

Q1 2020

Business Review January-March 2020

January - March 2020 in brief

Restructuring measures start to have an impact.

Net sales remained in the same level as in the corresponding period of the previous year.

Net sales grew in Housing, declined in Business Premises and Social Care and Educational Premises

The balance sheet position developed favourably in the first quarter

The order backlog grew in the Housing and Business Premises service areas.

Loss-making projects completed. The result was still burdened by ongoing projects in the Social Care and Educational Premises service area.

Net sales, MEUR

119.4

Change in net sales

1.3%

Operating loss of the net sales

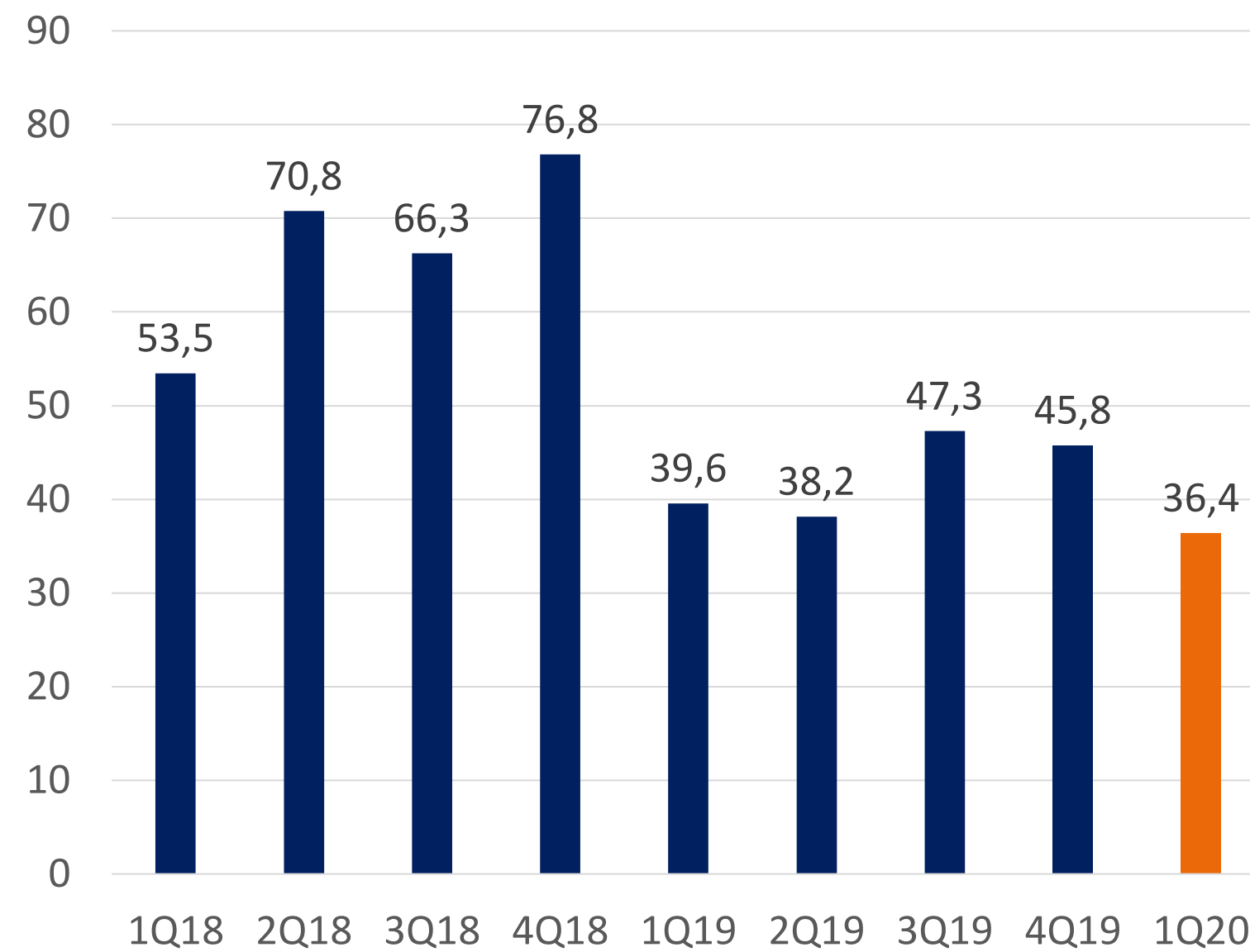
-3.0%

Net sales by service area (EUR million)

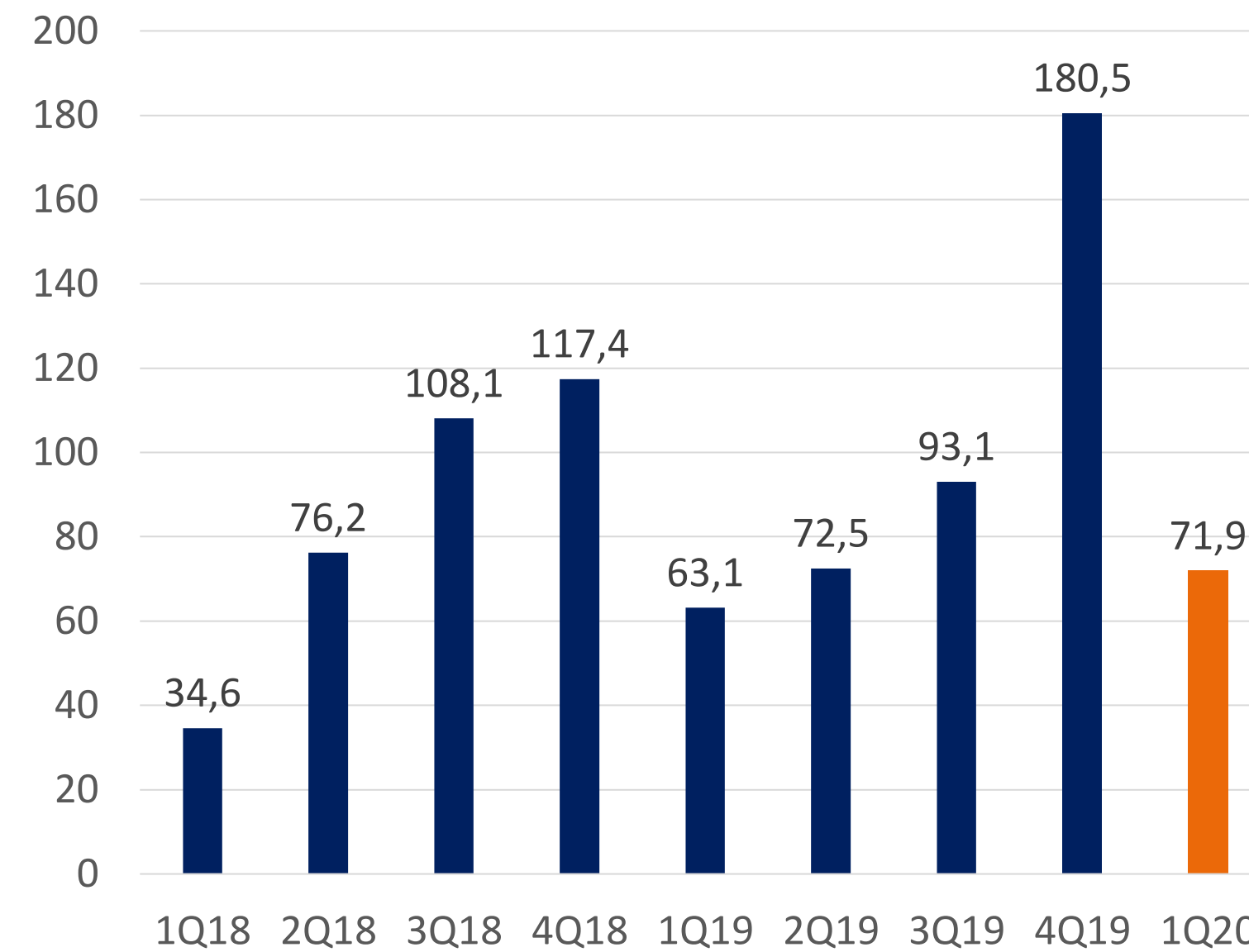
Service area	1-3/2020	1-3/2019	1-12/2019
Business Premises	36.4	39.6	170.8
Housing	71.9	63.1	409.2
Social Care and Educational Premises	11.1	15.1	87.7
TOTAL	119.4	117.8	667.7

Net sales by quarter and service area, EUR million

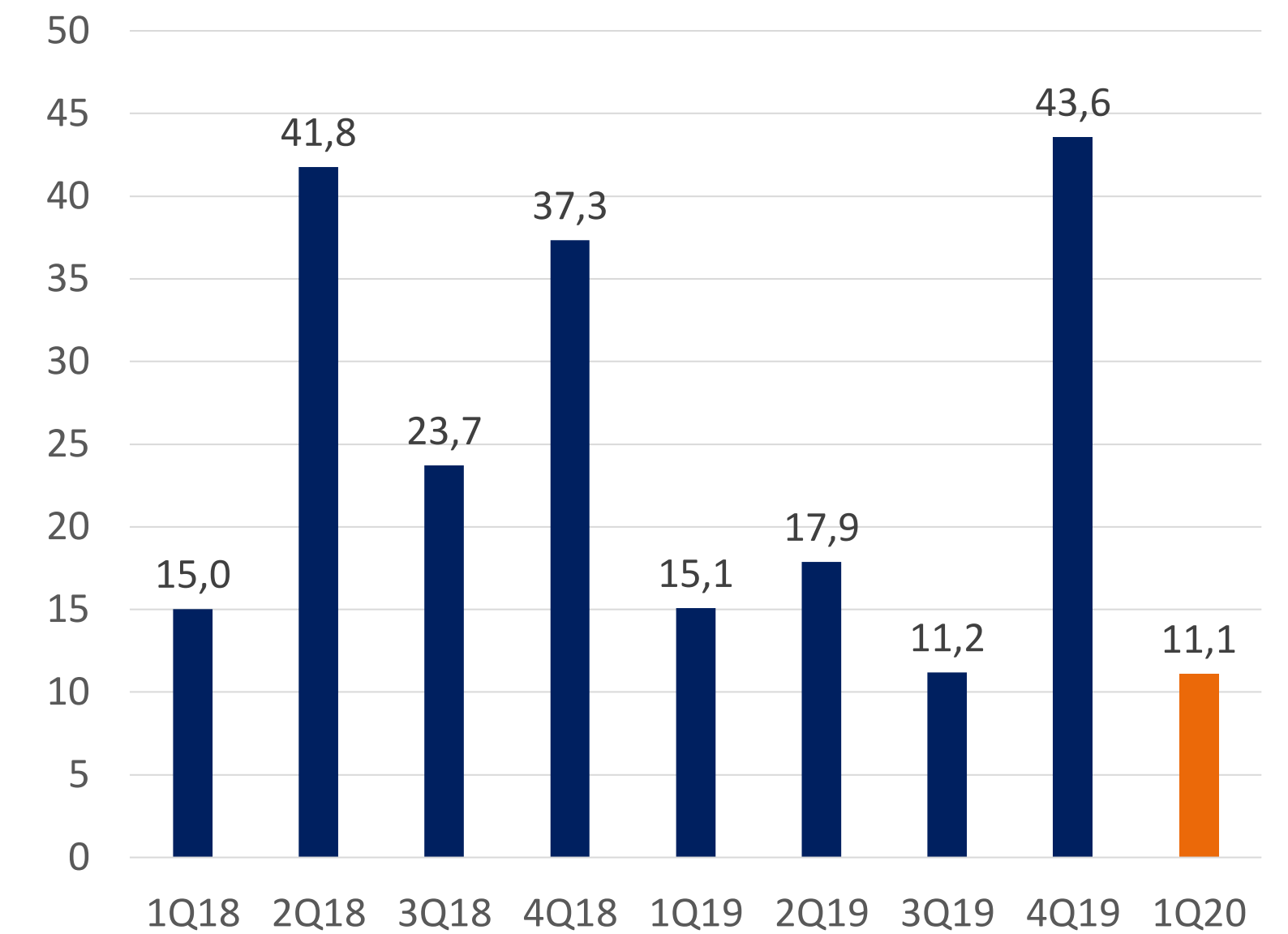
Business Premises



Housing

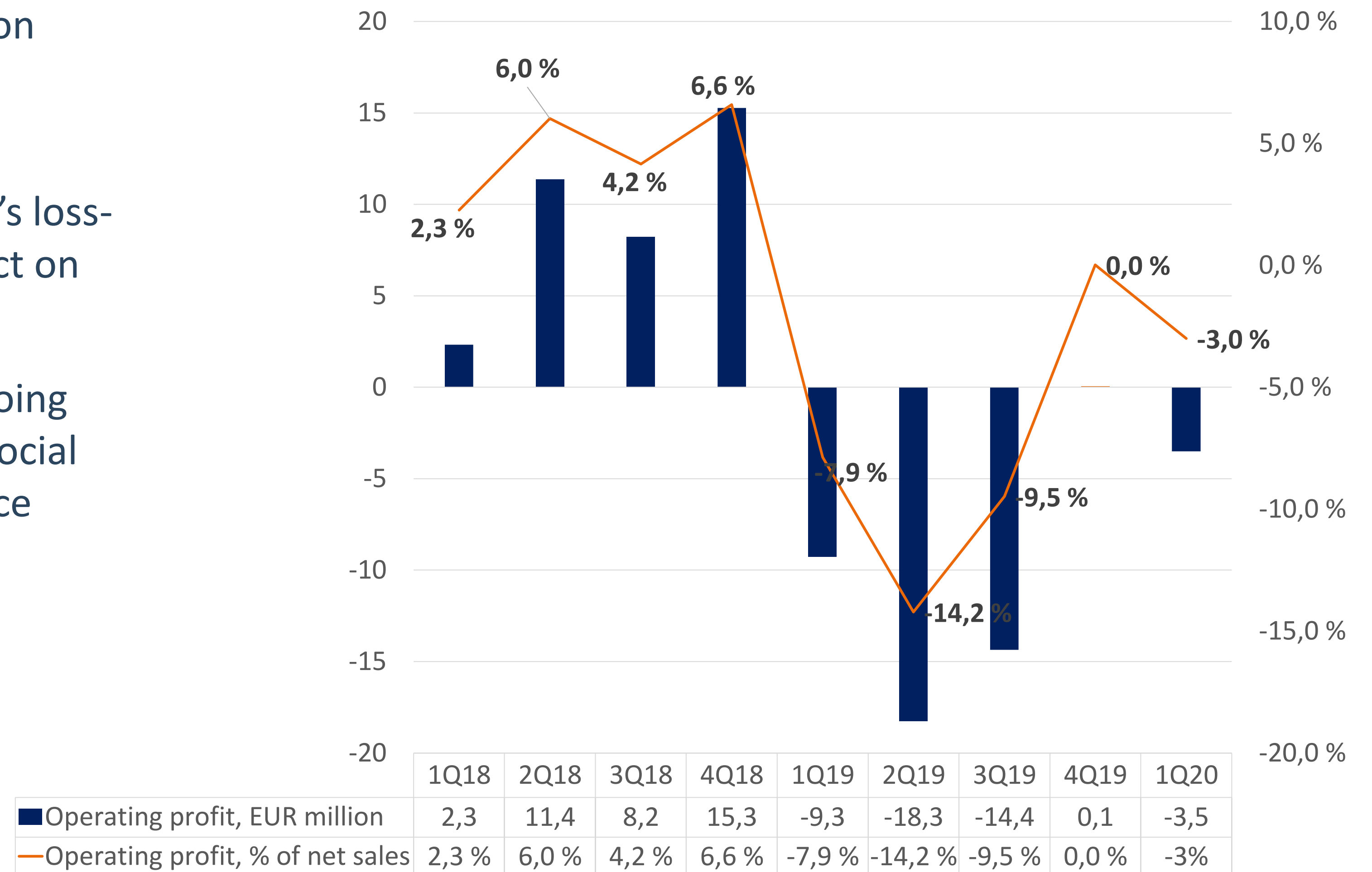


Social Care and Education

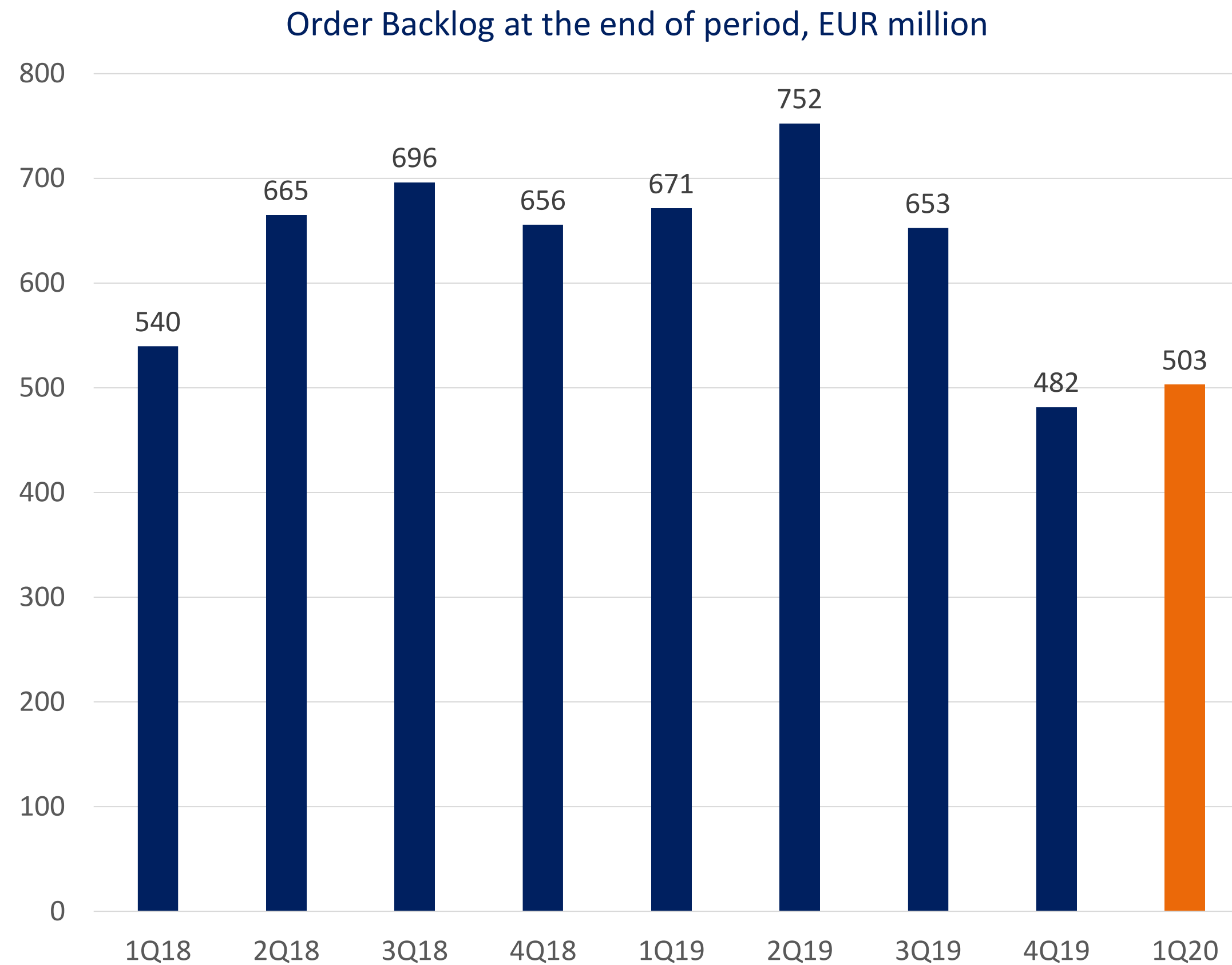


Operating result negative in the first quarter

- The operating loss was EUR 3.5 million (operating loss of EUR 9.3 million in Q1/2019).
- The completion of the previous year's loss-making projects had a positive impact on the operating result.
- The result was still burdened by ongoing projects with a weak margin in the Social Care and Educational Premises service area.



Order backlog increased on the first quarter of year



- The order backlog rose to EUR 502.6 million (EUR 481.8 million on 31 December 2019).
- 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

Consolidated balance sheet, EUR million	31 Mar 2020	31 Mar 2019	31.12.2019
Non-current assets	56.5	48.5	55.8
Current assets			
Inventories, excluding IFRS 16 assets	196.2	294.1	210.3
Inventories, IFRS 16 assets	50.0	91.1	40.1
Current receivables	76.9	144.1	86.3
Cash and cash equivalents	69.4	18.5	59.2
Total assets	448.9	596.3	451.8
Equity	107.7	140.3	112.1
Financial liabilities	126.9	141.0	142.4
Lease liabilities	57.0	99.2	46.8
Advances received	88.5	110.9	73.2
Other payables	68.9	104.8	77.3
Total equity and liabilities	448.9	596.3	451.8

- The balance sheet total remained at the same level as on the 2019 closing date.
- Inventories committed to projects decreased, particularly because two housing projects were handed over to DWS in March.
- Cash reserves increased to EUR 69.4 (59.2) million.

Business Premises

- Net sales decreased by 8.1% year-on-year to EUR 36.4 (39.6) million.
- Four projects were completed during the review period, the largest of which was a commercial building in Vantaa. At the end of the review period, 17 projects were under construction, most notably three hotel projects in the Greater Helsinki area, a logistics centre in Kerava and a Prisma hypermarket in Varkaus.
- Order backlog at the end of the review period rose up to EUR 201.7 million (EUR 185.2 million)
- Due to the coronavirus crisis, the start-up of a number of projects was delayed, and contract negotiations on some projects were halted. Projects started up before the crisis have progressed in line with plans and there have been no significant disruptions in their implementation.



Housing

- Net sales grew by 13.8% from the comparison period to EUR 71.9 (63.1) million.
- Sales of housing units went well during the review period and saw year-on-year growth; 210 of the sold units were related to the DWS portfolio.
- During the review period, a total of 783 (457) housing units were sold, 123 in developer contracting projects and 660 in contract projects.
- During the review period 428 (209) new housing units were completed. The number of unsold housing units under construction declined and was 262 (1,759).
- A housing complex project in Kalasatama, Helsinki were finalized after the review period. Lehto will build a complex of three housing companies in Kalasatama, comprising a total of five blocks of flats with more than 300 apartments as well as commercial premises. Two of the housing companies have been sold to institutional investors. Lehto will implement the third housing company as a consumer project.
- Pipeline renovation operations remained steady; five projects were completed during the review period and 11 were in progress at the end.



Social care and Educational Premises

- Net sales in this service area decreased by 26.1% year-on-year, to EUR 11.1 (15.1) million.
- Net sales from care homes EUR 3.4 (9.2) million and from schools and daycare centres, EUR 7.7 (5.9) million.
- Four care and service units and two daycare centres were completed during the review period.
- There were six schools and one daycare centre under construction at the end of the review period.
- After the end of the review period the Social Care and Educational Premises service area was merged into other service areas.



Swedish operations

- During the review period, the focus of Swedish operations was on completing an ongoing daycare centre project and starting up the construction of wooden blocks of flats.
- Lehto has developed a type of wooden block of flats based on prefabricated space elements.
- Lehto is currently negotiating with customers and financiers on the implementation of the first pilot project.



Outlook for 2020

April 7, 2020

Due to the uncertain business environment, Lehto temporarily withdraws the guidance on 2020 financial outlook given on 20 February 2020.

Lehto estimates that the new guidance could be given later this year.

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in the construction business**

