

Annual Review 2020

Lehto Group Plc





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Construction must be reinvented

Towards high-quality, affordable, fast and ecological construction

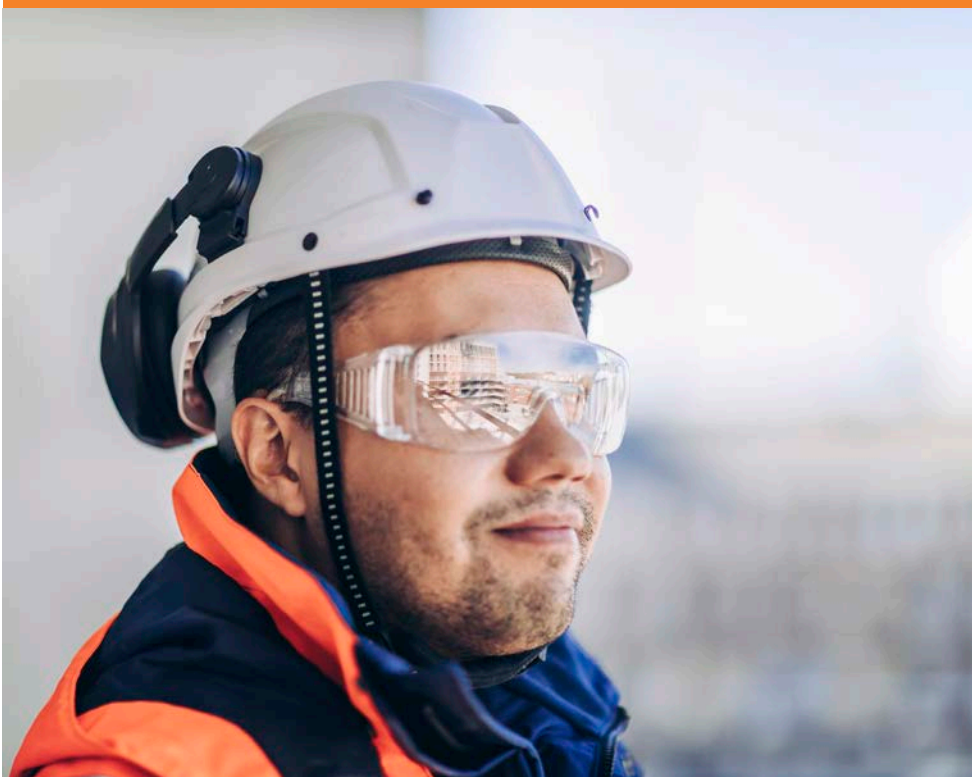
Unlike other fields of industry, the construction sector has been hardly unable to increase its productivity for over 40 years. Ultimately, the end customers of builders are the ones who pay for the poor productivity of the industry – it causes problems such as quality defects, cost overruns and the lengthening of construction schedules.

We cannot let this continue. Construction must be able to keep up with other fields of industry and reinvent itself. We want to

shake up construction and enhance quality, affordability and speed. To tackle climate change, we as an industry must be able to adopt an even more ecological approach to construction – our industry has a heavy carbon footprint.

Construction megatrends include industrial manufacturing, digitalisation and ecology. They not only describe the future of construction – but also Lehto's current way of building.

Lehto – forebuilder of a better tomorrow



Lehto Group is a Finnish construction and real estate group. Our company is reinventing construction and aims to improve the weak productivity of the industry. Thereby, we seek to create customer benefits and added value for both our customers and shareholders. Our purpose is to be “a forebuilder of a better future”.

The key aspects of our drive to reinvent the construction industry and improve productivity are strong design management, standardisation, industrial manufacturing and harnessing digitalisation. Our innovations enhance quality and make construction more affordable, faster and more ecological. Lehto’s way of building responds to the construction megatrends of industrial manufacturing, digitalisation and ecology.

The company has divided its operations into two service areas: Housing and Business Premises. In the Housing service area, we build apartment buildings using wood and concrete. In addition, we are in the care home construction business and carry out pipeline renovations, primarily in the Greater Helsinki area. In the Business Premises service area, Lehto builds retail premises; logistics, warehouse and production facilities; leisure facilities; large shopping and activity centres; and offices. We also build schools and daycare centres.

Lehto’s net sales totalled EUR 544.7 million in 2020, and the company employed 1,034 people at the end of 2020.

Lehto's way of building

Lehto's state-of-the-art approach to building reinvents the industry. Its cornerstones are design management, standardisation, industrial manufacturing and harnessing digitalisation.

The first cornerstone is **design management**, which plays a key role in building a reasonably priced end product. The company seeks to manage construction projects from design to implementation specifically in order to keep costs under better control. Over 80 per cent of construction costs are determined at the design stage, which is why we want to keep this phase in our own hands.

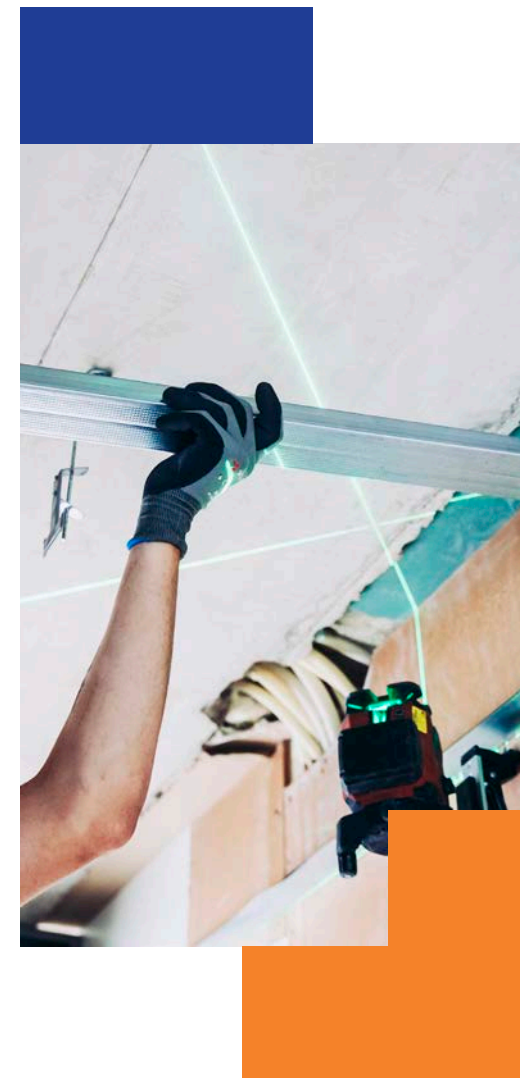
Industrial manufacturing lies at the heart of Lehto's construction process – the company is the Finnish pioneer of this approach. Lehto engages in industrial construction – that is, innovative module and element production – at its own factories in Finland. Industrial manufacturing boosts productivity in construction, speeds up schedules, and ensures high quality compared to traditional construction. The utilisation of modular construction innovations enables work stages traditionally performed on the construction site to be transferred to an industrial environment, which reduces costs and improves quality as a result of better work organisation, stable factory conditions, simpler implementation models, increased repeatability, and faster production.

The third major cornerstone is **standardisation**. We do not always reinvent the wheel. Instead, we use tried-and-true solutions. Standardisation can be utilised in operating methods, a variety of processes and partner networks alike, and it typically accelerates the design and construction phases.

Harnessing digitalisation is part of Lehto's construction DNA. Lehto uses digital systems and processes throughout the construction process, from design to construction. Thanks to this, those working in different roles can utilise real-time information during the entire project. Information that is generated and saved during construction can be reused throughout the building's lifecycle, during renovation and complementary construction, and in the maintenance, operation and asset management of the building. Using digital processes significantly boosts the efficiency of design, procurement and production, as the various stages in the process are predictable, traceable and repeatable. With the aid of digital solutions, the company is able to enhance efficiency by shortening lead times, raising quality standards, and improving the property's usability. These factors create added value for both Lehto and its customers.

Lehto's way of thinking and building boldly challenges traditional construction. This approach hinges on **professional** employees who **have the right attitude**. Lehto employees shake up the construction industry and work together to create added value for our customers: more affordable housing, built fast to a high standard of quality, with a smaller carbon footprint for future generations.

Together, industrial manufacturing and harnessing digitalisation lay a good foundation for construction that supports eco-friendliness – for instance, industrial manufacturing seeks to reduce production losses, an aim that is supported by harnessing digitalisation.



Our service areas



Housing

In the Housing service area, Lehto builds new apartment blocks and balcony access blocks, and also carries out pipeline renovations, mainly in the Greater Helsinki area. The care home unit of Lehto's now-discontinued Social Care and Educational Premises service area was transferred to Housing in 2020.

The Housing service area is divided into developer-contracted production and contracting projects. In Lehto's developer-contracted housing projects, the company designs and builds properties on land areas that it has purchased and then sells the completed apartments to customers. These customers include private persons as well as private and institutional investors. In its care home business, Lehto designs and builds care homes and assisted living units for both care operators and municipalities. These construction projects are implemented either under ordinary construction contracts or as investment transactions, where Lehto signs a lease agreement with the service operator and sells the completed property to, for example, a fund that invests in properties in the sector.



Business Premises

In the Business Premises service area, Lehto builds retail premises; logistics, warehouse and production facilities; leisure facilities; large shopping and activity centres; and offices. As of 2020, Business Premises has included some business from the now-discontinued Social Care and Educational Premises service area, that is, the design and construction of daycare centres and schools for national daycare operators and municipalities.

Business premises are designed according to customers' needs and are built using the structural and spatial solutions that have been developed or tried and tested by Lehto. This area serves local, national and international customers; and also municipalities in the case of schools and daycare centres. Business Premises conducts most of its operations using a 'design and implement' model in which Lehto is responsible for both the design and actual construction. Lehto also builds some business premises in the form of developer contracting, which means that Lehto acquires the plot and then designs and builds the property either wholly or partly at its own risk.



Our financial story 2010 – 2020

During the past decade, Lehto went through a strong phase of successful growth, followed by growing pains, and a phase of revitalisation and levelling off.

Lehto grew vigorously during the 2010s, and the company was profitable. In fact, the company achieved annual growth of almost 50 per cent in 2010 – 2018 and profitability in 2015 – 2017 was 9.9 – 11.2% of the net sales.

The company's operating result as a percentage of net sales started to fall in 2018, down to 5.2 per cent for the full year, and then decreased further to -6.3 per cent in 2019. In the opinion of the company's management, this decrease in profitability was a consequence of weaker process management arising from exceptionally strong growth, coupled with expansion into operations in which Lehto's strategic competitive advantages were difficult to leverage.

As of 2019, Lehto has focused on developing its basic processes and improving the profitability of its core business. Thanks to revitalisation measures, the company's operations are now significantly more manageable.

Revitalisation programme 2019 – 2020

As of 2019, Lehto has focused on developing its basic processes and improving the profitability of its core business. These efforts continued in 2020.

Revitalisation measures were started in January 2019 when the Building Renovation service area was wound down. We only undertake new complete renovation projects selectively and on the condition that the renovation is related to new construction projects or is a significant part of a larger commercial entity. During this restructuring, the pipeline renovation business was merged into the Housing service area and has continued to operate as part of it. The Social Care and Educational Premises service area in turn was merged into the Housing and Business Premises service areas in May 2020. Care home construction was transferred to Housing and the construction of schools and daycare centres to Business Premises.

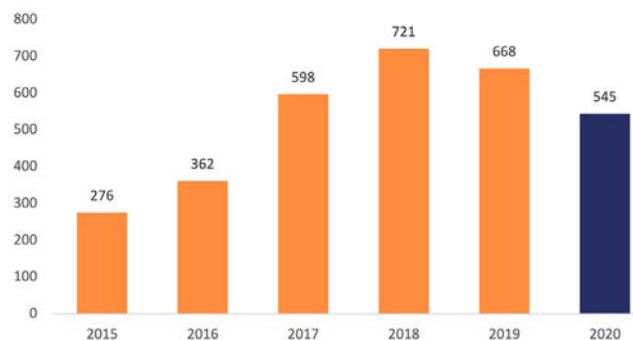
In addition, as part of the revitalisation programme, Lehto has also adjusted production volumes and personnel numbers at its factories, such as by means of temporary layoffs, terminations and merging factory units. At the end of 2020, the manufacture of large roof elements was transferred from Humpilla to Lehto's Hartola factory.

In day-to-day work, Lehto has been focusing even more on matters such as induction and training, site forecasting, guidelines, manuals and other aspects that enhance our processes. Revitalisation measures have clearly strengthened the manageability of the company's operations.



Financial figures 2015-2020

Net sales, EUR million



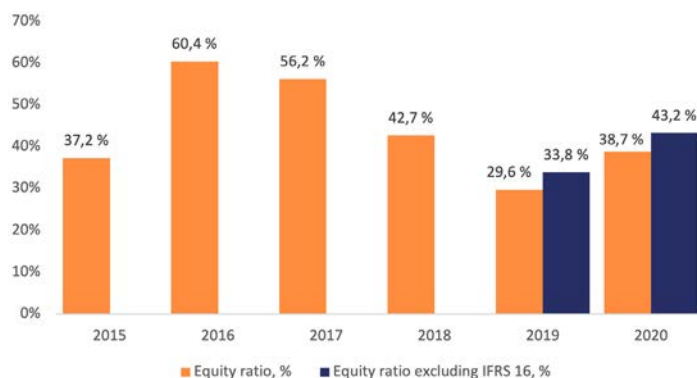
Operating result, EUR million and operating result, %



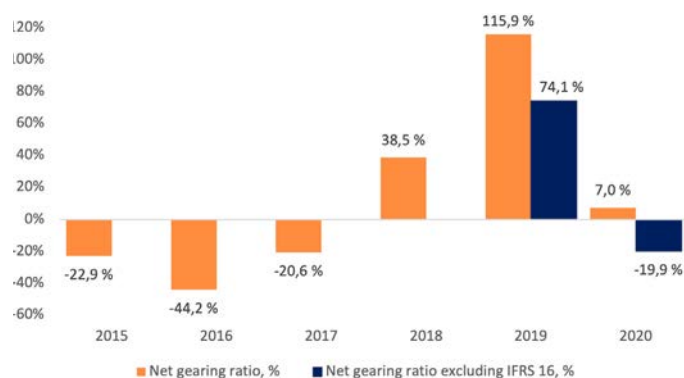
Number of personnel at the end of the year



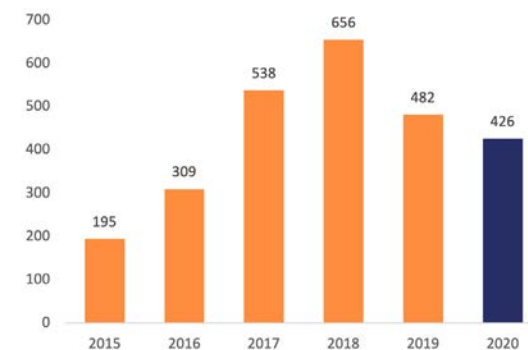
Equity ratio, %



Net gearing ratio, %



Order backlog, EUR million





CEO Hannu Lehto

Towards better tomorrow

“2020 showed that difficulties can be overcome with a strong will and hard work. Our employees focused on working without compromises towards Lehto’s future. The focus of our operations was on implementing the revitalisation programme as well as stabilising our processes and operating methods. We have achieved good results in these efforts. Project preparation, evaluation and implementation are now carried out in a more well-established way, which can be seen in, for instance, the decrease in project margin variations. Profitability took a clear turn for the better and the operating result for the last quarter was EUR 4.9 million positive.

Our net sales were down about 18 per cent, especially due to the decrease in net sales from care home and housing construction. The downswing in the construction market that began in the previous year and the coronavirus pandemic that was felt during the entire year contributed to the decline in net sales.

In the last quarter, we carried out a rights issue that was oversubscribed. As a result of the share issue and the positive trend in full-year cash flow, our cash and cash equivalents amounted to EUR 105 million at the end of the financial year. During 2020, we also repaid financial liabilities such that they amounted to EUR 80 million at the end of the year. Our cash and cash equivalents thus exceed our financial liabilities by EUR 25 million. Thanks to our excellent financial position, we are well-poised to implement our strategy and invest in the future.

In the autumn, we reviewed our strategy and concluded that our key competitive factors – design management, standardisation of products and operating methods, and factory production – are still at the heart of our operations. However, we identified some priority areas we must pay particular attention to in the 2021-2023 strategy period. These include sustainable construction, proactive sales, harnessing digitalisation, developing the customer experience as well as enhancing professional skills and a positive working atmosphere.

During the strategy period running until the end of 2023, we primarily seek to improve profitability strongly. Our objective is to also substantially increase the relative share of our housing production accounted for by wooden apartment buildings. We are also investigating possibilities for harnessing our expertise in prefabricated space elements more extensively in areas other than housing construction, leasing out temporary modular premises, and expanding our offering to lifecycle services.

I would like to thank our employees for all their work on overcoming the difficulties we faced in the year now ended and revitalising our operations. The company is now on solid ground and we can more clearly focus on our strengths.

As the company’s situation stabilises, it is time to generate new energy for Lehto’s next phase of development. At the beginning of May, Juuso Hietanen will take the helm as Lehto’s new CEO. I myself intend to keep working on renewing the company and innovations. One of the main focuses of this work is modular wood construction, for instance.”

Events during 2020

JANUARY

- Lehto and Lumo Kodit sign an agreement for the construction of 106 residential units in Kilo, Espoo.

FEBRUARY

- Lehto specifies its 2019 guidance and gives outlook for 2020.

MARCH

- Lehto announces that it will start to repurchase the company's own shares.
- Lehto reports that it has completed the cooperation negotiations on its restructuring programme and prepares for changes due to the pandemic situation.

APRIL

- Lehto withdraws its guidance on the 2020 financial outlook.
- Lehto's Board of Directors announces that it will at its own initiative decrease its remuneration. With this arrangement, the Board of Directors wanted to support the profitability of the company and participate in the same saving measures as the management and operative personnel.

MAY

- Lehto, NREP and Avara announce that in the next few years they will develop the Kalasatama area of Helsinki with a major housing project comprising three properties.
- 70 per cent of the new LOFT apartments in the historic harness factory area of Oulu were reserved in just one day.

JUNE

- Lehto reports that it has signed a new revolving credit facility agreement and is planning a rights issue.
- Lehto and NREP communicate about the continuation of their cooperation: Expansion work begins at the Bredis retail park in Laajalahti, Espoo
- Lehto announces that it plans to transfer the production of large roof elements to the Hartola factory.
- Construction of Fennovoima's administrative building in Pyhäjoki begins.
- The municipality of Inari and Lehto state that they will build a school and cultural centre in Ivalo.
- Lehto and Kojamo agree on the construction of 392 housing units in Helsinki and Espoo.

AUGUST

- Juuso Hietanen is appointed CEO of Lehto Group Plc.
- Lehto announces that it will build a joint Lidl and Tokmanni store in Nurmijärvi.
- Lehto reports that it will build the first large-scale textile processing plant in the Nordic countries in Paimio.

SEPTEMBER

- Antti Asteljoki is appointed CCO of Lehto Group Plc and as a member of the Executive Board.
- Lehto Group Plc's Extraordinary General Meeting is held in Kempele.
- The City of Järvenpää and Lehto announce the construction of a block of wooden apartment buildings.

OCTOBER

- NREP and Lehto agree on the construction of several wooden apartment buildings – more than 300 units of a new type of rental home in Finland.
- Lehto Group and a group of investors set out to create a solution to the lack of services that has long affected the Kivistö area of Vantaa.

NOVEMBER

- Lehto's Board of Directors resolves on a rights issue of approximately EUR 20 million and publishes the terms and conditions of the rights issue.
- The Finnish Financial Supervisory Authority approves Lehto's rights issue prospectus.
- Lehto announces that it will carry out one of Finland's largest pipeline renovation projects in Helsinki.

DECEMBER

- Final result of Lehto's oversubscribed rights issue is released.
- Lehto's new shares are registered with the Finnish Trade Register.



Rights issue

Lehto Group Plc carried out a rights issue in November-December, in which a total of 39,861,269 new shares in the company were subscribed for, corresponding to approximately 137.3 per cent of the 29,029,967 shares offered in the offering. The offering was thus oversubscribed. A total of 26,944,674 offer shares were subscribed for with subscription rights, in addition to which 12,916,595 offer shares were subscribed for without subscription rights. The subscription price was EUR 0.70 per offer share. Lehto received gross proceeds of approximately EUR 20.3 million from the offering.

As a result of the offering, the total number of shares in the company increased by 29,029,967 shares from 58,309,443 shares to 87,339,410 shares. As a result of the offering, the company received net proceeds of approximately EUR 19.3 million, after offering-related fees and expenses. Trading in the new shares commenced on the Helsinki Stock Exchange on 18 December 2020.

References from 2020



As Oy Marskinpuisto, Oulu



As Oy Tampereen Tuohi



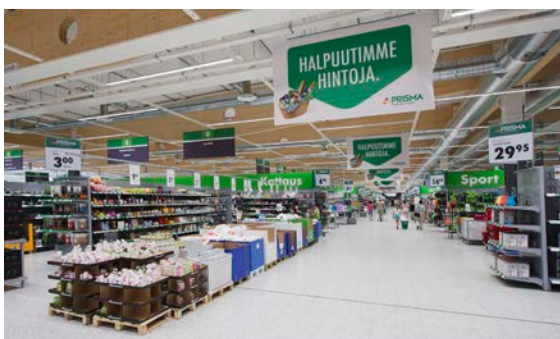
Originator Oy's production and commercial building, Lahti



As Oy Kirkkonummen Tinankartano



Yandex, Mäntsälä



Prisma, Varkaus



As Oy Oulun Åströmin Tori, Oulu



Meconet Oy's factory, Äänekoski

Comments from our customers



“Originator Oy provides spare parts and repairs of heavy equipment. We wanted to build suitable workshop facilities for modern combinations and a large spare parts warehouse in Lahti. The project was under tight scheduling pressure. Lehto was in fact the only company that promised to complete the project in the agreed timeframe. Together, we found alternative approaches that avoided extra costs and thus kept the budget balanced. Only Lehto assumed the risk for preliminary design and tender calculation. With the other contractors, we would have been under pressure regarding the division of costs in the tender phase. Lehto submitted a single price tag – and that’s how we chose our contractor.”

Oskari Hentilä, CEO, Originator Oy

“Puulo and Lehto have learned to know each other well. Discussions are easy. Replicating tried-and-true approaches yields benefits and supports new projects. Lehto has the ability to find good retail locations for our chain’s stores. In addition, they have good experts, project managers who handle the construction of our retail premises. They understand our needs. We can trust them and the experts give us good suggestions regarding space solutions.”

Juha Saarela, CEO, Puulo

“We want to provide our tenants with the best residential experience and be a responsible player in developing better urban living. All of the high-quality apartments included in the agreement are in excellent locations next to good services, outdoor activities and transport connections, supporting us in generating profitable growth.”

Ville Raitio, CIO, Kojamo

“We’ve learned from each other while working on retail location projects. As we have already completed more than ten retail location projects together, the entire process has become more efficient. We can implement numerous projects using the same construction method guidelines. Cooperation is smooth and efficient. Over the past years, we’ve learned much from each other and created well-functioning and durable retail buildings and premises for our customers – in recent years, we’ve accentuated energy efficiency in particular.”

Harri Koponen, Director, Store Network and Concept, Tokmanni

Construction megatrends

We have identified three important construction megatrends of the future that Lehto's approach supports well: industrial manufacturing, digitalisation and ecology.

INDUSTRIAL MANUFACTURING

In the future, more phases of construction work will no longer be done on site, but at factories. Lehto is a Finnish pioneer in industrial prefabrication. We have the largest domestic factory capacity of our own. Carrying out construction work at factories enhances efficiency and also ensures a moisture-controlled production chain. One of the advantages of mass production is continuous quality improvement. However, mass production does not mean that our customers are unable to make choices that are important to them, such as in terms of interior design.

DIGITALISATION

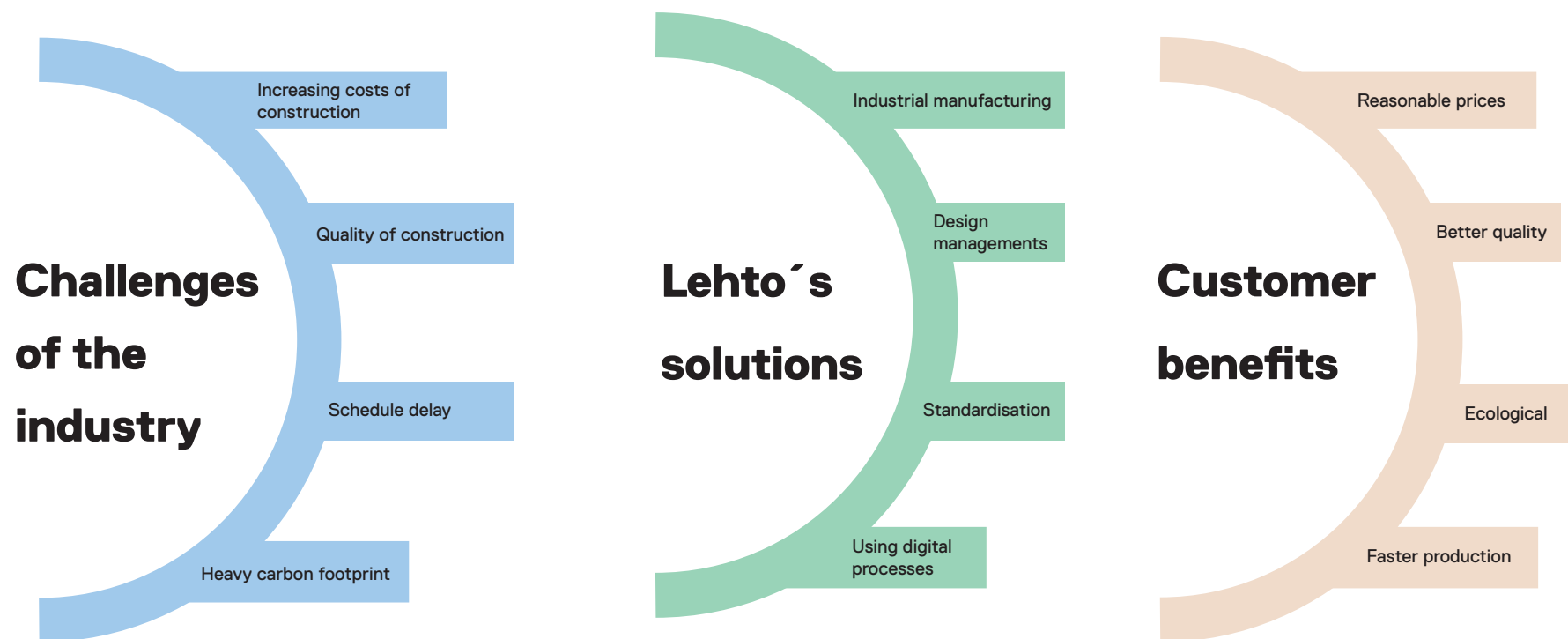
Lehto employs the strategic LEKA project to digitalise construction operations. It has been part of our day-to-day operating model since 2017. These days, all projects are started up using information models. Lehto uses information models throughout the construction process, from design to construction. Thanks to this, those working in different roles can utilise real-time information during the entire project.

ECOLOGY

Lehto is interested in sustainable carbon-neutral construction and seeks to gradually move towards the carbon-neutral circular economy. Ecological construction currently revolves around Lehto's wooden apartment building concept, in which the primary raw material is Finnish wood. The concept utilises industrial manufacturing, which supports the ideology of sustainable construction by reducing waste and loss. In addition, many projects company-wide make use of geothermal heat and other energy-efficiency solutions.



From challenges to the solutions



Strategy

Improving productivity in construction has formed the core of Lehto's strategy for years. In the construction sector, work productivity based on added value has remained at almost the same level as in the 1970s. In the company's opinion, the most typical problems in the sector are the high cost of construction, the slow and laborious nature of project implementation, defects in the finished product, and the environmental loading caused by construction.

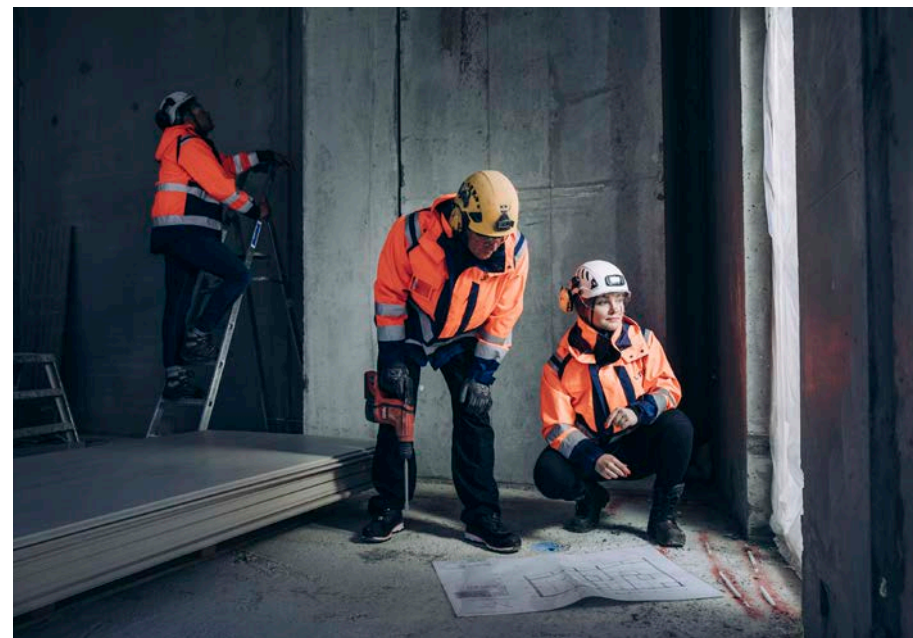
Lehto's strategy revolves around solving the aforementioned problems and creating an innovative corporate culture that actively develops building construction solutions that will moderate costs, improve quality, shorten lead times, and reduce environmental impacts.

The cornerstones of Lehto's strategy are design management, standardisation, industrial manufacturing as well as digital processes and service chain.

During the next three-year strategy period from 2021 to 2023, Lehto's special focus areas are

- ♦ design and productisation
- ♦ factory production and productive sites
- ♦ sustainable construction
- ♦ active sales
- ♦ conceptualised products and services
- ♦ harnessing digitalisation
- ♦ development of the customer experience
- ♦ development of the personnel working atmosphere

During this strategic period, Lehto is primarily seeking a strong improvement in its profitability. Lehto's objective is to substantially increase the relative share of the company's housing production accounted for by wooden apartment buildings. During the current strategy period, which runs until 2023, the company is not specifically seeking internationalisation. Instead, the company's aim is to continue and maintain its early-stage operations in Sweden, and to focus on launching and selling prefabricated wooden apartment buildings in Sweden. A pilot project is expected to start up in Sweden in 2021. During this strategic period, the company will be investigating possibilities for utilising its prefabricated space elements more extensively in areas other than housing construction, leasing out temporary modular premises, and expanding its offering to lifecycle services.



Industrial manufacturing

The use of prefabricated products lies at the core of Lehto's business. Lehto manufactures a variety of building modules and elements at its own production facilities, primarily for its own use. Since the end of 2020 Lehto has production facilities in Oulainen, Hartola, Siikajoki and Ii.

The products manufactured for use in housing and business premises are: load-bearing large roof elements, combined kitchen and bathroom modules, bathroom modules, apartment elements, windows, and riser elements for pipeline renovations. Although Lehto primarily manufactures modules and elements in its factories for its own use, the company does engage in some external sales in this area.

The most extensively productised industrially manufactured product is Lehto's wooden apartment building – the flats are made at the factory. The space elements, including their decor, are finished at the factory, after which they are installed on site.

Lehto's factory production

OULAINEN FACTORIES

- Space elements for modular apartment buildings
- Fixtures: kitchens, bedroom closets, hallway closets, kitchen islands, bathroom fixtures
- Windows and balcony doors
- Technical Studios for apartment buildings, kitchen-bathroom modules for care homes
- Concrete slabs for Technical Studios
- Concrete hallway elements
- Building technology containers
- Plumbing elements

HARTOLA:

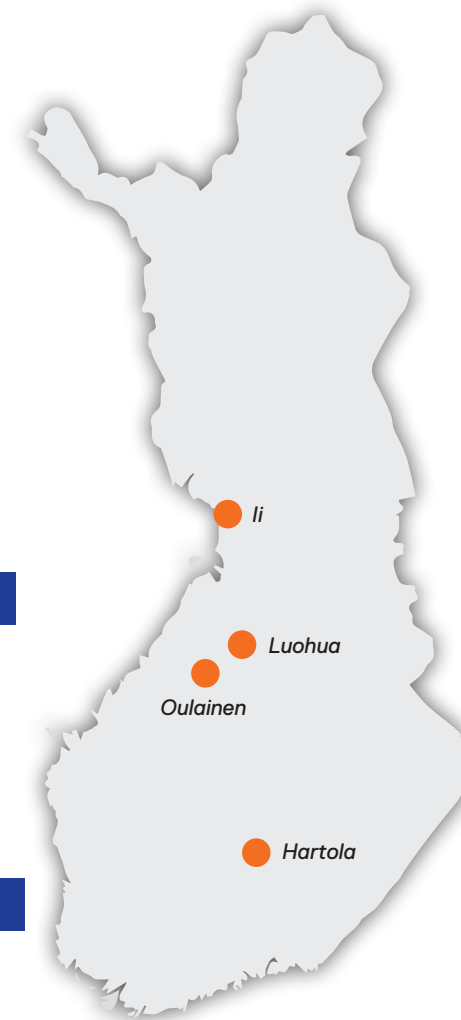
- Space elements for modular apartment buildings
- Space elements for daycare centres
- Space elements for schools
- Large roof elements

LUOHUA, SIIKAJOKI:

- Wooden wall elements
- Partition walls
- Wooden detachable elements

Ii:

- Wooden wall elements
- Partition walls
- Wooden detachable elements





Products from our factories

KITCHEN AND BATHROOM MODULES

Kitchen and bathroom modules are mainly used in the construction of apartment buildings and care homes. The modules are manufactured under stringent quality control that ensures not only even quality, but also considerably better moisture control than in traditional construction. The use of modules also facilitates scheduling the construction site phase, which speeds up the completion of the properties and enables significant cost savings. The completed factory-made modules are lowered into the interior through the roof.

APARTMENT ELEMENTS

Lehto's apartment elements are completely finished apartments manufactured on the assembly line. The completed apartments are installed on the construction site on

top of prebuilt foundations. This improves the quality of construction, ensures a moisture-controlled process and reduces the construction time on site by almost a half compared to traditional construction. Apartment elements can be used to build 2–4-storey small apartment buildings. Apartment elements are produced at the Oulainen and Hartola factories, for instance.

LARGE ROOF ELEMENTS

Lehto's large roof elements are manufactured nowadays at our Hartola factory. By using finished elements, we can install up to 1,500 m² of roof a 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 CENTRES

Lehto's building technology centres 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 added as a whole to 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.

PLUMBING ELEMENTS

The plumbing elements developed by Lehto considerably speed up the implementation of plumbing renovations and bring savings on overall costs to housing companies. Our stylish plumbing elements are manufactured

in our factory under carefully monitored conditions. The use of plumbing elements reduces 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 plumbing 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. In large pipeline renovation projects, the plumbing elements can be customised.

FIXTURES

At the end of 2018, Lehto was already one of the largest manufacturers of fixtures in Finland. We manufacture kitchens, bedroom and hallway closets, kitchen islands, and bathroom fixtures, for instance.

Our employees

In 2020, Lehto had 1,115 employees on average. The number of employees declined by 240 largely due to changes in operations, the business environment and economic cycle. Total employee turnover during the year was 20.2 per cent (2019: 26.0%). At the end of the year, there were 1,034 active employees, of whom 884 (85.5%) were men and 150 women (14.5%). The ratio of salaried employees (560/54%) to non-salaried employees (474/46%) grew during the year. Employees in permanent employment relationships accounted for 94.8 per cent of personnel. Those in fixed-term employment (5.2%) were mainly trainees as part of their education or substitutes, or engaged in project work or other agreed-upon temporary tasks.

In 2020, Lehto conducted two major rounds of employee cooperation negotiations. The negotiations carried out at the beginning of the year were part of the company's revitalisation programme and concerned the Housing and Social Care and Educational Premises service areas. The negotiations sought to downscale the offerings of the Social Care and Educational Premises service area and reorganise the remaining functions as part of the Housing and Business Premises service areas. As a result of the negotiations, care home construction was transferred on 1 May to the Housing service area and the construction of schools to Business Premises. The negotiations cut person-work-years by a total of 69 and 29 persons transferred to other positions.

The second round of employee cooperation negotiations was initiated when the coronavirus pandemic clouded the business outlook in early spring. On 25 March 2020, Lehto started employee cooperation negotiations on potential temporary layoffs applying to all personnel. These negotiations were carried out due to the coronavirus

pandemic, which is expected to have direct, indirect and possibly also long-term impacts on the business environment. According to the company's estimate, the changes caused by the pandemic might be related to delays in project start-ups and disruptions in the availability of materials and subcontracting resources. As a result of the negotiations, measures were initiated, mainly involving part-time layoffs. The layoffs extended until the end of the year and achieved cost savings of about 50 person-work-years.

The Group conducted a People Power HR survey at the turn of August and September. The overall rating declined slightly from the previous result (2018/AA) to A+. This is partly due to the personnel impacts of the revitalisation programme in the first part of the year and the coronavirus measures. The HR survey revealed that Lehto's strengths are: managerial work (which remains at a good level), appropriate workspaces and equipment, and the usefulness of performance reviews. The development targets identified in the survey were: the development of the customer experience and the improvement of both the employer image and opportunities to have an influence on job tasks. The Group's management highlighted the following as their own development targets: taking steps to increase personnel participation, communicating about decisions and encouraging cooperation across unit boundaries.

In October, the Group held a Lehto Day for all employees, inviting everyone to enjoy a break together. Coronavirus restrictions were taken into consideration. Employees gathered at their workstations for cake and coffee, and an entertaining programme organised at the Vantaa office was streamed to all Lehto offices, factories and sites around Finland. The highlight of the event was the recognition of 14

persons as Lehto Employees of the Year, as voted on by their colleagues. The Lehto Day was held for the first time.

The development of in-house training continued in 2020. The induction programme was enhanced to cover the first six months of a new employment relationship. During this period, induction is carried out under the guidance of the new employee's immediate supervisor and designated teammate mentor. A training module on work ability management was added to the Management Academy 1 programme in cooperation with occupational healthcare and the occupational pension insurance company. During work on the operating manual, the structure of the Production Academy was honed to better meet the needs of production design and site management. The Career Promise programme for students was downscaled due to the coronavirus pandemic. In 2020, 37 students participated in the programme.

The year was challenging to the personnel due to the pandemic. Despite this, the personnel survey indicated that occupational wellbeing and health, as well as motivation to work and the management of own work are in good shape. The sick leave percentage (3.25%) can be considered to be good in the context of the industry. During the past year and a half, we have made a concerted effort to enhance occupational safety in the Group. Our success in these efforts is indicated by the improvement in the workplace accident frequency, which was 23 in 2020 (2019: 29, 2018: 43).

The year was challenging to the personnel due to the pandemic. Despite this, the personnel survey indicated that occupational wellbeing and health, as well as motivation to work and the management of own work are in good shape.

Lehto Day



We rewarded our fourteen colleagues on Lehto Day. They stood up as a Lehto Employee of the Year in our personnel survey by given positive hints.





Lehto as an Employer

Five Lehto Employees of the Year share their thoughts about Lehto



ANTTI MÄÄTTÄ, DEVELOPER MANAGER, HOUSING

“At Lehto, everyone can make their voice heard. Everyone contributes to development, no matter what their job title is. Teamwork is not just a word – we truly pull together to get things done. For me, cooperation means that we are open and have a good atmosphere – you can ask for advice when you need it. Good team spirit plays a major role in the company’s success, but it also boosts coping at work and stamina. We can make it through even the most trying times by working together.”



KAISU OKKONEN, PAYROLL ACCOUNTANT

“I’ve worked here for almost 14 years and now serve as a payroll accountant and team leader. The company has grown over the years – for this reason, I’ve always had plenty of challenges and things to learn at Lehto, and haven’t had to go elsewhere to find them. Our culture is relatively flexible and agile, and the people are approachable. The best thing about my job is the team. We share the same mindset – we’re experts who get things done and have the same goal. The work is hectic and we often fight against the clock, but working with nice people maintains your enthusiasm, drive and high performance even when things are busy.”



KALLE HUHTALA, GENERAL WORK SUPERVISOR, BUSINESS PREMISES

“I appreciate the fact that everyone has a real opportunity to make a difference at Lehto – almost without exception, new ideas are discussed and their feasibility in practice is thoroughly analysed. An atmosphere that encourages coming up with new ideas is in fact essential to enable Lehto to be a pioneer in the construction industry. The construction industry in general easily tends to fall back on the same old ways of working, but I’ve never run into this problem at Lehto. We proactively look for better ways of doing things that break from convention.”



MARKKU TOLONEN, CARPENTER, OULAINEN FACTORY

“We’re always developing things – yes, I think that’s the Lehto spirit. Now that we’ve overcome the painful consequences of the company’s strong growth, I feel that we’re once again heading in a better direction.”



LAURA HIETANEN, PROJECT MANAGER, DESIGN

“The Lehto spirit means having an open-minded attitude and the courage to try something new, openly sharing information with colleagues, helping your mates in times of ups and downs, and both taking and assigning responsibility. Cooperation between the entire project team throughout a project plays an important role in our day-to-day work – having confidence in each others’ professional expertise is key.”

Teamwork is not just a word – we truly pull together to get things done.

Management



Juha Höyhtyä

EVP
Housing

Timo Reiniluoto

EVP
Business Support
Services

Antti Asteljoki

Chief Commercial
Officer

Kaarle Törrönen

EVP
Human Resources

Hannu Lehto

CEO

**Veli-Pekka
Paloranta**

Chief Financial
Officer

Arto Tolonen

Chief
Development
Officer

**Jaakko
Heikkilä**

EVP
Business
Premises

**Jukka
Haapalainen**

EVP
Industrial
Manufacturing

Juuso Hietanen has been appointed as Lehto's new CEO



Juuso Hietanen (43), M.Sc. (Tech.), will take up the position of Lehto Group Plc's CEO in autumn 2021 at the latest.

Juuso Hietanen was the CEO of Bonava Finland prior to this appointment. Earlier, he had been in leadership duties in housing production with NCC in Finland, Russia and the Baltic states since 2004. Juuso Hietanen has a master's degree in engineering.

"Lehto Group is a growing company that is reforming the construction industry. I see the company's strategy as an excellent response to the changing trends in construction and to the change in demand. My own experience of the international construction market will also strengthen Lehto's internationalisation opportunities," says Juuso Hietanen.

After Juuso Hietanen has stepped into the position of CEO, the current CEO Hannu Lehto will stay on in the company's employ. He will work in a key role, with responsibility for development and innovations.

Shares and shareholders

SHAREHOLDERS 31 DECEMBER 2020

	Number of shares	%
Lehto Invest Oy	33,914,760	38.8%
Kinnunen Mikko	1,446,454	1.7%
Saartoala Ari	1,000,485	1.1%
Sr eQ Pohjoismaat Pienyhtiö	947,045	1.1%
Danske Invest Finnish Equity Fund	915,718	1.0%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	900,000	1.0%
Keskinäinen Työeläkevakuutusyhtiö Elo	711,309	0.8%
Veikkolainen Paavo	700,073	0.8%
OP-Henkivakuutus Oy	690,235	0.8%
Sr Säästöpankki Pienyhtiöt	651,512	0.7%
10 LARGEST SHAREHOLDERS	41,877,591	47.9%
Nominee-registered	7,273,031	8.3%
Other shareholders	38,188,788	43.7%
TOTAL	87,339,410	100.0%

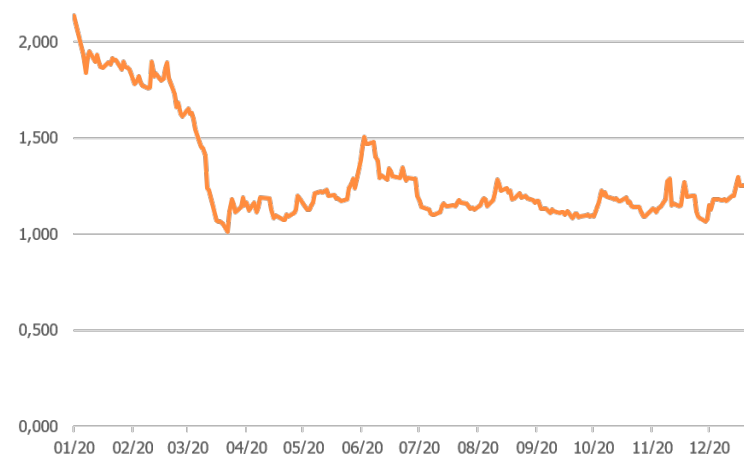
SHAREHOLDING BREAKDOWN

Shares	Number of shares	%
1 - 100	206,164	0.2%
101 - 1,000	3,666,974	4.2%
1,001 - 10,000	13,669,373	15.7%
10,001 - 100,000	13,732,527	15.7%
100,001 - 1,000,000	13,697,354	15.7%
over 1,000,000	42,367,018	48.5%
TOTAL	87,339,410	100.0%
where of Nominee-registered	7,273,031	8.3%

SHAREHOLDINGS BY SECTOR

	Number of shares	%
Companies	42,279,746	48.4%
Financial and insurance institutions	9,651,150	11.1%
Public sector organizations	1,638,019	1.9%
Households	32,994,496	37.8%
Non-profit organizations	213,216	0.2%
Foreign countries	562,783	0.6%
TOTAL	87,339,410	100.0%
where of Nominee-registered	7,273,031	8.3%

SHARE PERFORMANCE 2020



- ♦ Closing price of the share EUR 1.35
- ♦ Lowest rate during the review period EUR 0.98
- ♦ Highest rate during the review period EUR 2.17
- ♦ Trading 45,969,542 shares



LEHTO

**Forebuilder of
a better tomorrow**