



Business Review January-March 2021



January – March 2021 in brief

Stable business development in the first quarter, where the result is for the fifth time in a row, improving on the corresponding period of the previous year.

Net sales for January–March declined by 26.6% year-on-year to 87.6 million euros.

Operating result was -1.8 (-3.5) million euros that was better than on comparison period. No projects recognised as revenue upon delivery were completed during the review period.

The balance sheet position remained good.

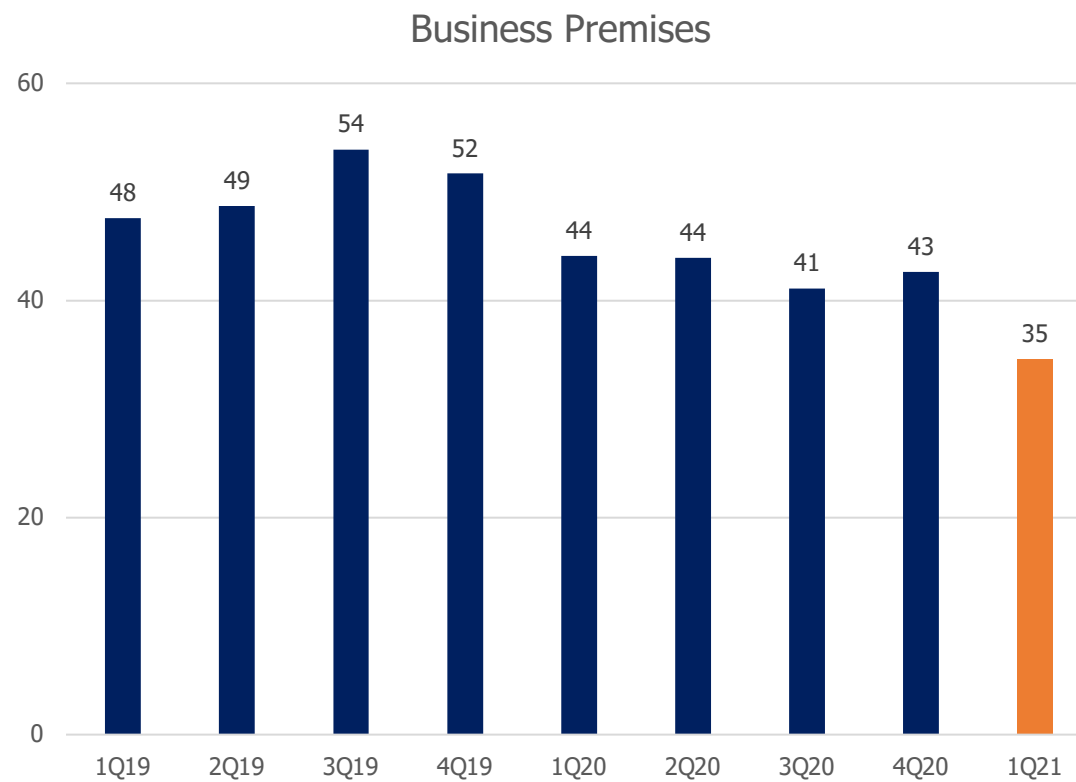
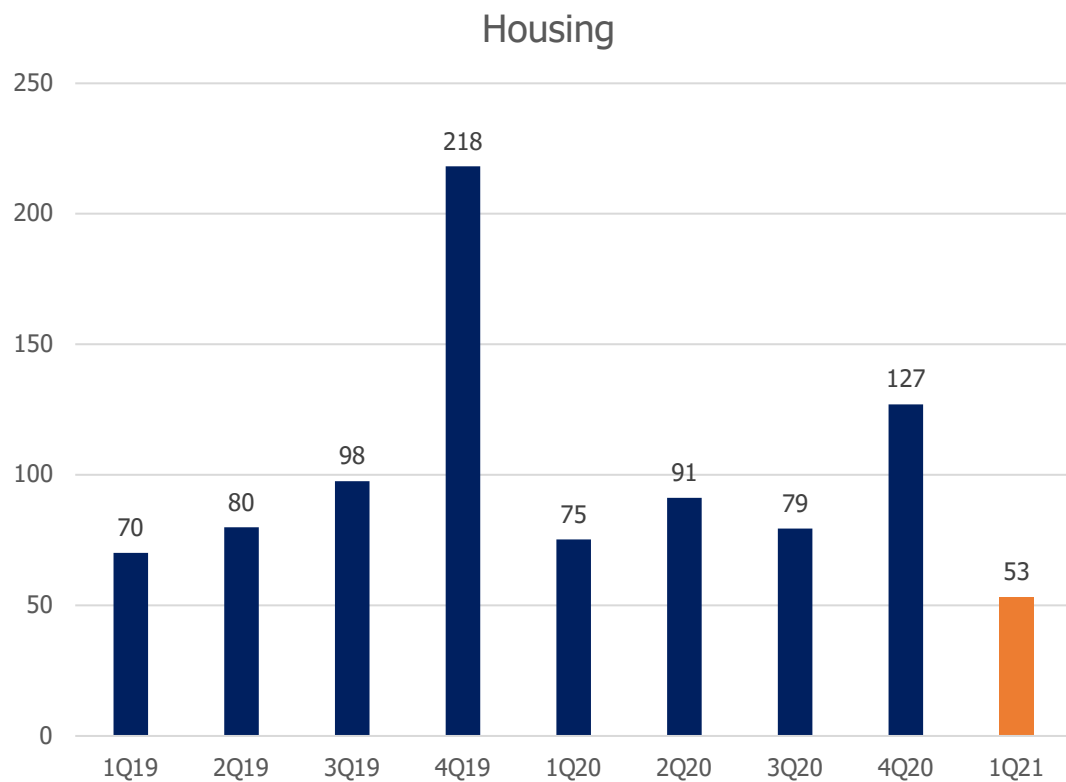
The order backlog declined both in service areas.

Net sales by service area (EUR million)

Service area	1-3/2021	1-3/2020	1-12/2020
Housing	53.0	75.2	372.9
Business Premises	34.6	44.1	171.7
TOTAL	87.6	119.4	544.7

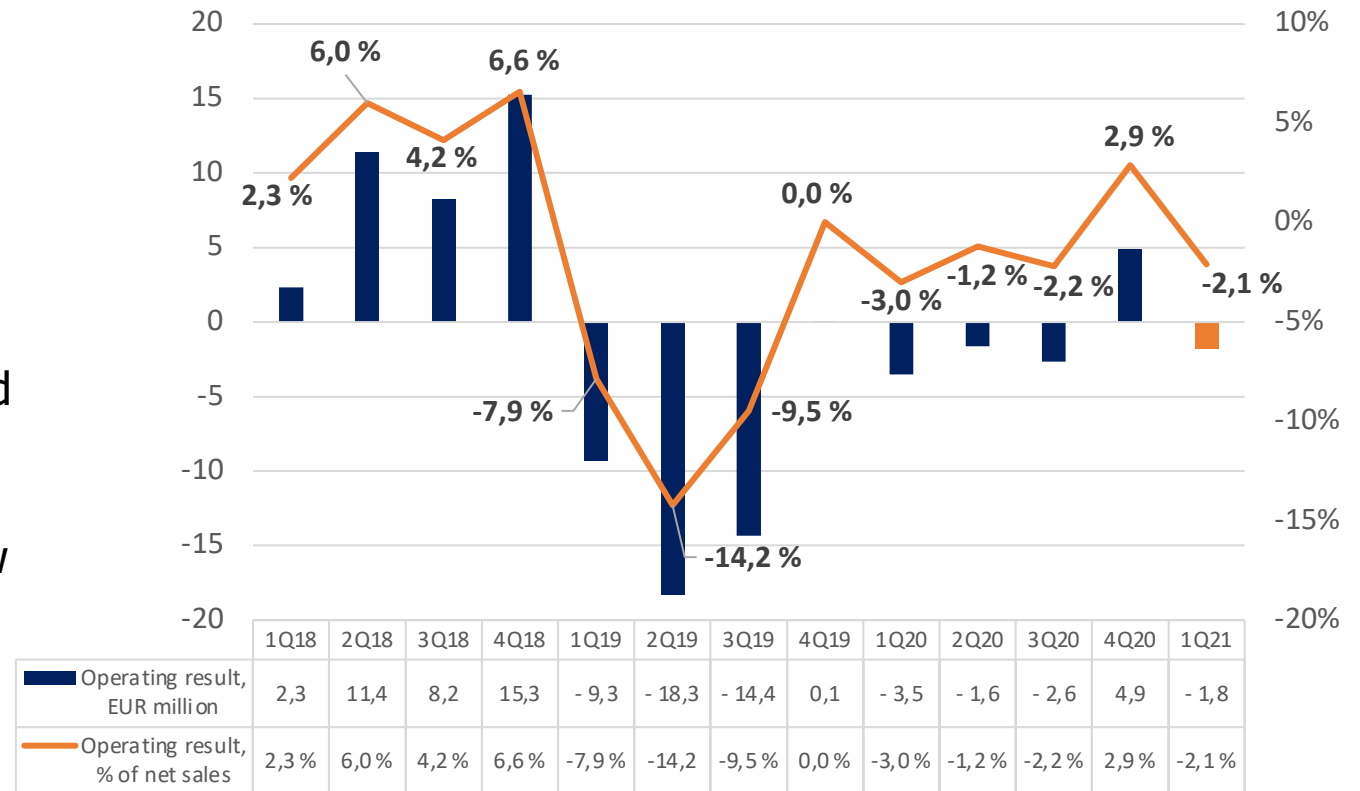


Net sales by quarter and service area, EUR million



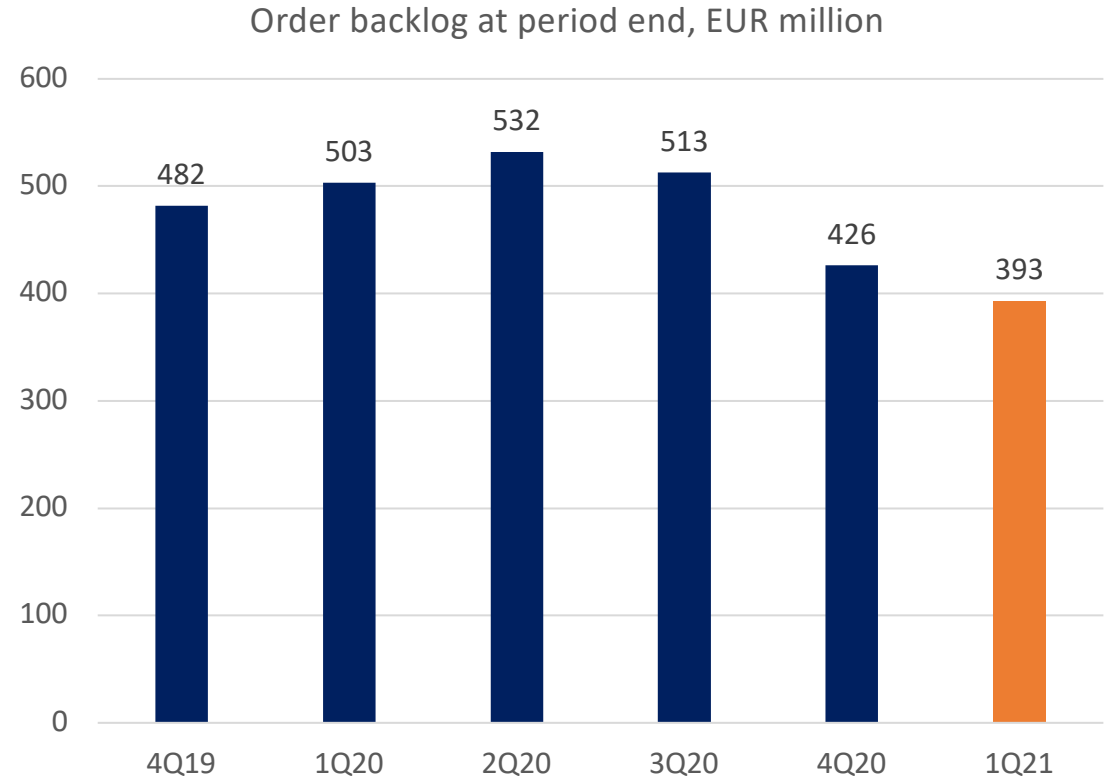
1Q operating result better than in previous year

- The operating result in 1Q was -1.8 EUR million (-3.5 EUR million 1Q/2020)
- The decline in number of weak-margin projects had a positive impact on the operating result.
- The operating result was burdened by high fixed costs in relation to current business volume and the fact that no projects recognised as revenue upon delivery were completed during the review period.



Order backlog

- The order backlog declined to EUR 392.7 million (EUR 426.3 million on 31 December 2020).
- The order backlog declined in both service areas.



Balance sheet

- The balance sheet total grew slightly from the 2020 closing date
- Increase in inventories
- Cash and cash equivalents decreased which was due to not only growth in net working capital but also the repayment of financial liabilities.
- Financial liabilities declined to 72.8 million euros.

Consolidated balance sheet. EUR million	31 Mar 2021	31 Mar 2020	31 Dec 2020
Non-current assets	58.6	56.5	63.4
Current assets			
Inventories, excluding IFRS 16 assets	122.3	196.2	107.7
Inventories, IFRS 16 assets	53.5	50.0	28.0
Current receivables	93.9	76.9	79.7
Cash and cash equivalents	70.5	69.4	105.1
Total assets	398.7	448.9	383.8
Equity	121.0	107.7	123.6
Financial liabilities	72.8	126.9	80.4
Lease liabilities	58.4	57.0	33.3
Advances received	77.9	88.5	64.4
Other payables	68.5	68.9	82.1
Total equity and liabilities	398.7	448.9	383.8



Housing

Net sales decreased by 29.6% from the comparison period to EUR 53.0 (75.2) million.

A total of 643 (783) housing units were sold during the review period., most of which were built through contract projects.

During the review period 148 (428) housing units were completed and the construction of 152 (514) new units was started.

Several agreements were signed during the review period for housing projects sold as contracts and for one care home and assisted living project as part of a housing project.

The pipeline renovation business has remained stable and 4 (5) were completed during the review period. Nine (11) properties were under construction at the end of the review period.

No (4) care homes were completed during the review period and three (0) were under construction at the end of the period.

Business Premises

Net sales experienced a year-on-year decrease of 21.6% to EUR 34.6 (44.1) million.

One business premises was completed and handed over during the review period (4 in 1-3/2020).

At the end of the review period, 17 (17) projects were under construction, most notably three hotel projects in the Greater Helsinki area, an office building for Fennovoima in Pyhäjoki and a pulp warehouse in the Port of Kemi.

The order backlog decreased to EUR 191.0 million (EUR 194.2 million on 31 December 2020).

The school and daycare centre business performed in line with plans during the review period. One (2) project was handed over during the review period and two school projects are under construction: in Ivalo and Kouvola.





Swedish operations

Lehto has developed a type of wooden block of flats based on prefabricated space elements that is especially suitable for the Swedish market.

Lehto is currently negotiating with customers and investors on the implementation of the first pilot project. In the first phase after the pilot project, the intention is to carry out the projects as fixed-price contracts, with the construction phase being implemented with local partners.



Factory production

244 people worked in factory operations at the end of the review period (236 on 31 December 2020).

Current factory and equipment capacity enables the company to produce larger quantities as industrial manufacture increases during the strategy period.



Outlook for 2021

The outlook Lehto published in its financial statement bulletin on 18 February 2021 remains unchanged.

Lehto estimates that net sales in 2021 will be lower than in the previous year and that the operating result will be positive. The accrual of the operating result is expected to be concentrated in the second half of the year.

The outlook is based on the current assessment by the company's management of progress on ongoing construction projects, the trend in sales of housing and business premises, and the start-up schedules of new projects.

The main risks to the development of net sales and operating result in 2021 concern the trend in sales of housing and business premises, potential interruptions of construction site operations due to the coronavirus pandemic, availability of raw materials/supplies and rising prices.

A 3D architectural model of a modular building structure. The structure is composed of numerous rectangular blocks of two colors: light-colored wood and dark grey. The blocks are stacked in a complex, non-uniform manner, creating a multi-level, stepped appearance. Some blocks have a grid-like pattern of small square openings. The structure is set against a plain, light grey background. The lighting is soft and even, highlighting the textures of the wood and the geometric forms of the blocks. The overall impression is one of a modern, sustainable, and flexible building design.

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