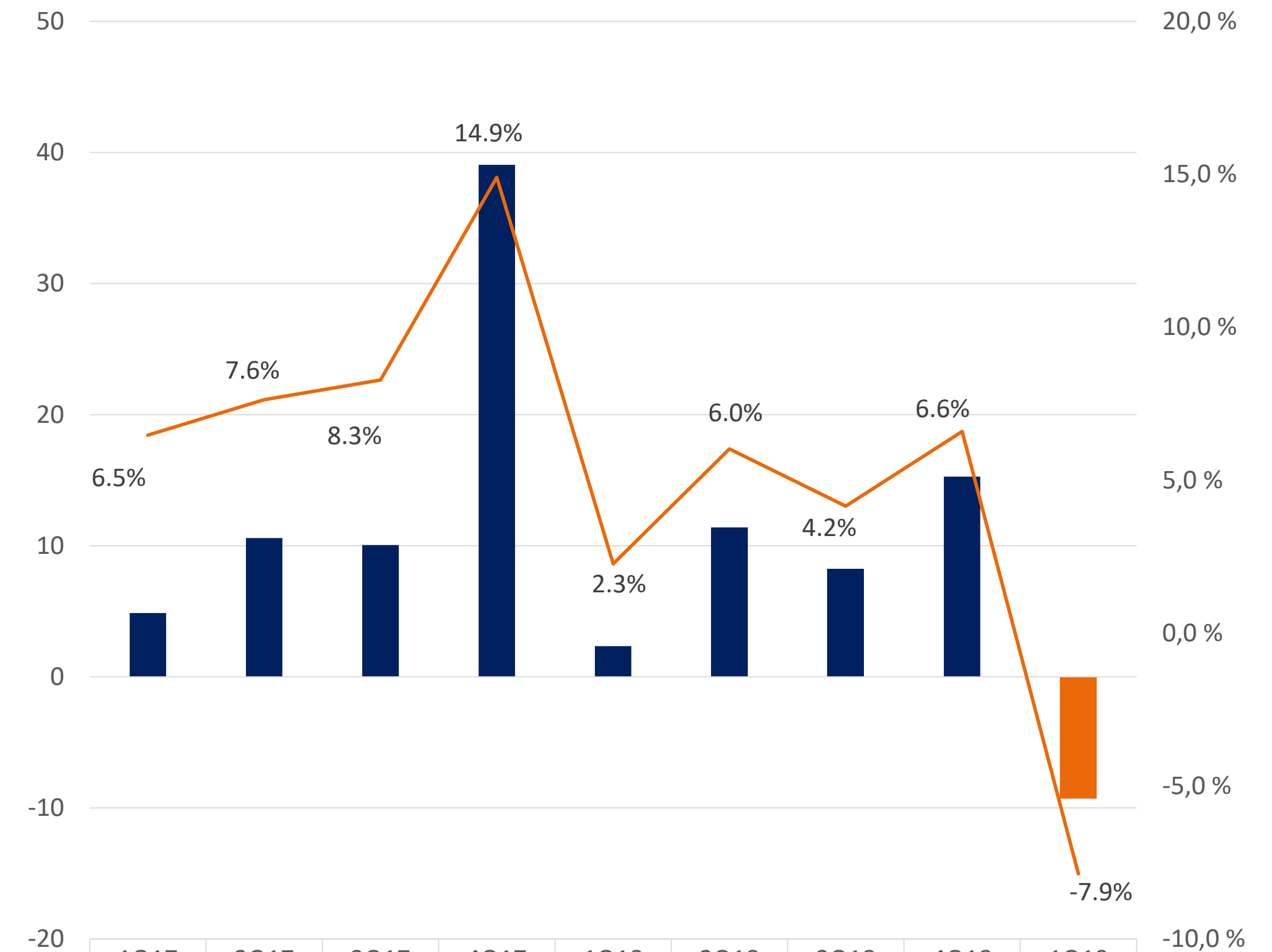


Social Care and Educational Premises



Operating loss – 7.9% of the net sales

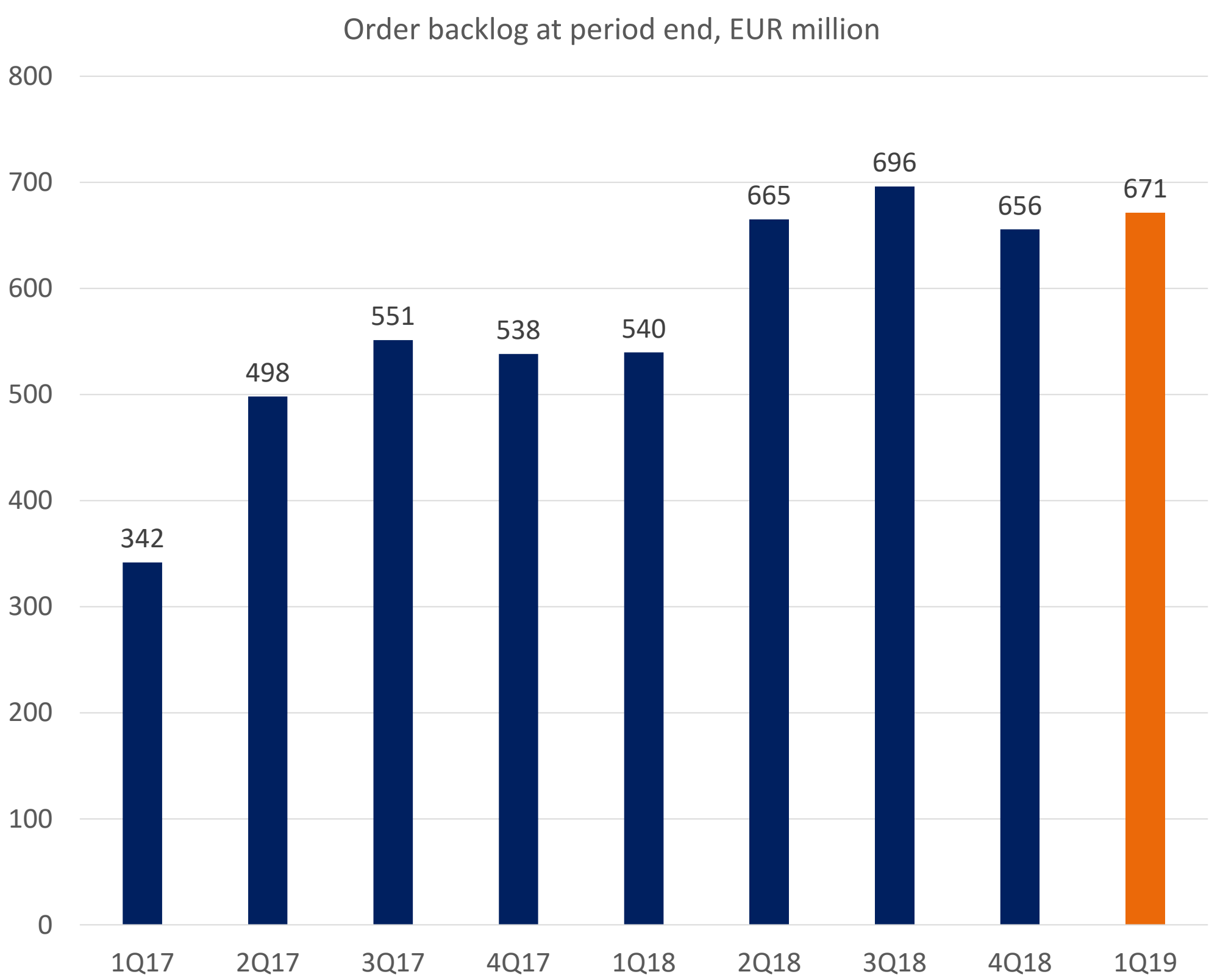
- Operating loss -9.3 MEUR i.e. -7.9% of the net sales.
- This fall was mainly due to continued losses from complete renovation projects and weaker project margins in the Social Care and Educational Premises and Business Premises service areas.



	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Operating profit, EUR million	4,9	10,6	10,1	39,1	2,3	11,4	8,2	15,3	-9,3
Operating profit, % of net sales	6,5 %	7,6 %	8,3 %	14,9 %	2,3 %	6,0 %	4,2 %	6,6 %	-7,9 %

Order backlog grew

The order backlog increased in the Housing and Business Premises service areas, but declined in the Social Care and Educational Premises service area.



Balance sheet and financing

Consolidated balance sheet, EUR million	31 March 2019	31 March 2018	31 December 2018
Non-current assets	48.5	27.0	37.7
Current assets			
Inventories	385.3	172.0	238.2
Current receivables	144.1	110.6	139.0
Cash and cash equivalents	18.5	52.1	53.4
Total assets	596.3	361.6	468.3
Equity	140.3	154.0	162.4
Financial liabilities	240.3	51.4	115.9
Prepayment received	110.9	95.6	88.3
Other payables	104.8	60.6	101.8
Total equity and liabilities	596.3	361.6	468.3

Business Premises

- During the review period, net sales in the Business Premises service area fell by 26.0% on the comparison period to EUR 39.6 (53.5) million.
- A total of nine projects were completed during the review period, the largest being Retail Park in Laajalahti, Espoo and Halpa-Halli in Äänekoski.
- Lehto and the City of Jyväskylä will continue the developing of Hippos2020-project and are seeking a new main financier.
- Complete renovation projects will generate losses in 2019.



Housing

- During January–September, net sales in the Housing service area rose by 82.3% on the comparison period to EUR 63.1 (34.6) million
- A total of 209 apartments, were completed during the period. 49 housing projects, containing a total of 3,603 apartments, were under construction at the end of the review period. At period end, the number of completed and unsold apartments stood at 61.
- The largest housing construction projects currently in progress are in Kaivoksela in Vantaa and in the centre of Oulu.
- Two pipeline renovations were completed during the review period and 10 was under construction.



Housing: other current topics

- Lehto launched its **Lehto Total service package** (which combines complementary construction and pipeline renovations for housing cooperatives). A considerable amount of interest has been shown in this new service and Lehto is currently examining dozens of sites. However, these projects will take some time (about two years) to be implemented.
- Lehto launched its **Deco** wooden block of flats concept in March
- **Selling for investors has been active:**
 - Lehto and DWS signed an agreement according to which Lehto will build and sell a portfolio of 542 apartments for DWS.



Social care and Educational Premises

- Net sales in this service area remained on par with last year's, that is, EUR 15.1 (15.0) million.
- Three care and service units and one school were completed during the review period.
- There were 11 care and service units, three schools, one daycare centre and one healthcare centre under construction at the end of the review period.
- Multi-storied buildings, and moving from standardized solutions to individual solutions has had an unfavourable impact on project margins in this service area
- Lehto is working to enhance project management in this service area.



Factory production is the cornerstone in our strategy

- Lehto's own factory production is the cornerstone of our strategy
- We still hold industrial manufacturing to be one of the most important development trends in future construction.
- When it comes to profitability, it is both essential and challenging for us to find the correct balance in our factory production to handle both brisk growth and rapid changes in the market.



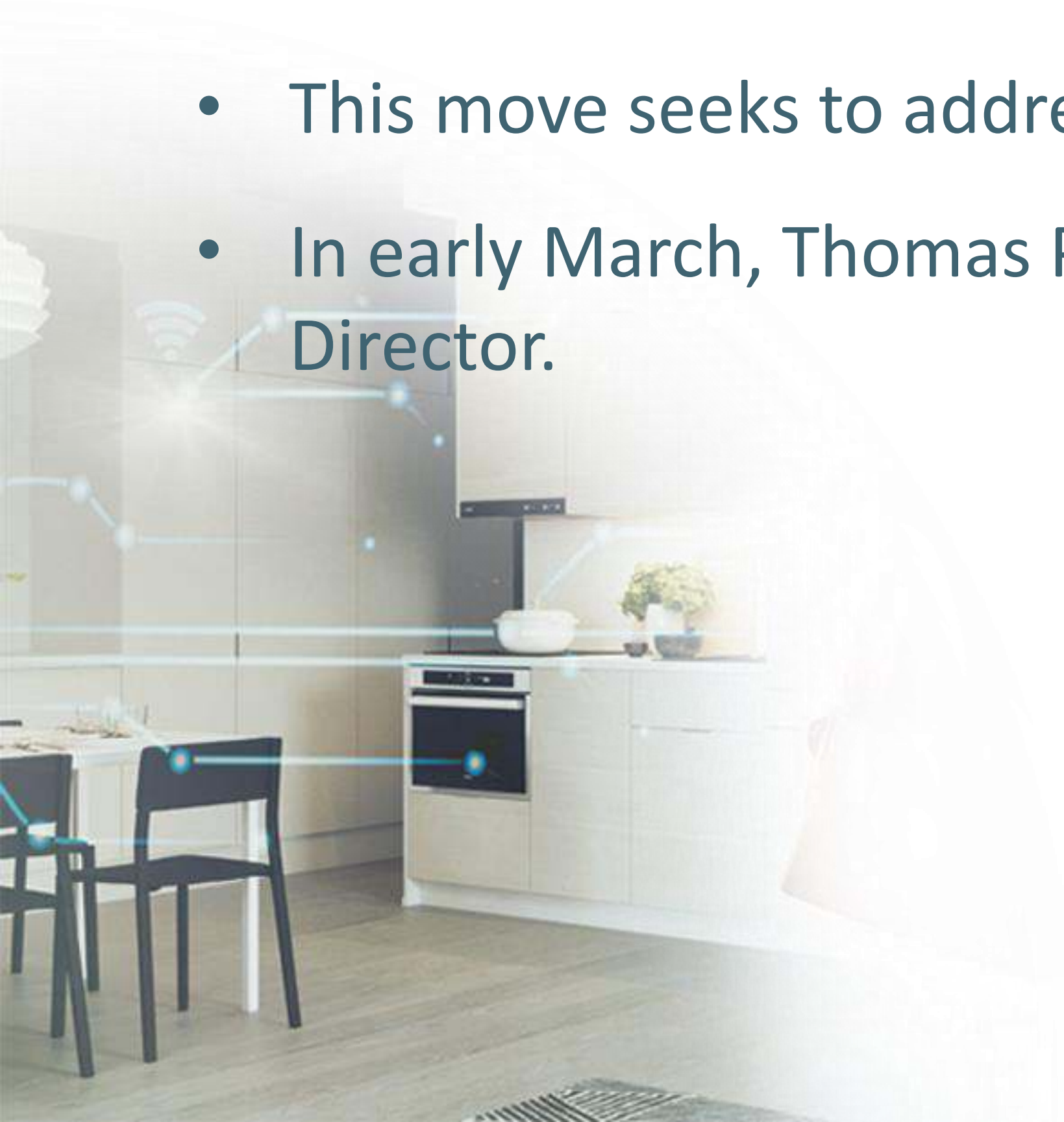
Adjustments:

Factory production, profitability and fixed costs

- Lehto's factory capacity is too high compared with the current need.
- We will make adjustments in two factories: Hartola and Oulainen. The target is to adjust the factory capacity to meet the short-term requirements.
- In addition, we will perform other efficiency improvement efforts to improve the profitability of the projects and to reduce the fixed costs.

We have shifted the focus in Swedish operations

- There has occurred problems in coordinating factory production and the actual building at the site which has affected negatively the result of Botkyrka project.
- Lehto has shifted the focus of its operations and is now seeking to expand, particularly into the construction of wooden blocks of flats that utilise prefabricated modules.
- This move seeks to address the need for affordable small apartments.
- In early March, Thomas Perslund took up his position as the unit's new Managing Director.





Outlook for 2019

(updated 9 May, 2019)

Lehto estimates that the Group's net sales for 2019 will be at level of 2018 (EUR 721.5 million in 2018) and that operating profit will be 2–6% of net sales (5.2% in 2018).

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