

**Business Review
January-September 2021**

**Net sales and operating result
declined. Order backlog and
financial position remained
stable**



January – September 2021 in brief

Net sales for January–September declined by 25.8% a year-on-year to EUR 278.1 (374.9) million. Net sales decreased in both service areas due to a reduction in the number of construction projects.

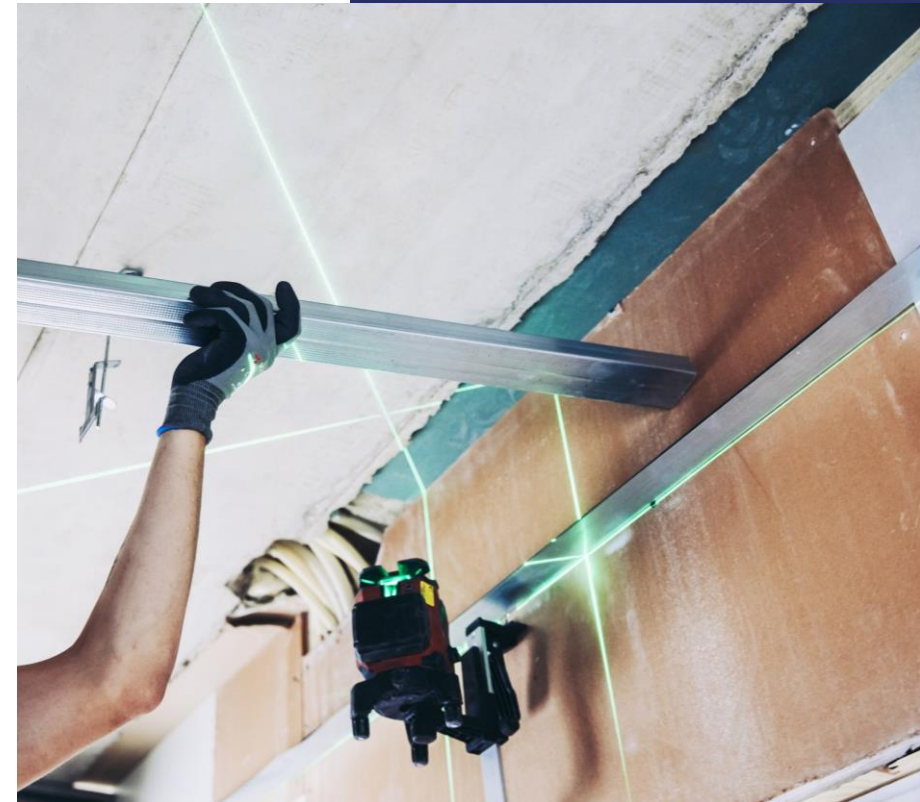
The operating loss was EUR 10.7 million (operating loss of EUR 7.8 million). The reasons behind the operating loss were some loss-making business premises projects and their delayed execution, rising prices of the building materials and their weak availability, and delays in the starts of new projects and the company's currently high fixed costs in relation to volume.

The balance sheet position remained good.

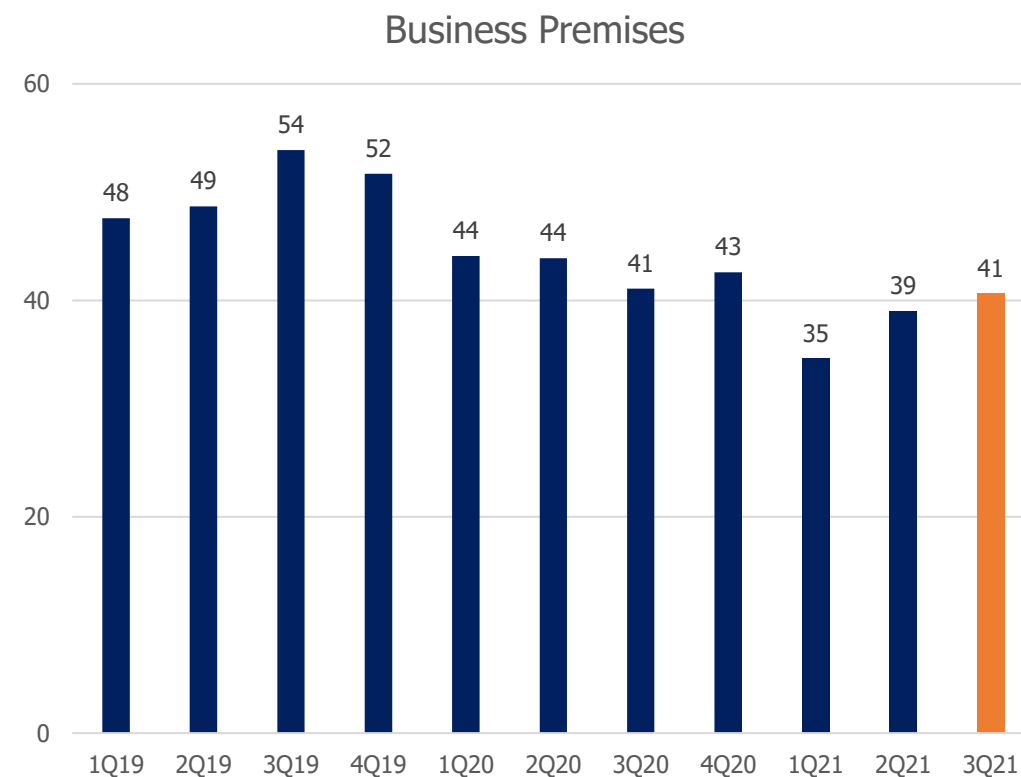
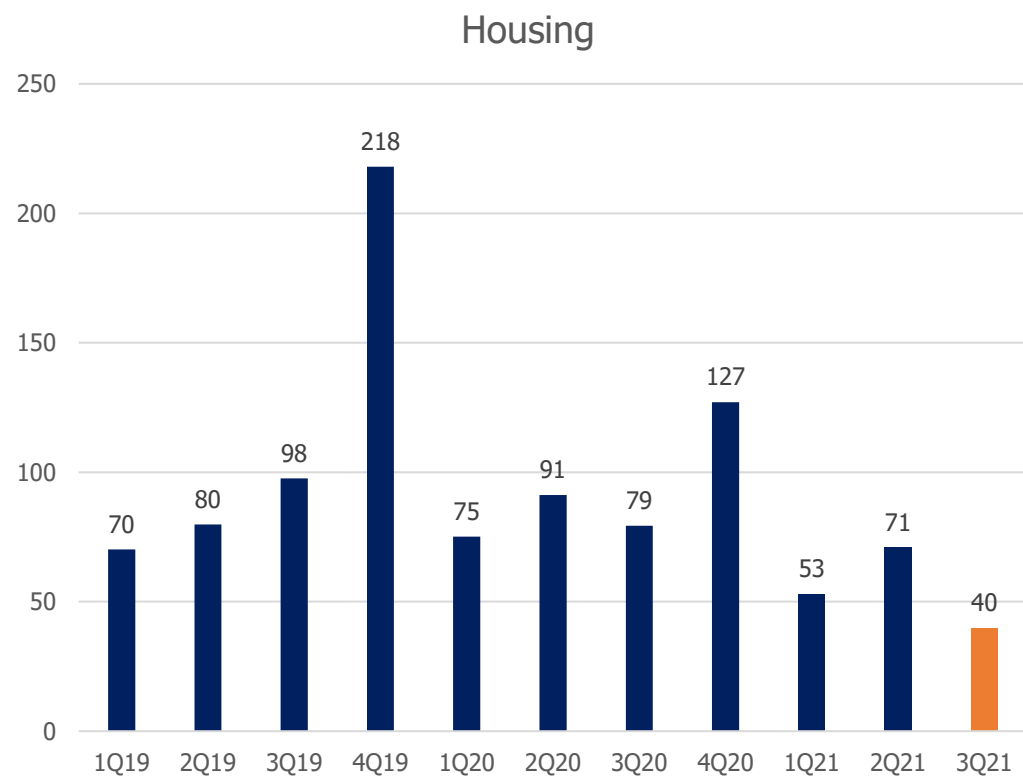
The order backlog rose to EUR 503.2 million.

Net sales by service area, EUR million

Service area	1-9/2021	1-9/2020	1-12/2020
Housing	164.2	245.8	372.9
Business Premises	113.8	129.1	171.7
TOTAL	278.1	374.9	544.7

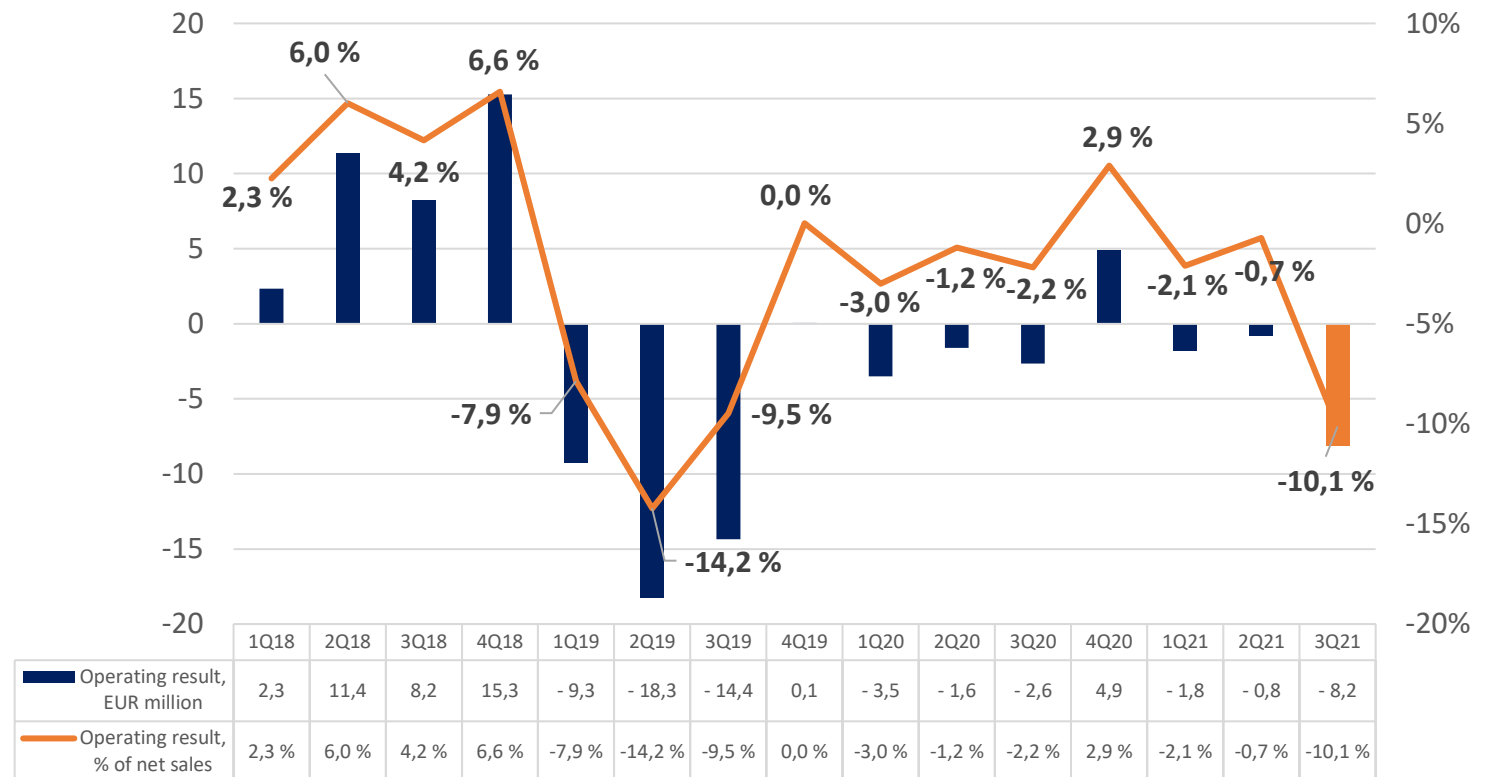


Net sales by quarter and service area, EUR million



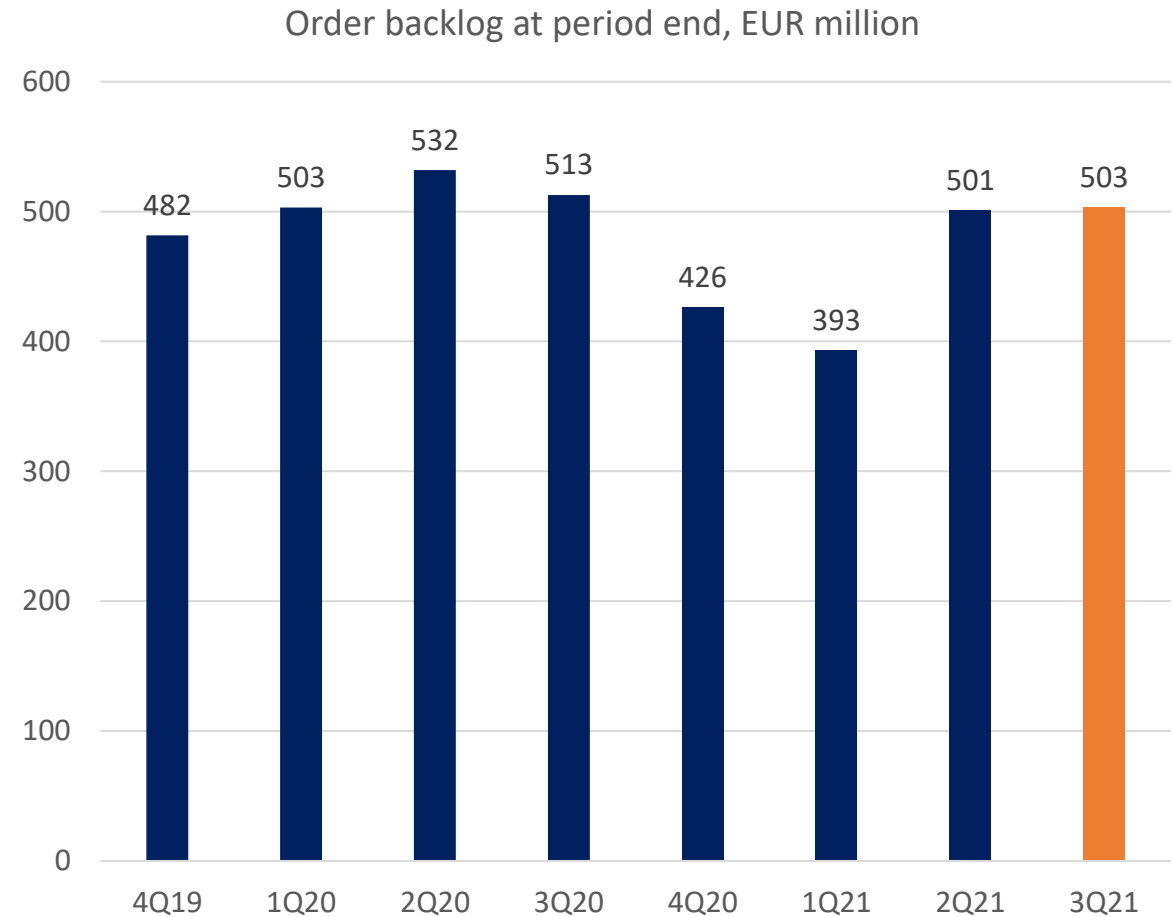
3Q operating result

- The operating result in 3Q was -8.2 EUR million (-2.6 EUR million 3Q/2020)
- The reasons behind were some loss-making business premises projects and their delayed execution, rising prices of the building materials and their weak availability, and delays in the starts of new projects and the company's currently high fixed costs in relation to volume.



Order backlog

- The order backlog rose to EUR 503.2 million (EUR 426.3 million on 31 December 2020).
- There was growth in both service areas.



Balance sheet

- The balance sheet total grew slightly from the 2020 closing date.
- Inventories grew especially as the company acquired land plots for housing projects and costs were accrued to projects in progress.
- The decrease in cash was due to growth in net working capital and the repayment of financial liabilities.
- Financial liabilities declined to EUR 63.3 million.

Consolidated balance sheet, EUR million	30 Sep 2021	30 Sep 2020	31 Dec 2020
Non-current assets	55.4	67.5	63.4
Current assets			
Inventories, excluding IFRS 16 assets	129.9	154.4	107.7
Inventories, IFRS 16 assets	89.2	49.3	28.0
Current receivables	97.7	94.5	79.7
Cash and cash equivalents	52.3	57.5	105.1
Total assets	424.5	423.2	383.8
Equity	111.4	103.0	123.6
Financial liabilities	63.3	106.5	80.4
Lease liabilities	93.4	55.3	33.3
Advances received	87.5	94.3	64.4
Other payables	69.0	64.1	82.1
Total equity and liabilities	424.5	423.2	383.8



Housing

Net sales decreased by 33.2% from the comparison period to EUR 164.2 (245.8) million.

A total of 1 265 (1 677) housing units were sold during the review period, most of which were built through contract projects.

During the review period 641 (928) housing units were completed and the construction of 1 185 (1 282) 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 7 (8) were completed during the review period. 11 (11) properties were under construction at the end of the review period.

Three (4) care home was completed during the review period and two (3) were under construction at the end of the period.

Business Premises

Net sales declined by 11.7% a year-on-year to EUR 113.9 (129.1) million.

Nine business premises was completed and handed over during the review period (15 in 1-9/2020).

At the end of the review period, 19 (14) projects were under construction, most notably a local service centre in Kivistö, Vantaa, 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 rose to EUR 227.2 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 daycare centre in Pieksämäki was handed over during the review period and two school projects are under construction: in Ivalo and Kouvola.

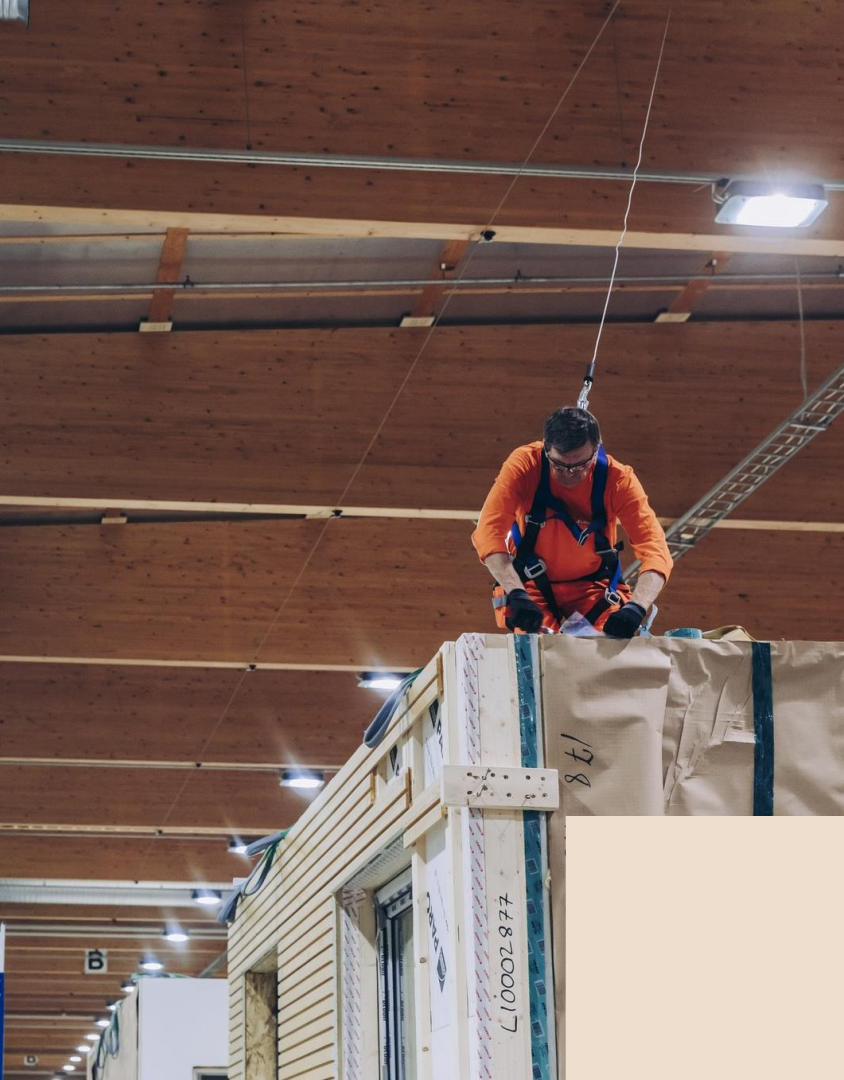


Swedish operations

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

Lehto has signed a preliminary agreement for a wooden apartment building to be implemented as a contract in northern Stockholm. The building permit application is currently being processed by the authorities.

The first project will be carried out as a pilot project, after which Lehto will assess and decide on the continuation of operations in Sweden.



Factory production

249 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

Lehto revised its financial guidance for 2021 downward, as described in a stock exchange release published on 18 October 2021.

Lehto estimates that net sales in 2021 will be approximately 20% lower than in the previous year (EUR 544.7 in 2020) and that the operating result will be negative.

The main factors behind the declined outlook are some loss-making business premises projects and their delayed execution, rising prices of the building materials and their weak availability, and delays in the starts of new projects.

The main risks to the development of net sales and the operating result in 2021 concern the availability and rising prices of building materials and the completion of certain business premises projects according to the planned schedule and planned costs.

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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