

Lehto Group Plc's Business Review, January–March 2016

Net sales growth continued on all service areas



This is not an interim report according to the IAS 34 standard. The company complies with half-yearly reporting according to the Finnish Securities Markets Act and discloses business reviews for the first three and nine months periods of the year with key information regarding the company's financial situation and development will be presented.

The financial information presented in this business review is unaudited. Figures in brackets refer to previous year's corresponding period, unless otherwise stated.

Financial development January–March 2016

GROUP	1–3/2016	1–3/2015	1–12/2015
Net sales, EUR million	62.3	50.5	275.6
Change in net sales, %	23.4%	23.2%	61.1%
Operating profit, EUR million	4.0	4.3	27.2
Operating profit, % of net sales	6.5%	8.5%	9.9%
Profit for the period, EUR million	3.0	3.0	21.2
Order backlog at year end, EUR million	178.1	145.8	195.0
Cash and other liquid assets, EUR million	25.2	7.7	24.6
Interest-bearing liabilities, EUR million	12.3	19.9	17.0
Equity ratio, %	34.8%	28.6%	37.2%
Net gearing ratio, %	–45.8%	60.5%	–22.9%

Group net sales growth was 23.4% compared to previous year's corresponding period and was EUR 62.3 million (50.5). Net sales grew on all service areas, and especially on the Housing service area.

Operating profit was EUR 4.0 million (4.3), which is 6.5% (8.5%) of net sales. Operating profit's lower level compared to the comparison period is mainly due to a low margin housing project being recognized as income in the review period and the start of some business premises projects shifting to the second quarter.

The order backlog grew and was EUR 178.1 million (145.8) at the end of the review period. A construction project is included in the order backlog once the contract for the construction project has been signed or, in case of own-developed projects, once the decision to start construction has been made and the contract has been signed in projects carried out on a contractor basis.

NET SALES BY SERVICE AREA, EUR million	1–3/2016	1–3/2015	Change	1–12/2015
Business premises	20.5	19.2	6.7%	109.8
Housing	28.3	19.7	43.7%	69.5
Social care and educational premises	7.1	6.6	8.5%	38.4
Building renovation	6.3	5.0	27.2%	58.0
Total	62.3	50.5	23.4%	275.6

Net sales growth continued on all service areas. The Housing service area had the strongest growth of 43.7% during the first quarter. Four housing projects were completed during the review period, with a total of 160 apartments, as well as 4 business premises projects and 7 social care and educational premises projects.

Balance sheet and financing

GROUP BALANCE SHEET, EUR million	31 Mar 2016	31 Mar 2015	31 Dec 2015
Non-current assets	16.2	8.5	14.6
Current assets			
Inventories	47.0	41.9	51.3
Current receivables	47.0	58.6	47.2
Cash and cash equivalents	25.2	7.7	24.6
Assets held for sale	0.0	1.9	0.0
Total assets	135.4	118.6	137.6
Equity	28.3	20.2	33.4
Financial liabilities	12.3	19.9	17.0
Prepayment received	54.0	48.1	47.9
Other payables	40.8	29.5	39.3
Liabilities associated with assets held for sale	0.0	1.0	0.0
Total equity and liabilities	135.4	118.6	137.6

The group's financial position remained strong. At the end of the review period net gearing was –45.8% (60.5%) and equity ratio was 34.8% (28.6%). Equity decreased by EUR 5.1 million during the review period, which is explained by a decision on EUR 7.9 million dividend distribution. During the review period the company repaid interest-bearing debt and its amount at the end of the review period was EUR 12.3 million (19.9).

The effects of the Initial Public Offering carried out after the end of the review period is not presented on the 31 March 2016 balance sheet.

Main events during the review period

During the first quarter of 2016 all of the group's units began using the name of Lehto. The name of the group's parent company was changed from Päätoimija Plc to Lehto Group Plc already in December 2015. By uniting all operations under one Lehto-brand, the strongly growing group aimed at uniting the presentation of its broad service offerings as well as strengthening the recognition of its brand.

In March 2016 Lehto Group Plc and Citycon Finland Oy signed a preliminary agreement on the development project of Lippulaiva shopping center in Espoonlahti. According to the preliminary agreement the project will be prepared in close cooperation with Citycon, Lehto and the project's designers. The aim is to sign the final agreement on the contract in early autumn 2016. The project includes the building of approximately 550 apartments, a metro connection, a bus terminal and 1,400 parking slots. The gross area for the project is 170,000 m². Lehto is planning on building the shopping center, bus terminal, metro connection and parking slots as a turnkey contract project and the housing project as developer contracting project. The estimated time of construction is 2016–2020. There are uncertainties related to the realization of this project that are usual in this type of development projects.

On 29 March 2016 the company announced its intention to list on Nasdaq Helsinki.

On 30 March 2016 the Annual General Meeting authorized the company's board of directors to carry out the necessary measures needed for the Initial Public Offering.

Events after the review period

On 12 April 2016 the company announced the initial price range for its planned initial public offering, the number of shares offered and other essential terms of the offering.

On 14 April 2016 the company announced it has submitted the listing application to Nasdaq Helsinki Ltd ("Helsinki Stock Exchange") for the listing of the company's shares.

On 22 April 2016 the company announced that the initial public offering had been oversubscribed and the subscription period discontinued.

On 27 April 2016 the company announced that its initial public offering had been completed and the final subscription price in the public offering and the institutional offering was EUR 5.10 per share.

On 28 April 2016 trading of the company's shares commenced on the main list of Nasdaq OMX Helsinki.

On 3 May 2016 the company announced its 10 largest shareholders after the end of the initial public offering.

On 18 May 2016 the company announced that the over-allotment option connected to the initial public offering had been fully exercised.

Financial outlook for 2016

In the strategy period 2016–2020 the company’s target for average annual growth in net sales is about 10–15%.

In 2016 growth in net sales is estimated to be at the least in accordance with the average growth target, and operating profit is estimated to be about 8–10% of net sales.

The accumulation of both net sales and operating profit are estimated to focus more on the second half of 2016. The key factors affecting net sales and operating profit are the recognition based on delivery of developer contracting housing production, the number of apartments sold, as well as start and sales of social care and educational premises and other business premises projects.

Kempele 25 May 2016

Lehto Group Plc
Board of Directors

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Lehto Group in brief

Lehto Group is a Finnish construction and real estate group focusing on economically driven construction. The company’s mission is to be an innovative reformer of the construction industry. The company has divided its operations into four service areas: Business Premises, Housing, Social Care and Educational Premises and Building Renovation. Lehto Group currently operates in Finland and is geographically concentrated in growth centres which form a significant part of the construction volume. The company’s headquarters are located in Kempele. The company employed 423 people at the end of the financial year 2015.

www.lehto.fi