



Innovator in the construction sector



Our customer promise:

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

Lehto in brief

LEHTO GROUP is a strongly growing construction and real estate group with a vision to be the innovator of the construction sector. Our strategy is driven by an economically driven construction model that we have developed and pioneered. We operate in four service areas: Business Premises, Housing, Social Care and Educational Premises, and Building Renovation. We employ around 750 people and our net sales for 2016 amounted to EUR 361,8 million.

Economically driven construction

THE CORE OF economically driven construction comprises three major areas of expertise: cost-aware design know-how, standardized planning and construction concepts and innovative module and element production in the factories.

We believe in the benefits of integrating design and implementation, as up to 80% of construction costs are determined at the planning stage. The use of standardised solutions in our projects leads to more efficient procurement and limits costs while also ensuring quality, as we do not need to reinvent the wheel for every project.

Prefabrication enables more rapid completion of onsite work. Lehto's modules and elements are manufactured in a moisture-controlled process at our own factories in Finland. Our prefabricated units include apartment, wall and large roof elements, kitchen/bathroom modules, building technology centres, riser elements for bathrooms, and windows.



**Cost-aware design
know-how**



**Innovative module and element
production in the factories**



**Standardized
concepts**

Lehto in media 2016

"Lehto Group to be listed"

Kauppalehti 30 March 2016

**"Stock exchange newcomer
Lehto hires 70 employees"**

Kauppalehti 12 June 2016

**"Lehto Group improved its
figures significantly"**

Rakennuslehti 18 August 2016

**"Lehto signs a multimillion contract
at Pyhäjoki's nuclear power plant
construction site"**

Kaleva 26 August 2016

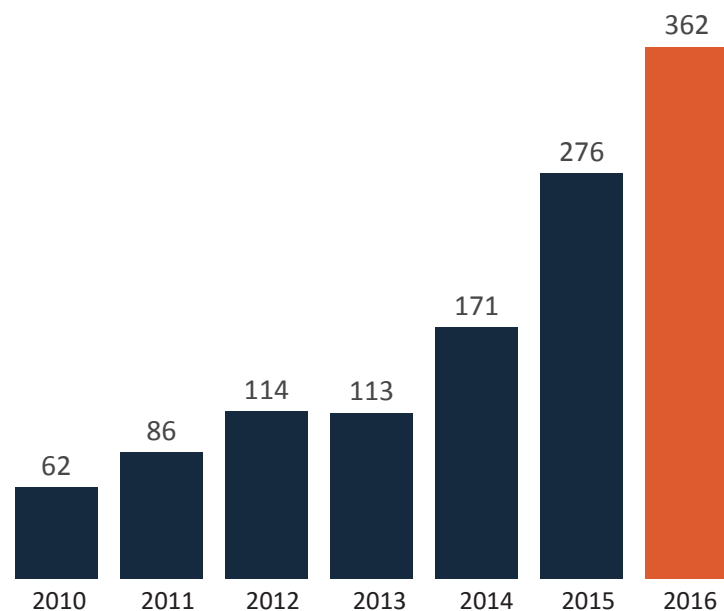
**"Lehto promises to carry out
plumbing renovations for up to
30% lower costs"**

Rakennuslehti 24 November 2016

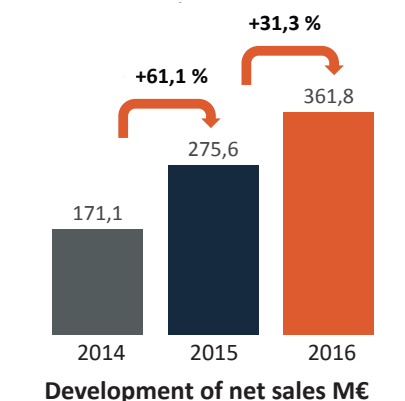
"Lehto receives a major care order"

Talouselämä 16 December 2016

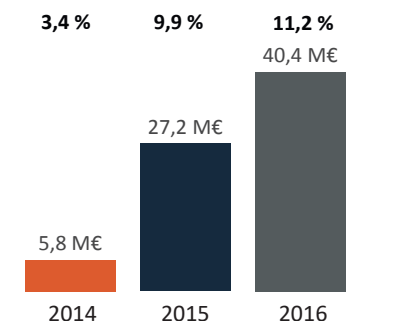
2016 in brief



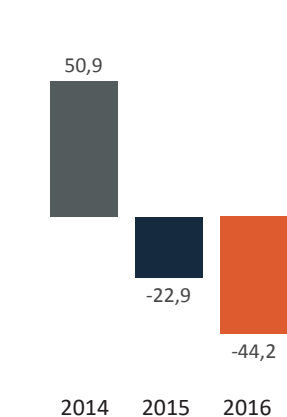
Consolidated net sales 2010–2016 M€



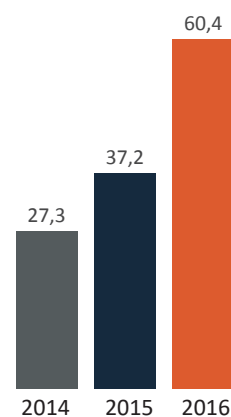
Development of net sales M€



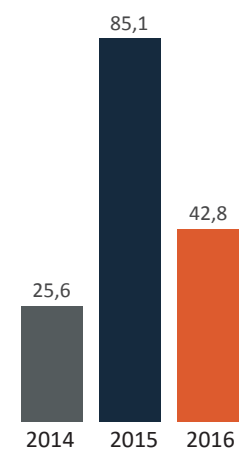
Operating profit (M€) and percents



Net gearing, %

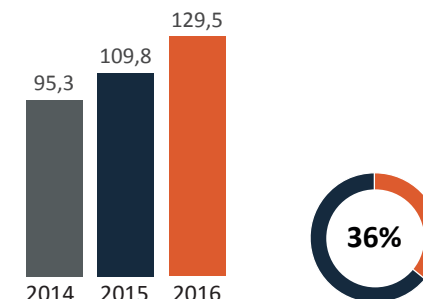


Equity ratio, %

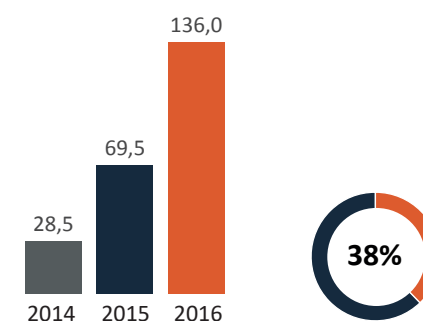


Return on equity, %

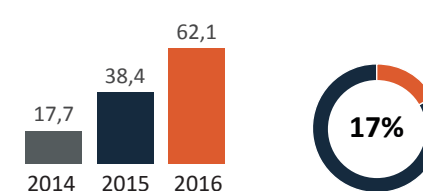
Net sales in service areas 2014–2016 (M€) and share of Lehto's net sales 2016



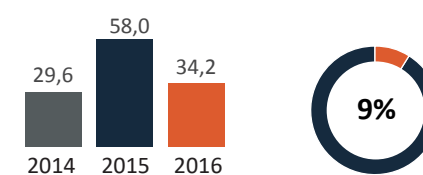
Business Premises



Housing



Social Care and Educational Premises



Building Renovation

CEO HANNU LEHTO:

"There is a call for our strategy"

"2016 will go down as a landmark year for Lehto. We carried out listing, updated our brand and became known as a pioneer of economically driven construction.

Our growth, innovations and services attracted media attention. We also contributed to shaking up the construction business, as we seek to reinvent the sector and help boost productivity primarily for our customers' benefit. Amidst the news of layoffs we recruited heavily.

Last year proved that our strategy of economically driven construction has

been the good choice. Our model is unique, distinctive and, above all, it generates customer benefits. There is a call for economically driven construction in all our service areas: Housing, Social Care and Educational Premises, Business Premises and Building Renovation.

Our outstanding 2016 inspires us to continue to grow, succeed and innovate. We still have much to offer our customers."



"The cost of plumbing renovations is rising fast" Keskisuomalainen

"Why are housing costs so high in Finland?" Talouselämä

"A productivity leap for the construction sector through digitalisation" Kauppalehti

Megatrends supporting the growth

- Digitalisation
- Urbanisation
- Repair and alteration needs
- Environmental concerns and energy efficiency
- Cost effectiveness
- An ageing population

2016



Service areas and business models in brief



In the **Business Premises** service area, Lehto builds office premises, retail premises, logistics, warehouse and production facilities, leisure facilities and large shopping centres. Business premises are designed according to the customers'

needs and are built using the structural and spatial solutions developed or tried and tested by Lehto. We build business premises across Finland for local, national and international customers. Most of the business is in the form of contracting, but Lehto also implements some developer contracting-based business premises projects.



In the **Social Care and Educational Premises** business area, Lehto plans and builds nursing homes, daycare centres and schools to meet the needs of nationwide care service providers and municipalities. In most cases, Lehto makes

a lease agreement with a service operator and sells the finished property to a fund that invests in properties in the sector. In some cases, the properties are implemented as traditional construction contracts.



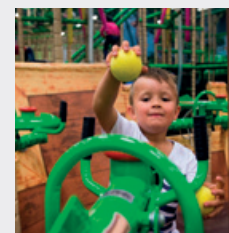
In the **Housing** service area, Lehto builds new blocks of flats, balcony access houses and terraced and detached houses as part of area construction in Finland's growth centres, especially in the Helsinki

metropolitan area. The majority of Lehto's housing projects are developer contracting projects, in which Lehto designs and builds properties on land areas that it has purchased and then sells the completed apartments to customers, who can be private persons or private/institutional investors.



Lehto's **Building Renovation** service area involves the performance of plumbing renovations, basic renovations and renovation projects in the form of developer contracting, in which

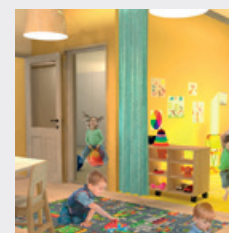
Lehto buys an old building, renovates or converts it for residential use, and sells the renovated apartments on to customers



BUSINESS PREMISES

"Lehto is a responsive and straightforward partner that found excellent sites for our Leo's Leikkimaa premises and did a great job building our first

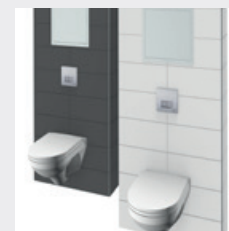
family play parks in Finland, simultaneously in Tampere and Kempele." - *Robert Lexberg, manager responsible for the expansion of the Leo's Leikkimaa chain* -



SOCIAL CARE AND EDUCATIONAL PREMISES

"We found this to be the fastest and most risk-free way to proceed. Using the traditional competitive tendering model,

it would have taken months to get the project started." - *Simo Pöllänen, Technical Director of Liminka, on the construction of a day care centre* -



BUILDING RENOVATION

"Lehto's economically driven TST plumbing renovation solution is a flexible and economical package for the customer. The traditional model is rigid and ties

up considerably more costs, especially in the design and planning phase. In the TST model, planning and implementation are combined for a faster planning phase that accelerates the renovation schedule and reduces costs. I was also very pleased with Lehto's tailored riser element, which sped up the project, as well as the excellent flow of information." - *Heikki Grönlund, a customer who has contracted three plumbing renovations from Lehto in the role of Chairman of the Board of a housing company* -

Lehto's references from 2016



Prisma hypermarket
Jyväskylä



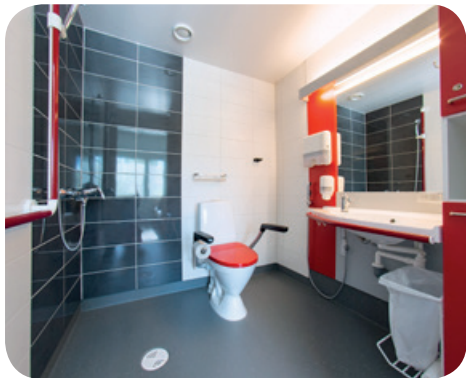
Delta Auto Car Center
Lappeenranta



Housing Cooperative Helsingin
Genoa, Helsinki



Housing Cooperative Espoon
Lasimies, Espoo



21 Social Care Premises
around Finland



Grundfos
Vantaa



XXL Sports & Outdoor store
Oulu



Naval Academy
Helsinki

Innovations increase productivity



BATHROOM/KITCHEN

The bathroom/kitchen modules are manufactured at our new factory in Oulainen and are primarily used in the construction of blocks of flats. The modules are prefabricated in standardised indoor conditions. On site,

the complete modules are lowered into the flats through the roof. The use of bathroom/kitchen modules in construction makes on-site work considerably more efficient.



RISER ELEMENT

The riser elements developed by Lehto considerably speed up the implementation of plumbing renovations and bring savings on overall costs. Our stylish riser elements

are manufactured at our factory in Toppila, Oulu, under carefully monitored conditions. The use of riser elements saves the space needed for new pipelines and ensures both uniform quality and top-class leakage security. It also considerably reduces the logistic challenges of the renovation. The riser elements contain a wide range of prefabricated technology, such as heating, water, drain and electricity rises. A modern, easy-to-clean wall-hung toilet is also integrated into the element.



LARGE ROOF ELEMENTS

Lehto's large roof elements are manufactured at our Humpilla factory. Using the finished elements, up to 1,500 m² of completed roof can be installed in one day. Lehto's large

roof elements come equipped with lines for sprinkler systems, electricity wiring and installation rails, for example, according to the customer's wishes.



BUILDING TECHNOLOGY CENTRE

Lehto's building technology centres are manufactured at our factory in Toppila, Oulu. These modules are an example of time and cost efficiency in construction. They contain complete ventilation machine

rooms that include pre-installed ventilation equipment, a district heating distribution centre, building cooling equipment, a switchboard, and a central building automation controller. The building technology module can be lifted as a whole into the building, after which its systems are connected to the piping installed onsite. After connection and technical adjustments, the building technology is ready to use. Prefabricated building technology accelerates construction timelines by up to several months.

Digitalisation

Lehto is interested in the opportunities provided by digitalisation in creating customer benefits and improving productivity.



TAPANI PÄKKILÄ,
Lehto's CIO

"We're very interested in how digitalisation can be used to improve productivity and the customer experience

in construction. So far, we have streamlined our own working methods in housing sales, for example. Our second step in digitalisation involves the post-delivery phase in housing construction. We provide our customers with an easy method to report any deficiencies under warranty, for example, which may allow the nearest available mechanic to be called on site quickly. Advanced digital data collection and analysis help us to systematically identify where we are successful and where we aren't. The digitalisation of construction is only just beginning, but Lehto is working hard to be part of this exciting evolution. Ultimately, this development work will benefit our customers in all four service areas."

Strategic focus areas

During the 2017–2020 strategy period, Lehto will particularly focus on promoting the following strategic issues:

Further development of the concept-based operating model

Lehto aims to develop design and building production so that as much as possible of the Group's production is based on standardised solutions.

Increasing the role of factory production

Our goal is to increase the share of building elements and modules produced in our own factories in construction projects.

Promoting an operating model that emphasises customer benefits

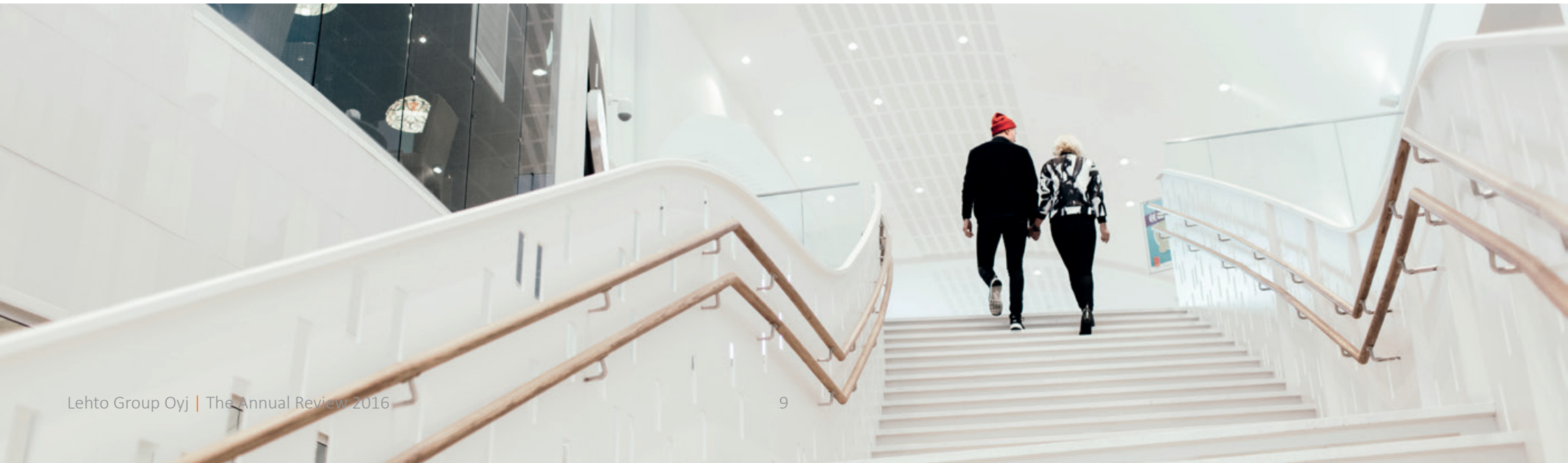
We aim to further develop our operating model that provides customers with an end-to-end solution that includes all the services required for the completion of a construction project. Through this model, Lehto seeks to attain significant schedule, cost and quality benefits for its customers.

Internationalisation

Our goal is to expand our operations in the Nordic countries.

Long-term financial targets

- Annual growth of net sales 10–20% on average
- Operating profit 10% of net sales on average
- Equity ratio minimum 35%
- Dividend distribution 30-50% of the net profit for the year

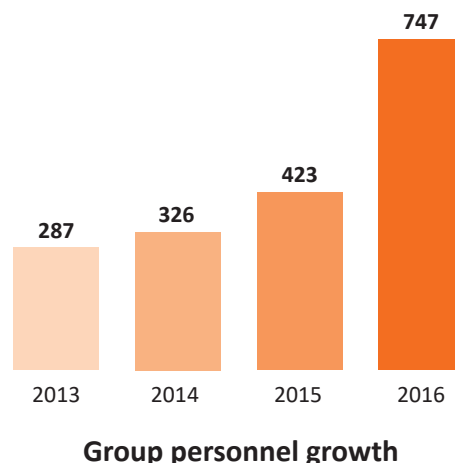


Personnel

ALONG with business growth, Lehto's personnel also increased significantly in 2016. In 2015, Lehto employed approximately 450 people. At the end of 2016, we had some 750 employees. In 2016, we recruited heavily for both our factories and offices; over the year, we had a total of 211 openings. Thanks to our listing and brand update, Lehto attracted the interest of job seekers.

Lehto seeks to be a workplace where employees can succeed, develop and innovate. We aim to minimise bureaucracy and support a flat hierarchy. We foster a relaxed atmosphere with a culture of experimentation.

We also launched **our employer promise**, which reflects the most distinctive characteristics of the company as an employer:



CHALLENGE YOURSELF IN THE REVOLUTION OF CONSTRUCTION

We promise a ringside seat to the revolution of construction: innovations, inspiration and an open-minded attitude!



DIVERSE OPPORTUNITIES

We promise exciting challenges and fascinating career paths in the growth story of Lehto and in four service areas!



IT'S ALL ABOUT THE EVERYDAY

We promise a relaxed environment where things get done without unnecessary bureaucracy!



VESA-PEKKA KIISKINEN,
Architect SAFA, School Design

"At Lehto, we are allowed to think differently. Our innovations arise from questioning traditional operating models. For example, every school is different, and their design always takes into account

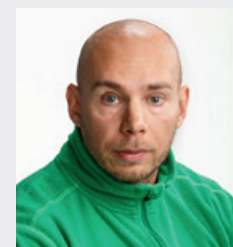
the needs of the customer. We wanted to create better learning environments for the changing needs of schools."



TIINA TALVITIE, *Digital Director*

"I had taken note of Lehto's impressive growth in the media, and, above all, its way of boldly doing things differently in the notoriously conservative construction sector. There is a true can-do attitude and an open culture

of enthusiasm. Employees are encouraged to boldly question established practices. We learn from mistakes and move on. Trust in employees inspires innovation. Cost consciousness and creating customer value are also at the core of our internal operations. It's great to be part of Lehto's team in reinventing and digitalising construction sector practices and generating growth!"



VESA JÄRVELÄINEN, *Supervisor*

"I joined Lehto a year ago as supervisor in a business premises project. I have enjoyed working at Lehto, particularly due to the fact that employees are trusted here. If you're prepared to take responsibility, it will be given to you,

allowing supervisors to focus on their work. I also appreciate that the construction site personnel is heard at different stages. Situations can sometimes arise on the job when you need support from others. At those times, I am surrounded by a team that helps me, and the organisation is not too rigid. Naturally, Lehto also offers good career advancement opportunities."

Shares and shareholders

SHARE AND SHARE CAPITAL

The share capital of Lehto Group constitutes EUR 100,000.00 and the amount of issued shares of the Company is 58,250,752. The Company has one class of shares, and each share in the company entitles its holder to one vote at a general meeting of the Company. The shares of the Company have no nominal value and the articles of association do not include any provisions regarding the maximum or minimum amount of shares or share capital. The shares are stored in the book-entry system that is maintained by Euroclear Finland Oy. The shares are transferable and the articles of association of the Company do not include any provisions restricting their transferability. The Company or its subsidiaries do not hold any treasury shares. The Company has one class of shares, and each share in the Company entitles its holder to one vote at the Annual General Meeting of the Company.

- Share capital (EUR): 100,000
- Number of shares: 58,250,752
- ISIN Code: FI4000081138
- Ticker: LEHTO
- Votes/Share: 1
- Listed on 28 April 2016

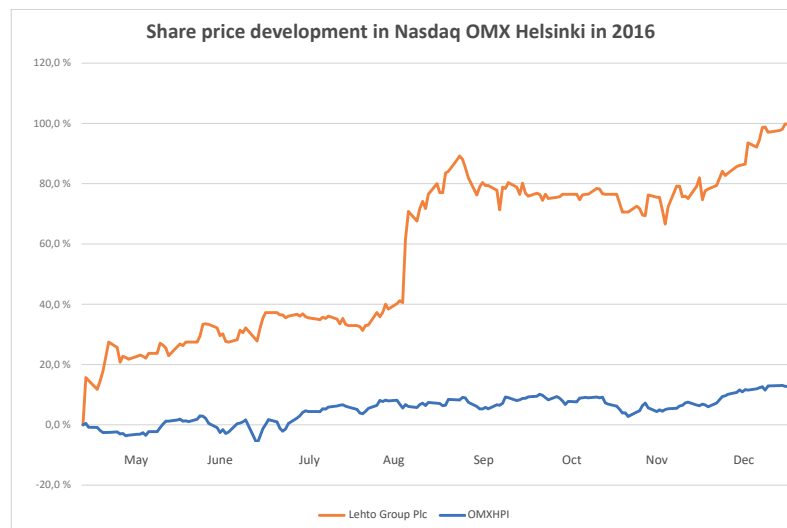
- **Final subscription price 5,10 €**
- **Lowest 2016 5,52 €**
- **Highest 2016 10,19 €**

DIVIDEND POLICY

The Company's goal is to pay a steady dividend, aiming at distributing 30–50 per cent of its net profit annually, taking into account the investments needed for growing the business. The Company's ability to reach its financial targets depends on many risks and uncertainties. There is no certainty about whether the Company can follow its dividend policy as planned.

REPORTING

The company complies with half-yearly reporting according to the Finnish Securities Markets Act and discloses business reviews for the first three and nine month periods of the year, in which key information regarding the company's financial situation and development will be presented. The publishing dates are available on Lehto's website (IR calendar).



SHAREHOLDERS 31 DECEMBER 2016

	Number of shares	%
Lehto Invest Oy	21,735,216	37.3
Myllymäki Asko	6,408,112	11.0
Kinnunen Mikko Yrjö Petteri	2,581,768	4.4
Winduo Oy	1,827,686	3.1
Koivukoski Tomi Mikael	1,748,061	3.0
Saartoala Ari	1,242,243	2.1
Heikkilä Jaakko	820,268	1.4
Lunacon Oy	808,570	1.4
Sr SEB Gyllenberg Finlandia	666,494	1.1
Fondita Nordic Micro Cap Placeringsf	625,000	1.1
10 LARGEST SHAREHOLDERS	38,463,418	66.0
Nominee-registered	6,321,154	10.9
Other shareholders	13,466,180	23.1
TOTAL	58,250,752	100.0

SHAREHOLDING BREAKDOWN

Shares	Number of shares	%
1- 100	68,047	0.1
101 - 1,000	1,614,020	2.8
1,001 - 10,000	1,338,528	2.3
10,001 - 100,000	2,268,147	3.9
100,001 - 1,000,000	11,145,098	19.1
over 1,000,000	41,816,912	71.8
TOTAL	58,250,752	100.0
where of Nominee-registered	6,321,154	10.9

SHAREHOLDING BY SECTOR

	Number of shares	%
Companies	26,149,068	44.9
Financial and insurance institutions	10,990,148	18.9
Public sector organizations	383,718	0.7
Households	20,543,339	35.3
Non-profit organizations	119,643	0.2
Foreign countries	64,836	0.1
TOTAL	58,250,752	100.0
where of Nominee-registered	6,321,154	10.9

www.lehto.fi/en

