

# Lehto Group Plc's half year financial report January–June 2016

**Net sales increased by  
44.6%, operating profit  
came to 9.9% of net sales**



This is a half year financial report according to the IAS 34 standard. The company complies with half-yearly reporting according to the Finnish Securities Market Act. The financial information presented in this half-year report is unaudited. Figures in brackets refer to the previous year's corresponding period, unless otherwise stated.

## Summary

GROUP	4–6/2016	4–6/2015	1–6/2016	1–6/2015	1–12/2015
Net sales, EUR million	78.3	46.7	140.5	97.2	275.6
Change in net sales, %	67.5%	45.7%	44.6%	33.1%	61.1%
Operating profit, EUR million	10.0	1.8	14.0	6.1	27.2
Operating profit, % of net sales	12.7%	3.9%	9.9%	6.3%	9.9%
Profit for the period, EUR million	8.0	1.2	11.0	4.2	21.2
Order backlog at period end, EUR million	237.2	184.1	237.2	184.1	195.0
Earnings per share, EUR	0.16	0.02	0.22	0.09	0.52
Cash and other liquid assets, EUR million	74.1	9.5	74.1	9.5	24.6
Interest-bearing liabilities, EUR million	18.9	19.4	18.9	19.4	17.0
Equity ratio, %	63.1%	21.9%	63.1%	21.9%	37.2%
Net gearing ratio, %	–58.4%	64.1%	–58.4%	64.1%	–22.9%

Group net sales during the first half-year grew by 44.6%, compared to the previous year's corresponding period, to EUR 140.5 (97.2) million. The Group's profitability remained at a good level and operating profit was EUR 14.0 (6.1) million, i.e. 9.9% (6.3%) of net sales. Net sales grew in all service areas. The strongest growth was experienced in the Housing service area, where net sales more than doubled compared to those of the corresponding period in the previous year. In the review period, the number of completed construction sites included 9 housing premises, 10 business premises and 14 social care and educational premises. The Group's cash and other liquid assets grew to EUR 74.1 million, mainly due to the successful listing.

After the beginning of the year, the order backlog increased to EUR 237.2 million at the end of the review period (EUR 195.0 million on 31 December 2015). Growth in the order backlog was generated by new business premises orders in particular, as well as by new orders received in the Social care and educational premises service area.

Net sales by service area, EUR million	1–6/2016	1–6/2015	Change	1–12/2015
Business premises	49.0	45.4	7.9%	109.8
Housing	53.2	25.3	110.0%	69.5
Social care and educational premises	24.4	16.2	50.2%	38.4
Building renovation	14.0	10.2	36.5%	58.0
Total	140.5	97.2	44.6%	275.6

## Lehto's CEO Hannu Lehto:

"A major effort in the first half-year involved the company's listing on the stock exchange. Upon the listing, we gained around 4,600 new shareholders and trading in the shares on the prelist of the Helsinki Stock Exchange commenced on 28 April 2016. The listing was a heavy but rewarding project that helped us to clarify our strategy and sharpen our competitiveness. I want to use this opportunity to thank all of you who invested in our company, as well as all those who participated in our listing project. The funds received at the IPO will enable continuous development of our operations and secure capital demanded for growth.

Our business developed positively in the first half of 2016. Our net sales grew by 44.6% and all service areas were growing. The operating profit was at the expected level, i.e. 9.9% of net sales. During the review period, the number of completed projects included 9 residential buildings, 10 business premises projects, 14 social care and educational premises projects, and several building renovation projects.

We continued the development of modular solutions and concepts, and our new building component factory, which is being built in Oulainen, reached its roof height. Production in the new factory will be started during the third quarter of the year and will provide increased capacity, particularly in our housing service area. In addition, we believe that factory-made modules and components improve the quality of building, reduce costs and speed up the construction site phase during building.

Our business is growing and expanding. In circumstances like this, supply of skilled labour becomes more important and we must therefore aim at making Lehto ever more attractive as a working place for building professionals."

## Outlook for 2016

For the strategy period 2016–2020, Lehto's target for average annual growth in net sales is around 10–15%.

It is estimated that growth in net sales in 2016 will be at least in accordance with the average growth target and operating profit will be around 8–10% of net sales. In the second half-year 2016, net sales and operating profit, in euros, are expected to be higher than in the first half-year.

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 starts and sales of social care and educational premises and other business premises projects.

## Invitation to press conference

Lehto will arrange a press conference on its first half-year review 2016 for the press, analysts and institutional investors on Thursday 18 August 2016 at 10 am in the company office in Vantaa, address Äyritie 12 B. The press conference can be viewed via a direct webcast at [lehto.fi/en/investors](http://lehto.fi/en/investors). The direct webcast will start at 10 am Finnish time.

You can also participate through a telephone conference, which will begin at 10 am on 18 August. To participate, please call five minutes before the conference begins, using one of the following numbers.

- 09 2319 5437 (from Finland)
- +46 (0) 8 50520424 (from Sweden)
- +44 (0) 20 3003 2666 (from the UK, Standard International Access)
- Participation password: Lehto

# Business environment and development of the business in January–June 2016

Lehto's business environment developed positively during the first half of the year. According to Statistics Finland, building permits were granted for 11.8 million cubic meters in Finland in March–May 2016, which is 17.1% more than in the previous year's corresponding period. Growth was generated by building permits granted for commercial and office buildings in particular. The 24.0% growth in commercial and office building is explained by building permits for new shopping centre projects. The volume of building permits granted in March–May for residential buildings grew by 9.4% in cubic meters. This growth was particularly generated by building permits granted for terraced and linked houses and apartment buildings. Building permits were granted in March–May for almost 9,600 residences, which is 10.6% more than in the previous year's corresponding period. According to the Confederation of Finnish Construction Industries RT, construction volumes in Finland this year are expected to grow faster than economy in general, by approx. 3–4%. The growth rate is expected to be more moderate next year, i.e. 1.5%.

Growth in construction is particularly reflected in the availability of labour. In June, Lehto began a comprehensive recruitment campaign to secure its labour supply. The accelerated growth in construction is also reflected in longer delivery lead times and higher prices for some raw materials and construction components. So far these factors have not had any significant effect on the development of Lehto's business for the time being.

During the first six months of the year, net sales grew throughout Lehto's service areas: Business premises, Social care and educational premises, Housing and Building renovation. The Group's net sales grew by 44.6% to EUR 140.5 million (97.2) and operating profit was EUR 14.0 million (6.1), i.e. 9.9% of net sales. The order backlog also grew to EUR 237.2 million at the end of June (EUR 195.0 million on 31 December 2015). Growth in the order backlog was generated by new business premises orders in particular, as well as by new orders received in the social care and educational premises service area. A construction project is included in the order backlog once the contract for the construction project has been signed or, in the case of own-developed projects, once a decision has been taken to start construction and the contract has been signed in the case of projects carried out on a contractor basis.

## Business premises

The net sales of the Business premises service area in the first half of the year totalled EUR 49.0 million (45.4). During the review period, the number of completed projects was 10, including e.g. the part of Prisma shopping centre in Seppälä, Jyväskylä, Muurame commercial center, XXL shop in Oulu and Vallila Interior's logistics centre in Tuusula.

In April, Lehto signed a turnkey project contract on the construction of a Prisma centre of around 11,500 m<sup>2</sup> in Nokia.

In May, Lehto started construction of the Zemppi sports centre and linked hotel building in Kempele. The area of the sports centre is approx. 8,100 m<sup>2</sup> and the hotel will have 54 rooms. In June, Lehto began construction of Leo's Lekland indoor exercise park, located in the same block as Zemppi.

In June, Lehto signed a turnkey project contract for the construction of an office and retail complex of approx. 11,900 m<sup>2</sup> in Tikkurila. The value of the contract is EUR 26.8 million and the client is Sponda Plc.

Lehto continued the development project of the Lippulaiva shopping centre, in Espoonlahti, together with Citycon Oyj and designers. In May, the company made a contract with Citycon on construction of the shopping centre Pikkulaiva, which will be used as the temporary location for Lippulaiva's operations during the development project. The final agreement on the Lippulaiva contract is expected to be signed during 2016, despite the customary uncertainties related to the realisation of this type of project.

Lehto has made certain preparations regarding the Barents Center being planned in Haparanda, Sweden. In accordance with the contract with the Swedish client, Lehto will be the contractor of the project, if it is started. Lehto does not have accurate information on the starting time schedule, extent or funding status of the possible project.

The order backlog of the Business premises service area grew during the review period and was EUR 94.6 million at the end of the review period (EUR 57.5 million on 31 December 2015).

## Social care and educational premises

Business in the Social care and educational premises service area proceeded according to expectations during the first half of the year. Net sales in the first half of the year was EUR 24.4 million (16.2). During the review period, the number of

completed projects was 14, delivered to clients in different parts of Finland, e.g. Ylivieska, Sotkamo, Kuusamo, Jyväskylä, Pori and Nurmes. The projects were delivered to service producers involved in the care of elderly, disabled and mental-health customers.

A total of 12 new projects started during the review period in different parts of Finland, which is more than during the corresponding period last year. During the review period, the first school building project was also started in Ii, Northern Ostrobothnia. Lehto is continuing with the development of its range of school buildings and planning to allocate resources to the tendering and sales of school projects.

The order backlog grew to EUR 29.5 million (EUR 15.2 million on 31 December 2015). Orders include both single projects and renewed annual contracts for 2017 with long-term customers. Lehto Social care and educational premises introduced a maintenance service for its key accounts, combined with an extended 5-year guarantee. This has been widely adopted among our clients.

Competition in the care, daycare and school building business is very tight. There are several operators in the actual construction business, as well as in project development. Lehto has succeeded in growing its social care and educational premises business faster than average in this line of business.

### Housing

In the Housing service area, Lehto builds new apartment buildings, balcony access and terraced houses, as well as detached houses as part of area construction. Net sales in the Housing service area grew by 110.0% to EUR 53.2 million (25.3). During the review period, the number of completed projects was 9 residential buildings and the number of sold apartments was 353 new apartments, most of which were under construction. At the end of the review period, the number of apartments under construction was 697, of which 54 had not yet been sold. The number of unsold apartments remained small, totalling 6 at the end of the review period.

Most of the completed and ongoing housing projects are developer contracting projects located in the Helsinki Metropolitan Area. Lehto's housing construction business will be focused in the Helsinki Metropolitan Area and other growth centres in Finland also in the future.

During the review period, the order backlog fell to EUR 90.6 million at the end of the period (EUR 103.9 million on 31 December 2015). The decrease in the order backlog is due to the completion of a relatively high number of housing projects at the end of the review period and several housing projects still being in development status, due to which they are not included in the order backlog.

### Building renovation

Lehto's Building renovation service area involves the performance of line renovations, basic renovations and building renovation projects in the form of developer contracting projects, in which Lehto buys an old building, renovates or converts it for another purpose, and sells the renovated apartments on to customers.

Demand for building renovation remained high and the emphasis was still on residential buildings during the review period. In Lehto's building renovation activities, project sizes are increasing as suburbs built mainly in 1970s are renovated.

During the review period, the net sales of Lehto Building renovation grew by 36.5% to EUR 14.0 million (10.2). This growth was mainly generated by increase in line renovation business. During the review period, the number of completed projects was 6 line renovation projects including in total 294 apartments. The total value of new line renovation orders received during the review period is approx. EUR 13.8 million.

In certain new renovation projects, Lehto applies plumbing renovation elements developed by the company for heating, water, ventilation and electricity lines. Use of a plumbing renovation element speeds up the renovation project lead time, and first experiences of the element have been positive. A share of the renovation projects begun during the review period are being carried out according to a turnkey contract project model, in which the contractor takes responsibility for the development and realisation of the project according to the delivery content agreed on with the client. By using the turnkey contract model, Lehto can better affect the way in which the project is realised.

At the end of the period, Lehto had one developer contracting project ongoing, and two others at the preparation stage which are expected to get underway during 2016. A total of 103 residences will be built in these three locations. 16 completed residences were left unsold by the end of June.

The order backlog of the Building renovation service area grew to EUR 22.4 million at the end of the review period (EUR 18.4 million on 31 December 2015).

## Balance sheet and financing

Group balance sheet, EUR million	30 Jun 2016	30 Jun 2015	31 Dec 2015
Non-current assets	20.2	11.2	14.6
Current assets			
Inventories	58.5	55.0	51.3
Current receivables	62.1	55.6	47.2
Cash and cash equivalents	74.1	9.5	24.6
Assets held for sale	0.0	1.9	0.0
<b>Total assets</b>	<b>215.0</b>	<b>133.2</b>	<b>137.6</b>
Equity	94.6	15.5	33.4
Financial liabilities	18.9	19.4	17.0
Prepayment received	65.1	62.5	47.9
Other payables	36.4	34.7	39.3
Liabilities associated with assets held for sale	0.0	1.0	0.0
<b>Total equity and liabilities</b>	<b>215.0</b>	<b>133.2</b>	<b>137.6</b>

The Group's financial position became stronger mainly due to its successful listing on the stock exchange. During the review period, equity grew by EUR 61.2 million and at the end of the review period net gearing was –58.4% (64.1%) and the equity ratio was 63.1% (21.9% on 30 June 2015). The interest-bearing net debt was EUR –55.3 (9.9) million. Net financial expenses were EUR 0.2 (0.6) million, or 0.1% of net sales.

The funds received at the initial public offering (IPO) totalled approx. EUR 60.5 million. The total of fees and expenses for the IPO were approx. EUR 2.5 million. The difference between the IPO funds and expenses, EUR 57.9 million, was posted in the invested unrestricted equity fund. IPO expenses are not burdening the profit for the period.

The increase in non-current assets is primarily attributable to capitalising the building costs of the Oulainen production plant. Inventories grew moderately and include costs of own production to the extent that work in progress is not yet recorded in net sales. Current receivables include trade receivables of EUR 28.9 million and receivables from construction contracts of EUR 30.2 million. Other payables include trade payables of EUR 12.3 million. Advances received include payments received for projects under construction to the extent these are not yet recorded in net sales. Interest-bearing liabilities include normal bank loans, as well as loans drawn by housing companies to the extent these are allocated to unsold apartments.

The Group's cash and cash equivalents at the end of the review period were EUR 74.1 million. Interest-bearing liabilities amounted to EUR 18.9 million, EUR 3.9 million of which is related to unsold shares in housing companies, and EUR 15.0 million to the production plant investment in Oulainen, other building projects and working capital needs. Lehto has a credit limit agreement of EUR 5.0 million with Danske Bank, including customary covenant terms regarding profitability and the amount of equity. The credit limit is in force until further notice and the whole amount of the limit was unused at the end of June.

Cash flow statement	1–6/2016	1–6/2015	1–12/2015
Cash flow from operating activities	3.3	3.0	21.3
Cash flow from investing activities	–5.8	–1.1	–5.1
Cash flow from financing activities	52.1	1.7	2.5
<b>Change in cash and cash equivalents</b>	<b>49.5</b>	<b>3.6</b>	<b>18.7</b>
Cash and cash equivalents at the beginning of the period	24.6	5.9	5.9
Cash and cash equivalents at the end of the period	74.1	9.5	24.6

Cash flow from operating activities was EUR 3.3 (3.0) million, which includes the negative influence of approx. EUR 7.6 million due to growth in net working capital. Growth in net working capital is due to the increase in business volumes. Cash flow from investments was EUR –5.8 (–1.1) million, whereof EUR 4.8 million is related to investments in the production plant in Oulainen. Cash flow from financing was EUR 52.1 (1.7) million, which includes cash expenses of EUR 7.9 million due to dividends paid and net funds of approx. EUR 57.9 million received from the share issue.

## Personnel

The average number of the Group's personnel during the review period was 473. The number of personnel at end of the review period was 560 (423 on 31 December 2015), of whom approx. 40 are seasonal employees. About 55% of the Group's personnel are salaried employees and 45% employees work at construction sites.

In June, Lehto started a comprehensive recruitment campaign to secure its labour supply. The growth in construction is particularly reflected in the availability of labour. Within personnel management, resources are strongly focused on growth, continuous improvement of competitiveness, and well-being and safety at work.

## Shares and shareholdings

Lehto was listed on the Helsinki Stock Exchange after the IPO share issue. Trading in shares began on the prelist on 28 April 2016, and on the main list on 2 May 2016. Upon the IPO issue, the final subscription price for both the public issue and in the institutional investor issue was EUR 5.10 per share, and the subscription price for the personnel issue was EUR 4.59 per share.

The number of Lehto Group Plc's shares at the end of June was 58,250,752. The company had 4,676 shareholders. No shares in the company are held by the company itself.

The closing price of the share on the main list of Nasdaq Helsinki Ltd on 30 June 2016 was EUR 7.00. The highest rate of the share during the review period was EUR 7.01 and the lowest EUR 5.52.

The company has one series of share and each share entitles its holder to one vote at the General Meeting of Shareholders.

## Risks and uncertainties

Lehto has identified several risks connected to its business operations, business environment, line of business and the economy, which may affect the level and future development of net sales and profit as well as financial position. Risk management forms an integral part of the Group's management, control and reporting systems.

In its business operations, Lehto is exposed to operative risks as well as risks related to the availability of financing, overall economic trends and political decision-making, and other risks relating to the activities of the public sector.

Lehto's business is partly formed of so-called traditional contracting and partly its own production, where the final customer is not always known when the construction project begins. These two business models involve different risks.

In traditional contracting, project income is recognised according to the degree of completion. The main risk in this model is that the total costs of the project exceed the estimated costs, or the completion of the project is delayed.

The main risk in own production is that the company is unable to sell production within the planned schedule or at the planned price. In addition, project costs can exceed the estimated costs.

Failures in project pricing, technical implementation, estimating costs and schedule, selling the property or obtaining financing can have a negative impact on the company's result and financial position.

The project business practiced by the Group is characterised by variation, which can be significant, in profit between different reporting periods due to the accounting methods used in projects. The Group's cash flow is usually generated in step with a project's degree of completion, but in such a way that the final instalment payable after completion is bigger than the other instalments. A delay in an individual project can thereby have an effect on the sufficiency of working capital.

Changing building regulations or city planning can also have significant effects on the company's business.

Lehto aims to control risks at each level of the organisation. Risk management includes risk identification, estimation and plans to avoid them.

A more detailed description of risks is presented in the listing brochure published in April 2016 and on Lehto's website at [www.lehto.fi/en/investors](http://www.lehto.fi/en/investors). The brochure can be obtained from the company website at <https://lehto.fi/en/investors/initial-public-offering-of-lehto-group/materials/>. No significant changes in risks occurred during the quarter.

## Decisions by the Annual General Meeting

Lehto Group Plc's Annual General Meeting was held on 30 March 2016. Essential decisions made by the Annual General Meeting are presented below:

The meeting adopted the company's financial statements and released the members of the board and the CEO from liability for the financial year 1 January–31 December 2015.

The meeting decided to distribute dividends of EUR 0.35 per share, totalling EUR 7.9 million according to the number of shares at that time. The dividend was paid on 8 April 2016.

Pertti Huuskonen, Martti Karppinen, Päivi Timonen and Mikko Räsänen were re-elected as members and Sakari Ahdekivi was elected as a new member of the Board of Directors. Hannu Lehto and Tomi Koivukoski left the Board of Directors.

The firm of authorised public accountants KPMG Oy Ab was elected as the company's auditor, headed by Tapio Raappana, Authorised Public Accountant, as the principal auditor denominated by KPMG.

The Annual General Meeting authorised the Board of Directors to carry out the actions required for listing on the stock exchange, such as the so-called share split, and the directed share issue to institutional investors, private persons and organisations as well as to the employees of the company and its subsidiary.

The Annual General Meeting authorised the Board of Directors to decide on buying own shares and accepting them as collateral. The number of own shares to be bought and accepted as collateral is 4,500,000, at a maximum, which is approx. 10% of all shares of the company before the intended IPO. The Board of Directors will decide how shares are purchased and accepted as collateral. The authorisation will remain in force until 30 September 2017.

The Annual General Meeting authorised the Board of Directors to decide on the issue of shares and other specific rights that entitle the holder to purchase shares. Shares issued on the basis of this authorisation are new shares in the company or existing shares held by the company. The number of shares to be issued on the basis of this authorisation is 4,500,000, at a maximum, which is around 10% of all shares in the company before carrying out the IPO. On the basis of this authorisation, the Board of Directors can also decide whether or not to issue new shares to the company itself, however in such a manner that the company, together with its subsidiaries, at no time owns more than 10% of all of the company's registered shares. The Board of Directors was authorised to decide on all terms and conditions relating to the issue of shares and special rights that entitle to purchasing shares. The issue of shares and special rights that entitle to purchasing shares can be directed, i.e. deviating from the shareholders' pre-emption rights, provided that there is an important financial reason for this. The authorisation will remain in force until 30 September 2017.

## Flagging notifications

During the review period, no changes in ownership occurred that would have led to the obligation to make an announcement according to the Security Markets Act, chapter 2, section 9, i.e. a so-called flagging announcement.



## Significant events during the reporting period

During the first quarter of 2016, all Group units started using the name Lehto. The name of the parent company was changed from the former name Päätoimija Oyj to Lehto Group Plc in December 2015. The rapidly expanded group wanted to aggregate its business under the Lehto brand in order to promote its wide range of services in a unified manner and increase brand awareness.

In March 2016, Lehto Group Plc and Citycon Finland Oy signed a preliminary agreement on the development project of the Lippulaiva shopping centre located in Espoonlahti. According to the preliminary agreement, the development project will be prepared based on close cooperation between Citycon, Lehto and the project's designers. The target is that the final contract can be signed during 2016. The intended scope of the project also includes 550 apartments, connection to the metro, a bus terminal and 1,400 parking slots for Lippulaiva. The gross area for the project is approx. 170,000 brm<sup>2</sup>. Lehto is planning on building the shopping centre, bus terminal, metro connection and parking slots as a turnkey contract project and the housing project as a developer contracting project. The estimated time of construction is 2016–2020. Uncertainties are involved that are typical of the kind of development project in question.

Lehto Group Plc carried out the IPO in April 2016. Trading in the company's shares on the prelist of the Helsinki Stock Exchange commenced on 28 April 2016. As part of the issue for institutional investors, private persons and the company's employees the company issued 11,874,705 new shares. In addition, a convertible capital loan granted by Osuuskunta PPO was converted into shares by issuing 1,065,643 new Lehto Group Plc's shares. The number of shares increased to 58,250,752 after the IPO issue of shares and the conversion. The company's existing share holders sold 3,199,608 shares in connection with the IPO issue of shares.

The funds received during the IPO totalled approx. EUR 60.5 million. The total fees and expenses for the IPO were approx. EUR 2.5 million.

Essential announcements in connection with the listing are given below:

- **On 29 March 2016**, the company announced its intention to list on Nasdaq Helsinki.
- **On 30 March 2016**, the Annual General Meeting authorised the company's board of directors to carry out the measures necessary for the Initial Public Offering.
- **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 that it had 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 had been discontinued.
- **On 27 April 2016**, the company announced that its initial public offering had been completed and the final subscription price for the public offering and the institutional offering was EUR 5.10 per share.
- **On 28 April 2016**, trading in the company's shares commenced on the prelist of Nasdaq Helsinki Ltd.
- **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 related to the initial public offering had been fully exercised.

In May, the company announced that it would build a Prisma centre of approx. 11,500 m<sup>2</sup> in Nokia, and in June the company that it would begin the construction of Leo's Lekland indoor exercise park in Kempele.

In June Optimikodit Oy, a Lehto Group company, bought Dometalot Oy's business comprising energy-efficient construction solutions. The sale of the business included the transfer of customary business contracts, immaterial rights and 13 employees to Lehto. Dometalot Oy's personnel continued at Lehto on the basis of their existing terms and conditions of employment. The net sales of the acquired business were approx. EUR 1.5 million in 2015. The acquisition will have no significant effect on Lehto's net sales, profit or financial position in 2016.

In June, Lehto announced that it would build a new office and retail complex in the vicinity of the Tikkurila railway station in Vantaa. The client of the project is Sponda Plc, for which Lehto has previously delivered turnkey contract projects. Sponda intends to realise the project in two stages. The value of Lehto's contract during the first stage will be around EUR 26.8 million. Sponda will make the start decision for the second stage later, according to the rental status.

## Events after the review period

No significant events having effect on the profit or financial position occurred after the review period.

Kempele 18 August 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's net sales in financial year 2015 was approx. EUR 276 million and the company employed 423 people at the end of the financial year 2015.

[www.lehto.fi](http://www.lehto.fi)

## Tables

The accounting policies applied in the Half year financial report and formulas for calculating key figures are the same as in the latest annual report. The IAS 34 requirements have been complied with.

The figures are unaudited.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1–6/2016	1–6/2015	1–12/2015
<b>Net sales</b>	<b>140.5</b>	<b>97.2</b>	<b>275.6</b>
Other operating income	0.2	0.6	1.0
Changes in inventories	6.6	10.8	0.7
Capitalised production	0.0	0.0	0.2
Raw materials and consumables used	–48.8	–36.0	–94.3
External services	–62.4	–49.7	–119.6
Employee benefit expenses	–16.3	–12.5	–26.2
Depreciation and amortisation	–0.8	–0.6	–1.4
Other operating expenses	–5.2	–3.7	–8.7
<b>Operating profit</b>	<b>14.0</b>	<b>6.1</b>	<b>27.2</b>
Financial income	0.1	0.0	0.1
Financial expenses	–0.2	–0.6	–0.5
Share of associated company profits (losses)	0.0	0.0	0.0
<b>Profit before taxes</b>	<b>13.8</b>	<b>5.6</b>	<b>26.8</b>
Income taxes	–2.9	–1.3	–5.6
<b>Profit for the period</b>	<b>11.0</b>	<b>4.2</b>	<b>21.2</b>
<b>Profit attributable to</b>			
Equity holders of the parent company	10.9	3.5	21.2
Non-controlling interest	0.0	0.7	0.0
	<b>11.0</b>	<b>4.2</b>	<b>21.2</b>
<b>Earnings per share calculated from the profit attributable to shareholders of the parent company, EUR per share</b>			
Average number of shares during the period	49,839,526	40,582,478	41,062,559
Earnings per share (basic and diluted)	0.22	0.09	0.52

Group has no items that would have a diluting effect.

## CONSOLIDATED BALANCE SHEET

EUR million

	30 June 2016	30 June 2015	31 Dec 2015
<b>Assets</b>			
<i><b>Non-current assets</b></i>			
Goodwill	1.7	1.7	1.7
Other intangible assets	2.4	3.0	2.6
Property, plant and equipment	5.6	0.7	0.9
Investment properties	0.8	0.8	0.8
Investments and receivables	6.0	1.7	5.7
Deferred tax assets	3.7	3.4	2.9
<b>Non-current assets total</b>	<b>20.2</b>	<b>11.2</b>	<b>14.6</b>
<i><b>Current assets</b></i>			
Inventories	58.5	55.0	51.3
Trade and other receivables	62.1	55.6	47.2
Cash and cash equivalents	74.1	9.5	24.6
<b>Current assets total</b>	<b>194.8</b>	<b>120.0</b>	<b>123.0</b>
Non-current assets held for sale	0.0	1.9	0.0
<b>Assets total</b>	<b>215.0</b>	<b>133.2</b>	<b>137.6</b>
<b>Equity and liabilities</b>			
<i><b>Equity</b></i>			
Share capital	0.1	0.1	0.1
Invested non-restricted equity reserve	69.2	1.8	5.8
Equity loans	0.0	0.0	5.0
Retained earnings	14.3	9.7	1.2
Profit for the financial period	10.9	3.5	21.2
<b>Equity attributable to shareholders of the parent company</b>	<b>94.6</b>	<b>15.1</b>	<b>33.4</b>
Non-controlling interest	0.0	0.4	0.0
<b>Equity total</b>	<b>94.6</b>	<b>15.5</b>	<b>33.4</b>
<i><b>Non-current liabilities</b></i>			
Deferred tax liabilities	0.1	0.0	0.1
Provisions	1.8	1.0	1.3
Financial liabilities	14.2	0.3	8.2
Other non-current liabilities	1.8	0.5	1.7
<b>Non-current liabilities total</b>	<b>17.9</b>	<b>1.8</b>	<b>11.3</b>
<i><b>Current liabilities</b></i>			
Financial liabilities	4.7	19.2	8.7
Advances received	65.1	62.5	47.9
Trade and other payables	32.7	33.2	36.3
<b>Current liabilities total</b>	<b>102.5</b>	<b>114.9</b>	<b>92.9</b>
Liabilities related to non-current assets held for sale	0.0	1.0	0.0
<b>Liabilities total</b>	<b>120.3</b>	<b>117.7</b>	<b>104.2</b>
<b>Equity and liabilities total</b>	<b>215.0</b>	<b>133.2</b>	<b>137.6</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Capital attributable to equity holders of the parent company						Equity, total
	Share capital	Invested non-restricted equity reserve	Equity loans	Retained earnings	Total	Non-controlling interest	
<b>Equity at 1 Jan 2015</b>	<b>0.1</b>	<b>0.3</b>		<b>14.5</b>	<b>14.9</b>	<b>1.6</b>	<b>16.5</b>
<b>Total comprehensive income</b>							
Profit or loss for the financial period				3.5	3.5	0.7	4.2
<b>Total comprehensive income for the financial period</b>				<b>3.5</b>	<b>3.5</b>	<b>0.7</b>	<b>4.2</b>
<b>Transactions with equity holders</b>							
Distribution of dividends				-5.0	-5.0	-1.9	-6.9
Share issue		1.5			1.5		1.5
Other changes				0.2	0.2		0.2
Transactions with equity holders, total		1.5		-4.8	-3.3	-1.9	-5.3
<b>Equity at 30 June 2015</b>	<b>0.1</b>	<b>1.8</b>		<b>13.2</b>	<b>15.1</b>	<b>0.4</b>	<b>15.5</b>
<b>Equity at 1 Jan 2016</b>	<b>0.1</b>	<b>5.8</b>	<b>5.0</b>	<b>22.4</b>	<b>33.4</b>	<b>0.0</b>	<b>33.4</b>
<b>Total comprehensive income</b>							
Profit or loss for the financial period				10.9	10.9	0.0	11.0
<b>Total comprehensive income for the financial period</b>				<b>10.9</b>	<b>10.9</b>	<b>0.0</b>	<b>11.0</b>
<b>Transactions with equity holders</b>							
Distribution of dividends				-7.9	-7.9		-7.9
Interest paid to equity loan				-0.2	-0.2		-0.2
Share issue		63.4	-5.0		58.4		58.4
Other changes				0.0	0.0	0.0	0.0
Transactions with equity holders, total		63.4	-5.0	-8.1	50.3	0.0	50.3
<b>Equity at 30 June 2016</b>	<b>0.1</b>	<b>69.2</b>	<b>0.0</b>	<b>25.3</b>	<b>94.6</b>	<b>0.0</b>	<b>94.6</b>

## CONSOLIDATED CASH FLOW STATEMENT

EUR million	1–6/2016	1–6/2015	1–12/2015
<b>Cash flow from operating activities</b>			
Profit for the financial period	11.0	4.2	21.2
<b>Adjustments:</b>			
Non-cash items	0.6	0.1	0.3
Depreciation and amortisation	0.8	0.6	1.4
Financial income and expenses	0.2	0.6	1.0
Capital gains	–0.1	–0.4	–0.4
Income taxes	2.9	1.3	5.6
<b>Changes in working capital:</b>			
Change in trade and other receivables	–14.1	–18.9	–10.1
Change in inventories	–7.2	–7.8	–4.1
Change in trade and other payables	13.7	25.7	11.9
Interest paid and other financial expenses	–0.2	–0.6	–1.0
Financial income received	0.1	0.0	0.1
Income taxes paid	–4.1	–1.8	–4.6
Net cash from operating activities	3.3	3.0	21.3
<b>Cash flow from investments</b>			
Property, plant and equipment	–4.8	–0.3	–0.7
Other intangible assets	0.0	–0.2	–0.4
Sale of subsidiaries	0.0	0.0	0.8
Acquisition of subsidiaries	0.0	–0.8	–0.8
Proceeds from sale of tangible and intangible assets	0.0	0.0	0.0
Purchases of available-for-sale financial assets and proceeds	0.1	0.2	0.3
Repayments of loan receivables	0.0	0.0	0.0
Loans granted	–1.1	0.0	–4.4
Dividends received	0.0	0.0	0.0
Net cash from investments	–5.8	–1.1	–5.1
<b>Cash flow from financing</b>			
Long-term loans drawn and repaid	6.0	0.0	8.0
Short-term loans drawn	0.0	13.8	17.5
Short-term loans repaid	–3.7	–6.4	–19.2
Equity loans drawn	0.0	0.0	5.0
Equity loan interest paid (–)	–0.2	0.0	0.0
Acquisition (–) / sale (+) of non-controlling interest	0.0	0.0	–1.8
Dividends paid (–)	–7.9	–5.7	–6.9
Paid share issue	57.9	0.0	0.0
Net cash used in financing activities	52.1	1.7	2.5
<b>Change in cash and cash equivalents (+/–)</b>	<b>49.5</b>	<b>3.6</b>	<b>18.7</b>
Cash and cash equivalents at the beginning of the financial year	24.6	5.9	5.9
Cash and cash equivalents at the end of the financial year	74.1	9.5	24.6

## KEY FIGURES

	1–6/2016	1–6/2015	1–12/2015
Net sales, EUR million	140.5	97.2	275.6
Net sales, change from the previous year %	44.6%	33.1%	61.1%
Operating profit, EUR million	14.0	6.1	27.2
Operating profit, as % of net sales	9.9%	6.3%	9.9%
Profit or loss for the period, EUR million	11.0	4.2	21.2
Profit or loss for the period, as % of net sales	7.8%	4.3%	7.7%
Equity ratio, %	63.1%	21.9%	37.2%
Gearing, %	18.5%	10.9%	32.6%
Net gearing ratio, %	–58.4%	64.1%	–22.9%
Personnel during the period, average	473	382	402
Gross expenditure on assets, EUR million	4.9	0.5	1.1
Earnings per share, EUR, diluted	0.22	0.09	0.52
Average number of shares during the period	49,839,526	40,582,478	41,062,559
Number of shares at the end of the period	58,250,752	40,857,142	45,310,404

## SEGMENT INFORMATION

The Group has one operating segment, Building Services. The segment's operations consist of providing new construction and renovation services. The Group's management monitors the entire Group as a whole and the segment figures are consistent with the Group figures.

## LIABILITIES AND GUARANTEES

EUR million	30 June 2016	31 Dec 2015
<b>Loans covered by pledges on assets</b>		
Loans from financial institutions	14.3	12.5
Debts on shares in unsold housing and real estate company shares	4.4	4.7
Instalment debts	0.9	0.0
<b>Total</b>	<b>19.5</b>	<b>17.2</b>
<b>Guarantees</b>		
Corporate mortgages	0.0	1.8
Real-estate mortgages	4.7	12.3
Pledges	4.6	4.6
Absolute guarantees	1.0	0.3
<b>Total</b>	<b>10.3</b>	<b>18.9</b>
<b>Contract guarantees</b>		
Production guarantees	18.7	19.9
Warranty guarantees	5.1	4.7
RS guarantees	16.2	13.4
Payment guarantees	1.2	0.2
<b>Total</b>	<b>41.2</b>	<b>38.1</b>

The Group is unable to determine retroactively the liabilities and guarantees for comparison period.