

**20  
21**

# Improved margins in housing projects, significant losses in business premises projects.

*This report has been prepared in accordance with the IAS 34 standard. The company complies with half-yearly reporting according to the Finnish Securities Markets Act. The financial statement bulletin is unaudited. Figures in brackets refer to the corresponding period of the previous year, unless otherwise stated.*

## Summary 2021

GROUP	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Net sales from continuing operations, EUR million	157.8	169.6	435.9	544.7
Change in net sales from continuing operations, %	-7.0%	-36.7%	-20.0%	-18.2%
Operating result from continuing operations, EUR million	-14.2	6.0	-24.0	0.1
Operating result from continuing operations, % of net sales	-9.0%	3.5%	-5.5%	0.0%
Result from continuing operations, EUR million	-14.8	2.4	-25.7	-5.1
Result from discontinued operations, EUR million	-5.6	-1.6	-6.9	-3.1
Result for the period, EUR million	-20.5	0.8	-32.6	-8.2
Result for the period, EUR million	0.8	0.4	-8.2	-35.7
Order backlog at period end, EUR million	474.1	426.3	474.1	426.3
Earnings per share, EUR	-0.23	0.01	-0.37	-0.12
Cash and cash equivalents, EUR million	32.8	105.1	32.8	105.1
Financial liabilities, EUR million	45.8	80.4	45.8	80.4
Lease liabilities, EUR million	90.4	33.3	90.4	33.3
Equity ratio, %	27.2%	38.7%	27.2%	38.7%
Net gearing ratio, %	113.8%	7.0%	113.8%	7.0%
Equity ratio, excl. IFRS 16 lease liabilities, %	37.3%	43.2%	37.3%	43.2%
Net gearing ratio, excl. IFRS 16 lease liabilities, %	14.4%	-19.9%	14.4%	-19.9%

- In 2021, net sales were down 20.0% on the previous year and amounted to EUR 435.9 (544.7) million. Net sales decreased in both service areas due to a reduction in the number of construction projects.
- The operating result from continuing operations was EUR -24.0 (0.1) million. This operating loss was primarily the result of the significant losses made in six business premises projects. Their project margins had a total negative impact of about EUR -24 million in 2021. As a whole, the Business Premises service area had a negative impact of about EUR -29 million on the Group's 2021 operating result.

- In spite of increased material costs, the Housing service area exhibited a favourable earnings trend that was better than budgeted.
- Construction of 1,835 new apartments began during the financial year, which is 21.7% more than in the previous year (1,508). At the end of the review period, there were 2,002 (1,444) apartments under construction, the majority of which are related to projects for institutional investors.
- The result for the financial year was EUR -32.6 (-8.2) million, of which EUR -25.7 (-5.1) million was the full-year result for continuing operations. The result for discontinued operations in Sweden was EUR -6.9 million (-3.1 million in 2020).
- At the end of the financial year, cash and cash equivalents stood at EUR 32.8 (105.1) million and interest-bearing liabilities excluding lease liabilities under IFRS 16 amounted to EUR 45.8 (80.4) million. In addition to the loss-making result, cash and cash equivalents were reduced by loan repayments and growth in net working capital. The company is currently negotiating the renewal of its RCF financial agreement, which will end on 31 December 2022.
- The order backlog rose to EUR 474.1 million (EUR 426.3 million on 31 December 2020). The order backlog grew in both service areas.

<b>NET SALES BY SERVICE AREA, EUR MILLION</b>	<b>10-12/ 2021</b>	<b>10-12/ 2020</b>	<b>Change Q4</b>	<b>1-12/ 2021</b>	<b>1-12/ 2020</b>	<b>Change</b>
Housing	121.9	127.1	-4.1%	286.1	372.9	-23.3%
Business Premises	35.9	42.6	-15.8%	149.8	171.7	-12.8%
<b>Total</b>	<b>157.8</b>	<b>169.7</b>	<b>-7.1%</b>	<b>435.9</b>	<b>544.7</b>	<b>-20.0%</b>

## CEO Juuso Hietanen:

“In 2021, Lehto continued its hard work to improve the company’s competitiveness. I joined the Lehto team myself in May and noticed that, after years of strong growth, there is now a need to lead development in several sectors at once. We must focus our operations, change our operating practices and use of capital, and update our strategy. Equally importantly, we must also be able to motivate our personnel during this challenging situation. The primary goal of all our action will be to improve profitability. Measures and changes related to this have been accelerated in order to stabilise the situation.

During the year, we have also worked on the company’s strategy, and have changed both our operating models and culture. Although we have been able to develop our operations in 2021, these changes will not be immediately visible and will take some time to implement, as is typical in our industry. The effects of these changes are not yet being seen throughout the entire chain, which is reflected in the higher-than-expected losses made by Business Premises from projects launched in earlier years. At the same time, we are also facing an exceptional challenge from the high rise in the prices of building materials. In order to focus our operations, we have discontinued our business in Sweden, consolidated our wooden construction in a single unit, and streamlined our support function organisation.

In spite of increased material costs, the Housing service area exhibited a favourable earnings trend that was better than budgeted. In addition to building concrete apartment buildings, we are also a notable builder of wooden apartment buildings and have the most advanced concept on the market for modular prefabrication. We firmly believe in our expertise in wooden apartment buildings, which above all represents a distinctive competitive advantage in the future. The themes of sustainable development and using wood as a raw material are now more central than ever, especially in the construction sector. The Housing service area’s pipeline renovations also remained profitable.

We incurred large losses from six projects in the Business Premises service area during 2021, which led to a significant loss-making result for the entire company. Several commitments related to these projects were made in 2017–2019, and the projects no longer comply with the company’s current criteria. Project cost management in the Business Premises service area has not been at an acceptable standard. The losses arose from shortcomings in project preparation, problems and delays in project implementation, agreeing on contract prices at an early stage, and increased material costs. We have located the issues, and know what we need to do to improve the situation. Work on this is currently ongoing. The losses made by Business Premises clearly demonstrate our need to pay more attention during the early stages of a project, and we have introduced new operating models to ensure this. Construction is a project-based business, and the actual value of a project is created long before anyone steps onto the construction site. We must have much more precise plans, calculations and agreements before committing to a project, and must also clearly raise the proportion of tied costs before agreeing on a price. This will ensure that costs remain within budget during the construction phase.

Our financial position has been weakened by this year’s loss-making result. We are currently in negotiations with various financiers to find solutions that will also enable long-term business development.

The year ended in a more challenging situation than expected. However, the necessary changes and development work have either been done or are currently ongoing and will lead to an upswing in the company’s profitability. We have identified both the key issues and the measures that will help us to overcome these challenges. We have also increased the company’s competence capital by recruiting experienced experts in key positions at the company.

The company’s performance does not currently meet the expectations of our investors, partners or even our own employees. Yet for us at Lehto, the necessity for change is clear and we have the will to make it happen.”

## Outlook for 2022

According to Statistics Finland building cost rose by 10.2% in December 2021 from one year back and the costs of materials went up by 14.8%. Lehto has ongoing or starting projects with fixed sales price and the significant increase of construction costs will have negative effect on projects’ profitability also in year 2022. Lehto has changed its pricing, purchasing and contractual practices so that the company can better mitigate cost risks.

Lehto is converting some consumer housing projects to investor projects where net sales and margins are booked according to percentage of completion. This causes some net sales, margins and cash flows from the projects to accumulate earlier in year 2022 instead of 2023.

The most important target for the year 2022 is to improve profitability where the project risk management in all entities is the key thing. The company will continue the earlier commenced actions of managing the project risks and improving the operative efficiency. These actions are estimated to have positive effect on profitability, starting from the second half of 2022, but especially on year 2023.

Lehto estimates that Net Sales from continuing operations in year 2022 will be at level of 2021 (EUR 435.9 million in 2021) and operating result from continuing operations to be EUR 5-10 million negative (EUR -24.0 million in 2021). Lehto will disclose its long-term strategic targets during the second quarter 2022.

Additional information of risks and uncertainty is available in this bulletin in chapter “Risks and uncertainties factors”.

# Business objectives and focus areas

Under the leadership of its new CEO, who started in May 2021, Lehto has assessed its business objectives and priorities for the next few years and determined the needs for change and development.

The company's business will continue to revolve around its strategic cornerstones: design management, repeatable operating methods and solutions, industrial prefabrication and digital solutions. However, in order to implement its strategy effectively, Lehto will need to clarify its operating culture and methods, and these areas will be a focus area for development over the coming years.

In housing construction, the focus for the next few years will be on concrete apartment buildings, but wooden apartment buildings are expected to account for a growing share of total production. Lehto will be investing in both wooden construction and sustainable, carbon-neutral construction. Although more attention will be paid to the company's project and planning development, the results of this work will not be seen for several years.

The market for business premises construction is forecast to shift increasingly towards hybrid projects in which different types of users share the same properties. The company will be strengthening its expertise in the implementation of these kinds of hybrid projects. Lehto has profound experience in the successful implementation of hall-like retail, logistics, sports and warehouse buildings, and wants to both utilise this existing experience and further develop its expertise.

The company will evaluate and possibly revise its strategic choices during the second quarter of 2022. Over the next few years, Lehto will focus on improving the profitability and competitiveness of projects. Profitability will be moderate, as the company is still in the investment phase and is focusing on enhancing its competitiveness and sustainable construction.

## Press conference on the financial statements

Lehto Group will hold a press conference for investors, analysts and the media on Thursday, 17 February 2022 at 10:00 am (EET). Due to the coronavirus situation, the event will only be held online. The press conference will be webcast live at [lehto.fi/en/investors/](https://lehto.fi/en/investors/). The livestream will begin at 10:00 am Finnish time and questions can be asked using the online form.

CEO Juuso Hietanen and CFO Veli-Pekka Paloranta will speak at the conference. The event will begin with a brief summary in English. The rest of the press conference will be held in Finnish.

A recording will be made available at the same address as soon as possible.

# Business environment and business development in 2021

## DEVELOPMENT OF THE BUSINESS ENVIRONMENT

According to the estimate published by the Ministry of Finance in January 2022, Finland's GDP grew by 3.4% in 2021; it is forecast that growth will continue this year at a level of around 3.0%. A high saving rate and optimism among consumers have paved the way for rapid growth in private consumption and thereby to an increase in private investments. However, inflation and the threat of rising interest rates pose uncertainty to the forecasts. Public finances are still dominated by a structural imbalance between income and expenditure – this year, the national debt will rise to a record figure of EUR 136 billion. This increases risks in public finances.

The year-on-year change in consumer prices calculated by Statistics Finland was 3.5% in December 2021 and the annual rise in construction costs was as much as 10.2%. Costs of materials grew by 14.8% year-on-year and labour costs by 6.5%. Prices of wood and board products, electronic components and hard plastic products rose steeply and there were occasional problems with their availability. Likewise, the surging prices of energy towards the end of the year surprised the construction products industry. Some large suppliers have demanded that a special energy supplement should be added to contract prices.

In its business cycle review published in October 2021, the Confederation of Finnish Construction Industries RT expected to see small growth of 1-2% in 2021, above all due to the increase in housing construction. According to preliminary estimates, the total number of housing starts rose to 44,000 in 2021, of which privately financed housing accounted for 35,000 units. In 2022, start-ups will remain at a high level of 40,000 (32,000 privately financed). Investor interest in housing continues to be high – the attractiveness of wooden apartment buildings in particular has risen among investors. There has been a growing need for space at home due to the increase in telecommuting caused by the coronavirus pandemic, but the rapid ongoing trend in costs, material and resource availability problems and tighter EU regulation concerning the terms and conditions of construction-stage financing may slow down housing production significantly.

The construction industry estimates that the construction of business premises swung to growth in 2021 due to the construction of industrial and warehouse facilities. In business and office construction, the coronavirus crisis led to uncertainty concerning the utilisation of space, which resulted in a year-on-year fall of almost 30% in the volume of new construction, but this decline will probably come to a halt in 2022. Start-ups in public service construction slowed down in the case of hospital and educational buildings. Growth is forecast for buildings in the care sector in 2022, while the construction of educational premises will most likely remain at the 2021 level.

## HOUSING

In the Housing service area, Lehto builds new blocks of flats in growth centres, carries out pipeline renovations, largely in the Helsinki metropolitan area, and implements care homes and assisted living facilities around Finland.

Operations focus on growing university towns, where Lehto wants to enable households with low and medium incomes to live in high-quality housing. Affordably priced and comfortable urban homes are the result of diligent housing design and standardised construction solutions created through long-term development efforts. In spite of Lehto's standardised approach to production, the residential properties are architecturally diverse. Residential projects are implemented using the PUU (WOOD) and KIVI (STONE) concepts developed by the company. Low-carbon solutions are considered to be an even more important competitive factor in the development of the concepts going forward.

The Housing service area is focused mainly on developer-contracted production where 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, private and institutional investors and funds.

Most of Lehto's current housing projects are concrete apartment buildings and are built using the kitchen/bathroom modules developed and manufactured by Lehto. These modules include the main electricity, water, heat, ventilation and sewerage solutions for the apartment and building. The modules are completely prefabricated at Lehto's own factories and transported to the construction site, where they are lowered into the building through the roof and connected to each other. This patented building method speeds up construction, improves quality and produces cost savings.

An increasing share of Lehto's housing production comprises apartment buildings that are constructed using wooden elements. Apartments in this product family are manufactured as space elements in the company's own factories in Finland – the interior surfaces of the apartment are fully finished when it leaves the factory. Space elements are self-supporting modules that are built at the factory and assembled on site. Wooden apartment buildings involve significantly more industrial prefabrication than concrete apartment buildings. Thanks to this, the on-site schedule can be significantly shorter than in concrete construction. During the strategy period, Lehto seeks to increase the share of its production accounted for by wood construction.

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 a party that invests in properties in the sector. The majority of care homes are 1–2-storey concrete or wooden buildings. Going forward, care homes and assisted living units will expand Lehto's offering in larger project packages in city centres and suburban areas.

### ***Business development in 2021***

The Housing service area's net sales experienced a year-on-year decrease of 23.3% to EUR 286.1 (372.9) million. In particular, the number of consumer projects recognised as revenue declined during the period. The volume of investor projects was also lower than in the comparison period. A total of 1,848 housing units were sold during the review period, most of which were built through investor projects.

<b>Sold housing units during the review period</b>	<b>1-12/2021</b>	<b>1-12/2020</b>
To investors	1,529	1,582
To consumers	319	528
<b>Sold housing units during the review period, total</b>	<b>1,848</b>	<b>2,110</b>

During the period, 1,277 (1,459) housing units were completed and the construction of 1,835 (1,508) new units was started. The start-ups were located in Southern Finland, Western Finland and Northern Finland. There were 2,002 (1,444) housing units under construction at the end of the review period.

<b>Housing units under construction</b>	<b>1-12/2021</b>	<b>1-12/2020</b>
Under construction at the beginning of the period	1,444	1,485
+ started up during the period	1,835	1,508
- postponed project	0	-90
- completed during the period	-1,277	-1,459
<b>Housing units under construction, total</b>	<b>2,002</b>	<b>1,444</b>

At the end of the review period, 456 housing units were either under construction or completed yet unsold. Of these, 26 were completed, unsold apartments. Although housing will continue to focus on investor projects, efforts are being made to moderately increase the share of consumer projects. In an investor project, all the housing units are considered to have been sold at the time of signing.

<b>Unsold housing units</b>	<b>1-12/2021</b>	<b>1-12/2020</b>
Under construction	430	118
Completed	26	56
<b>Unsold housing units, total</b>	<b>456</b>	<b>174</b>

The Housing service area's order backlog stood at EUR 272.1 million at the end of the review period (EUR 232.1 million on 31 December 2020). During the review period, several properties were sold to institutional investors and consumer projects were started in the Helsinki Metropolitan Area, Turku, Tampere, Oulu and Rovaniemi. The housing production order backlog includes the proportion of investor projects that have been started but have not yet been recognised as net sales. A consumer project is included in the order backlog once the decision to start construction has been made and the contract for the project has been signed.

During the review period, among other things, a complex of three housing companies and five separate apartment buildings, with more than 300 apartments and business premises, was completed in Kalasatama, Helsinki.

Demand for housing construction remained good in spite of the uncertainty arising from the coronavirus pandemic. Several agreements with investors were signed during the review period for housing projects and also for care homes and assisted living projects as part of a housing project. The availability and price of financing are still slowing down start-ups of consumer projects.

The volume of care home construction was higher than in the comparison period, as some assisted living units were included in housing construction projects. A total of 4 (4) care homes were completed during the period. At period-end, 1 (3) care home was under construction, as well as some assisted living units as part of housing construction projects. Care home and assisted living projects are in the negotiation phase as both individual sites and as part of larger projects in city centres and suburban areas. Lehto expects demand for care homes and assisted living to rise in the longer term.

The pipeline renovation business has remained stable and 8 (11) projects were completed during the review period. Fifteen (11) properties were under construction at the end of the review period. Work on construction sites has continued to go well in spite of the exceptional circumstances resulting from the pandemic. The required communication with housing companies and their shareholders has been carried out remotely. Demand has remained good and in the company's opinion the need for pipeline renovations will continue to be steady in the future.



On 16 December 2021, Lehto announced that Tero Karislahti, 39, had been appointed EVP of the Housing service area and a member of the Group Executive Board as of 10 June 2022. Karislahti has a master's degree in technology and 18 years' experience in a variety of positions in the YIT construction group. Since 2015, Karislahti has been working in management positions in housing construction, including as regional director.

## **BUSINESS PREMISES**

In the Business Premises service area, Lehto builds office and retail premises; logistics, warehouse and production facilities; leisure facilities; large shopping and activity centres; and schools and daycare centres.

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 and cities, especially 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.

### ***Business development in 2021***

The service area's net sales experienced a year-on-year decrease of 12.8% to EUR 149.8 (171.7) million. Net sales fell in the school and daycare business in particular as a result of Lehto's more selective approach to projects, but net sales from hall-like building projects also decreased due to a decline in the number of projects.

Eighteen business premises projects were completed and handed over during the review period (29 projects in 2020). At the end of the period, 15 (15) projects were under construction, most notably a local service centre in Kivistö, Vantaa; a twin tower in Malmi, Helsinki; an office building for Fennovoima in Pyhäjoki, a pulp warehouse at the Port of Kemi and school projects in Ivalo and Kouvola.

New contract agreements valued at EUR 157.6 million were signed during the period and the order backlog rose to EUR 202.0 million (EUR 194.2 million on 31 December 2020). The most significant agreements signed were for a multispace office building in Tikkurila, Vantaa; a local service centre in Kivistö; a pulp warehouse at the Port of Kemi; and an office for Metsä-Fibre's bioproduct mill in Kemi. The construction site for the multispace office building in Tikkurila is being started up in spring 2022, and the other projects were under construction at the end of the review period.

The school and daycare centre business performed in line with plans during the review period. One (8) project was handed over during the review period and two (2) school projects are under construction: in Ivalo and Kouvola. The Ivalo educational centre is being implemented as a lifecycle project that includes not only construction, but also demolition of the old school building and maintenance and user services for a period of 20 years. The Sarkola School in Kouvola will be implemented as a turnkey project.

Six of Lehto's business premises projects are significantly unprofitable. Their project margins had a total negative impact of about EUR -24 million in 2021. Two are renovation projects (approx. EUR -10 million), two are hotel projects (approx. EUR -4 million), one is an office project (approx. EUR -8 million), and one is an industrial property (approx. EUR -2 million). The losses arose from shortcomings in project preparation, problems and delays in project implementation, agreeing on contract prices at an early stage, and increased material costs. Lehto decided to discontinue its renovation business in 2019, and the commitments related to the two renovation projects in question date from 2017–2019.

Lehto has developed the Hippos2020 project with the City of Jyväskylä. Uncertainties related to the project have increased due to the coronavirus crisis, but Lehto and the City of Jyväskylä are still developing the project.

Lehto has implemented operational changes to improve project risk management in the Business Premises service area, and these will be implemented in early 2022 under the leadership of the service area's new EVP. When evaluating prospective projects, the company will pay particular attention to their suitability with respect to the company's resources and strategy. The company is also planning to make structural and operational changes aimed at reducing its cost level.

## **SWEDISH OPERATIONS**

On 31 December 2021, Lehto announced the discontinuation of its operations in Sweden. The reason for this decision is Lehto's need to focus on developing the competitiveness of its business in Finland, coupled with low business volumes in Sweden. In 2017–2020, Lehto carried out two construction projects in Sweden and also developed some housing construction projects. In 2020–2021, Lehto was developing a type of wooden apartment building suited to the Swedish market and a pilot project has been prepared. The results of this development work can also be utilised in Finland.

## **FACTORY PRODUCTION**

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. Products are also sold in small quantities outside the Group.

The major share of the factory production comprises kitchen-bathroom modules for concrete-frame apartment buildings, space elements for wooden apartment buildings and large roof elements for large business premises. In addition, Lehto manufactures external wall elements, aluminium doors, windows as well as kitchen and other fixtures at its factories.

Lehto has production facilities in Oulainen, Hartola, Siikajoki and Ii, totalling about 50,000 m<sup>2</sup>. At the end of the review period, 253 people worked in factory operations (236 on 31 December 2020). Lehto's current factory and equipment capacity enables the company to produce larger quantities as industrial manufacture increases during the strategy period.

# Balance sheet and financial position

<b>CONSOLIDATED BALANCE SHEET, EUR MILLION</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Non-current assets	49.2	63.4
Current assets		
Inventories, excluding IFRS 16 assets	108.3	107.7
Inventories, IFRS 16 assets	86.6	28.0
Current receivables	90.1	79.7
Cash and cash equivalents	32.8	105.1
<b>Total assets</b>	<b>367.0</b>	<b>383.8</b>
Equity	90.9	123.6
Financial liabilities	45.8	80.4
Lease liabilities	90.4	33.3
Advances received	32.4	64.4
Other payables	107.4	82.1
<b>Total equity and liabilities</b>	<b>367.0</b>	<b>383.8</b>

The balance sheet total fell slightly from the 2020 closing date to EUR 367.0 million. The key figures for financial standing and indebtedness weakened during the year, as shareholders' equity and cash and cash equivalents decreased due to the loss-making result. Cash and cash equivalents were also weakened by loan repayments of EUR 28.7 million and an increase of EUR 25.6 million in working capital. The equity ratio (taking lease liabilities into consideration) stood at 27.2% (38.7% on 31 December 2020) and the net gearing ratio was 113.8% (7.0% on 31 December 2020). The equity ratio without the lease liabilities under IFRS 16 stood at 37.3% (43.2%) and the net gearing ratio was 14.4% (-19.9%).

## Assets

Non-current assets amounted to EUR 49.2 million at the end of the review period (EUR 63.4 million on 31 December 2020). Non-current assets include goodwill of EUR 4.6 (4.6) million, EUR 10.6 (11.4) million in factory buildings and EUR 3.9 (4.9) million in machinery and equipment. The company recorded a EUR 1.8 million impairment included in intangible assets in the balance sheet on product development activities for a type of wooden apartment building suited to the Swedish market.

Inventories rose to EUR 194.9 (135.7) million, mainly due to a EUR 58.2 million increase in inventories in accordance with IFRS 16.

Current receivables rose slightly to EUR 90.1 (79.7) million and included trade receivables of EUR 51.6 (46.3) million and percentage-of-completion receivables of EUR 36.6 (20.5) million.

Cash and cash equivalents totalled EUR 32.8 million on 31 December 2021 (EUR 105.1 million on 31 December 2020). The decrease in cash and cash equivalents was mainly due growth in net working capital and also the repayment of financial liabilities.

## Equity and liabilities

As a consequence of the loss for the financial year, shareholders' equity fell to EUR 90.9 (123.6) million during the period.

Financial liabilities excluding lease liabilities declined to EUR 45.8 million during the review period (EUR 80.4 million on 31 December 2020). The table below presents a breakdown of interest-bearing liabilities at the balance sheet date:

<b>INTEREST-BEARING LIABILITIES</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Revolving credit facility (RCF)	25.1	39.0
Project-specific loans	3.2	5.0
RS loans related to unsold apartments in developer contracted housing projects	7.4	13.2
Investment loans	4.7	5.8
VAT payment arrangement	5.3	17.3
<b>Financial liabilities, total</b>	<b>45.8</b>	<b>80.4</b>
IFRS 16 lease liabilities	90.5	33.3
<b>Interest-bearing liabilities, total</b>	<b>136.3</b>	<b>113.7</b>

IFRS 16 lease liabilities are based on the company's lease payment obligations. In line with IFRS 16, long-term leases are presented in the lessee's balance sheet as both an asset and liability item. The majority of Lehto's lease liabilities relate to plot rents for developer contracted housing projects that are under construction; they are Lehto obligations for as long as the project under construction is under Lehto's control.

Advances received declined to EUR 32.4 (64.4) million. Advances received include payments received for projects under construction to the extent these are not yet recorded in net sales.

Other liabilities rose to EUR 107.4 (82.1) million. They include liabilities related to ordinary business operations, such as EUR 46.0 (36.1) million in trade payables and EUR 8.1 (9.6) million in VAT liabilities.

<b>CASH FLOW STATEMENT, EUR MILLION</b>	<b>1-12/2021</b>	<b>1-12/2020</b>
Cash flow from operating activities		
Profit for the period + adjustments to accrual-based items	-14.9	2.4
Change in net working capital	-25.6	71.1
Total cash flow from operating activities	-40.5	73.6
Cash flow from investments	-0.7	-1.7
Cash flow from financing	-31.1	-26.0
<b>Change in cash and cash equivalents</b>	<b>-72.3</b>	<b>45.8</b>
Cash and cash equivalents at the beginning of the period	105.1	59.2
Cash and cash equivalents at the end of the period	32.8	105.1

Cash and cash equivalents decreased by EUR 72.3 million to EUR 32.8 (105.1) million during 2021. The main contributing factors were an increase in net working capital and the repayment of financial liabilities.

Net cash flow from operating activities was EUR -40.5 (+73.6) million, which includes a negative impact of EUR 25.6 (70.9) million resulting from growth in net working capital. The increase in net working capital was caused by a decrease in advances received and other non-interest-bearing liabilities.

Net cash flow from investments was EUR -0.7 (-1.7) million, of which EUR -0.4 (-0.5) million relates to tangible assets, mainly replacement investments, and EUR -0.8 (-1.4) million to investments related to intangible assets.

Net cash flow from financing was EUR -31.1 (-26.0) million. No new loans were withdrawn during 2021 (EUR 39.9 million in 2020), but loan payments totalling EUR 28.7 (82.3) million were made.

FINANCIAL POSITION, EUR MILLION	Excl. IFRS 16 lease liabilities			Incl. IFRS 16 lease liabilities		
	31 Dec 2021	31 Dec 2020	Change	31 Dec 2021	31 Dec 2020	Change
Cash and liquid assets	32.8	105.1	-72.3	32.8	105.1	-72.3
Interest-bearing liabilities	45.8	80.4	-34.5	136.3	113.7	22.6
Interest-bearing net debt	13.1	-24.7	37.7	103.5	8.6	94.9
Equity ratio, %	37.3%	43.2%	-6.0%	27.2%	38.7%	-11.5%
Net gearing ratio, %	14.4%	-19.9%	34.3%	113.8%	7.0%	106.9%

## Key financing agreements

### *Revolving credit facility (RCF)*

Lehto has a Revolving Credit Facility (RCF) with a bank syndicate comprising OP Corporate Bank plc, Nordea Bank plc and Swedbank AB. The RCF is in force until 31 December 2022 and on the balance sheet date EUR 25.1 million of the facility was in use. No further funds can be withdrawn from the RCF. According to the agreement, some of the credit will be paid back before the end of the contractual period and part of the credit will fall due at the end of the agreement. The agreement includes both partial guarantees and financial covenants on EBITDA, interest-bearing net debt and net gearing as well as other covenants. These covenants may also impact the distribution of dividends while the RCF is in force.

At the end of the financial year, the covenant terms of the RCF were not met, and Lehto had permission from the bank syndicate to temporarily exceed the covenant limits set in the agreement. On the closing date, Lehto was in negotiations with the financing banks to refinance the RCF. The company has agreed with the banks that 11 March 2022 is the deadline by which the company and the banks will seek to create a financing solution that will enable the company to implement its strategy.

### *VAT payment arrangement*

In July 2020, Lehto made a payment arrangement with the Tax Administration for VAT liabilities amounting to around EUR 21.0 million. The VAT payment arrangement was made when the Tax Administration offered companies the possibility to prepare for any potential impacts of the coronavirus pandemic by loaning back VAT paid in spring 2020. The repayment period under the payment arrangement is 22 months and the first instalment was

paid in September 2020. The interest rate on the payment arrangement is 2.5%. At the end of the financial year, the remaining commitments under the payment arrangement amounted to EUR 5.3 million.

## Personnel and remuneration

The average number of Group personnel during the review period was 1,043 (1,115 in 2020). The number of personnel at period-end was 1,042 (1,034). About half of the Group's personnel are salaried employees and about half work at construction sites.

On 31 March 2021, Lehto carried out a targeted bonus issue related to the payment of the incentive for the 2018 earnings period of the share-based incentive plan. In the share issue, Lehto Group Plc granted 69,544 treasury shares to key employees of the Lehto Group in accordance with the terms of the incentive plan.

## Research and development

Lehto develops and manufactures building modules and components, such as bathroom/kitchen modules, housing space elements, wall elements, large roof elements, technical building modules, windows and some smaller pipeline renovation modules at its own production facilities. The purpose of developing modules is to enhance building quality and to accelerate the construction process.

The development of modules, components and space concepts is part of continuing operations, and the related costs are largely recorded as an expense in the income statement. Capitalised development expenditure during the financial year amounted to EUR 0.7 (1.4) million. The most significant development outlays concern the design of industrially manufactured products and the development of product factory operations.

## Risks and uncertainty factors

Lehto assesses risks in its daily operations on a continual basis and develops Group-wide risk management practices together with its operative companies. Through the continuous development of risk management, we seek to attract new business opportunities and partners, as well as to further improve the profitability and predictability of our operations. Further improvement of risk management is one of the Lehto's top operational priorities.

The main risks in the operative business include general risks related to project pricing, schedules, quality, technical implementation and the adherence of stakeholders to agreements. Lehto's reliance on module production and the partial dependence of its housing production on the schedule and efficiency of module production present a risk related to deviations or interruptions in the implementation of modular products.

In its business operations, Lehto is also exposed to risks relating to the availability of financing, overall economic trends and political decision-making and other risks relating to the activities of the public sector. As part of its operational business, Lehto continuously concludes agreements with various parties. The related risks include the technical, legal and commercial condition of the acquired property. The unique and complex construction projects in Lehto's Business Premises service area, in particular, always involve risks related to implementation and costs.

Lehto's business is partly so-called traditional contracting and partly its own production, where the final customer is not always known when starting the construction project. These 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 total costs for 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 not able to sell the production within the planned time schedule or at the planned price. In addition, project costs can exceed the estimated costs. Failure in project pricing, technical implementation, estimating costs and time schedule, selling the property or finding financing can have a negative impact on the company's result and financial position.

Part of Lehto's business involves agreements according to which Lehto builds premises in line with the customer's needs and only sells the premises upon their completion or at a later stage to a fund, for example. Despite Lehto's completion of premises according to the agreed schedule and costs, Lehto carries a risk related to the capacity of the fund to provide the cash required for the purchase of the premises at the agreed time of payment.

The project business the Group carries out is characterised by variation, which can be significant, in profit between different reporting periods due to the accounting methods of projects. The Group's cash flow is usually generated in step with a project's degree of completion, however such that the last instalment payable after the completion is bigger than the other instalments. Thereby a delay of an individual project can have an effect on the sufficiency of financing. In addition, a project delay may mean that net sales and operating profit from that project are pushed back to the next financial period, thereby weakening net sales and operating profit in the current financial period.

As a result of business growth, working capital is tied up in inventories and receivables in particular. If the company's business is expanding simultaneously in several service areas, large purchase commitments for construction sites are realised and receivable payments from customers are delayed, the company may find itself in a situation in which its additional financing costs will increase.

Changing building regulations or zoning policies can also have significant effects on the company's business. In a period of economic growth in construction, the availability of skilled labour may also present a risk for the planned launch of a project in the agreed schedule.

Lehto aims to control risks at each level of the organisation. Risk management includes risk identification, estimation and plans to avoid them. More information on Lehto's risks and risk management is available at [www.lehto.fi](http://www.lehto.fi).

### **Key risks related to year 2022**

During the year 2021, the prices of many construction materials increased and there were issues with the availability of certain materials. This applies to wood, processed wood, concrete elements, insulation and technical building components in particular. The realisation of these risks could have a significant impact on Lehto's full-year net sales and operating result for 2022. It is possible that prices will remain high or continue to rise, and there may also be problems with the availability of materials used in the manufacture of Lehto's prefabricated elements.

Lehto has changed its pricing, purchasing and contractual practices so that the company can better mitigate cost risks.

The coronavirus pandemic is still causing general uncertainty in the customer and financing market, which may cause demand for housing to weaken, and sales prices may have to be lowered to promote sales. It is still possible that uncertainty will cause business premises customers to delay their investment decisions.



In recent years, it has been more difficult to obtain debt financing and guarantees for construction projects. If Lehto does not obtain debt financing, the company will not be able to launch new projects, which may lead to delays and further decreases in net sales and the operating result.

Lehto is currently working on both construction contracts and developer-contracted projects in both the Housing and Business Premises service areas. The consistency of project cost estimates, the progress and timing of sales of these projects have an impact on revenue and operating profit accumulation.

## Impacts of the Covid-19 pandemic

In spite of the exceptional circumstances caused by the pandemic, the company's business has continued to perform relatively well. The implementation of some of the company's projects has been slightly delayed due to coronavirus infections. Project-related uncertainties have increased due to the coronavirus crisis, but demand for housing construction has remained good in spite of this. The ongoing coronavirus pandemic is still causing uncertainty in the market, which may cause demand for construction to weaken, and sales prices may have to be lowered to promote sales.

## Resolutions of the Annual General Meeting

In accordance with the proposal of the Board of Directors, the Annual General Meeting (AMG) of 28 May 2021 decided that no dividend will be paid for the financial year ending on 31 December 2020.

The AGM confirmed the number of Board members to be six. Pursuant to the proposal made by the shareholders' nomination committee, Anne Korhikoski, Seppo Laine, Helena Säteri and Raimo Lehtiö were re-elected as members of the Board of Directors. Hannu Lehto and Jani Nokkanen were elected as new members. Hannu Lehto was elected Chairman of the Board of Directors. The term of the Board members will expire at the end of Annual General Meeting 2022.

The above-mentioned and other decisions of the Annual General Meeting were disclosed in a stock exchange release on 28 May 2021.

## Shares and shareholdings

Lehto is listed on the official list of Nasdaq Helsinki Ltd. The number of shares at the end of December was 87,339,410 and the company had 18,061 shareholders. The company holds 179,965 of its own shares. The company has one share series and each share entitles its holder to one vote at the General Meeting of Shareholders.

The closing price of the share on the main list of Nasdaq Helsinki Ltd on 31 December 2021 was EUR 0.86. The share's highest rate during the review period was EUR 2.305 and its lowest rate was EUR 0.721. A total of 68,750,986 shares in the company were traded during the period with a trading value of approximately EUR 93 million.

Lehto's Annual General Meeting of 28 May 2021 authorised the Board to decide on the purchase of a maximum of 8,733,000 of the company's own shares in one or several instalments using assets belonging to the unrestricted equity of the company.



The AGM also decided to authorise the Board of Directors to decide on the issue of a maximum of 8,733,000 shares through share issue or by granting option rights or other special rights entitling to shares in one or several instalments. The authorisation includes the right to issue either new shares or own shares held by the company either against payment or as a bonus issue. In contrast to the company's shareholders' privilege, new shares can be directly issued and own shares held by the company directly transferred if there is a cogent financial reason for it from the point of view of the company or, in case of a bonus issue, a particularly cogent financial reason from the point of view of the company and the benefit of all its shareholders. The Board of Directors decides on all other conditions and circumstances pertaining to a share issue, to the granting of special rights entitling to shares, and to the transfer of shares.

Among other things, the authorisation can be used to develop capital structure, to expand the ownership base, to implement incentive systems, and as a consideration in transactions when the company purchases assets linked to its operations.

The authorisation is valid until 30 June 2022 and replaces the company's previous share issue and option authorisations.

The company did not receive any flagging notifications during the review period.

## Other significant events during the review period

18 February 2021: publication of the financial statement bulletin for 2020.

18 February 2021: Lehto announced that it will continue its share-based incentive plan for key employees in 2021.

11 March 2021: publication of the 2020 Annual Report.

11 March 2021: Lehto announced that the company has been selected to implement the City of Vantaa's new office building

31 March 2021: Lehto announced the transfer of treasury shares to implement the incentive plan.

6 May 2021: publication of the Business Review for January–March.

28 May 2021: Lehto announced the resolutions of the 2021 Annual General Meeting and the organisation meeting of the Board of Directors.

13 August 2021: publication of the Half-year Financial Report for January–June.

12 August 2021: Lehto announced changes in Lehto Group's Executive Board, and that Matti Koskela would start as EVP, Business Premises and a member of the Group Executive Board at the beginning of 2022.

18 October 2021: Lehto downgraded its financial outlook for 2021.

4 November 2021: publication of the Business Review for January–September.

13 December 2021: Lehto announced the dates for its financial reviews in 2022.

16 December 2021: Lehto announced that Tero Karislahti had been appointed EVP of the Housing service area and a member of the Group Executive Board as of 10 June 2022.

31 December 2020: Lehto announced that the company will be discontinuing its business in Sweden.

# Events after the review period

27 January 2022: Lehto announced that Anne Lehto, Mikko Kinnunen and Ari Saartoala had been appointed as members of the Shareholders' Nomination Committee. The task of the Nomination Committee is to prepare proposals regarding members of the Board of Directors and their fees for the Annual General Meeting 2022.

28 January 2022: Lehto announced that, according to unaudited calculations, the company's 2021 net sales would be down about 20 per cent on the previous year to EUR 435 million, and that the operating loss from continuing operations would be approximately EUR -24 million.

Lehto has implemented organizational changes in February. The development and marketing functions of the parent company of the group have been transferred to the Housing service area. The aim of the reorganization is to improve the company's competitiveness and profitability. In connection with the reorganization, Arto Tolonen, CDO, and Antti Asteljoki, CCO, will leave the Group Executive Board.

Within the company, Antti Asteljoki will take over the position of Marketing and Customer Relationship Director in the Housing service area with the responsibility for leading the new Customer Relations unit. The reorganization due to this unit will streamline the organization and functions. With Asteljoki's experience, Lehto is seeking a significant change and a leading position in the industry in the market- and customer orientation in housing business. Arto Tolonen will change employer in connection with the change, but will still work at Lehto until the beginning of March.

After the changes have been implemented, the following persons will continue in the Group's Executive Board:

- Juuso Hietanen, CEO
- Veli-Pekka Paloranta, CFO
- Matti Koskela, EVP, Business Premises
- Timo Reiniluoto, EVP Business Support Services
- Jukka Haapalainen, EVP Factory Production
- Kaarle Törrönen, Vice President, Human Resources

In June 2022, Tero Karislahti, who has been appointed EVP, Housing Service Area, will join the Group Executive Board.

## Board proposal for the use of the result shown on the balance sheet and for deciding on payment of dividends

The parent company's distributable equity on the balance sheet of 31 December 2021 amounts to EUR 67,249,763.65, of which the result for the financial year is EUR -19,314,695.05.

The Board of Directors will propose to the Annual General Meeting of 31 March 2022 that no dividends be paid for the 1 January–31 December 2021 financial year.

**Vantaa, 16 February 2022**

Lehto Group Plc  
Board of Directors

*Juuso Hietanen, CEO*  
*+358 50 343 4023*  
*juuso.hietanen@lehto.fi*

*Veli-Pekka Paloranta, Chief Financial Officer*  
*+358 400 944 074*  
*veli-pekka.paloranta@lehto.fi*

# Tables

The accounting policies and formulas of key figures applied in this review are mainly the same as in the latest annual report.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME EUR million</b>	<b>7-12/ 2021</b>	<b>7-12/ 2020 <sup>1)</sup></b>	<b>1-12/ 2021</b>	<b>1-12/ 2020 <sup>1)</sup></b>
<b>Net sales</b>	<b>238.3</b>	<b>290.0</b>	<b>435.9</b>	<b>544.7</b>
Other operating income	0.1	0.5	0.5	1.0
Changes in inventories	-15.5	-68.2	-6.8	-98.8
Material and services	-201.0	-175.9	-364.7	-357.2
Employee benefit expenses	-32.1	-29.4	-64.3	-63.0
Depreciation and amortisation	-3.4	-3.8	-7.0	-7.6
Other operating expenses	-8.6	-9.2	-17.5	-19.0
<b>Operating result</b>	<b>-22.2</b>	<b>4.0</b>	<b>-24.0</b>	<b>0.1</b>
Financial income	0.1	0.2	0.1	0.3
Financial expenses	-1.5	-2.2	-2.9	-4.3
<b>Result before taxes</b>	<b>-23.7</b>	<b>2.0</b>	<b>-26.9</b>	<b>-4.0</b>
Income taxes	1.6	-2.3	1.2	-1.1
<b>Result for the period</b>	<b>-28.2</b>	<b>-2.4</b>	<b>-32.6</b>	<b>-8.2</b>
<b>Result attributable to</b>				
Equity holders of the parent company	-28.2	-2.4	-32.6	-8.2
Non-controlling interest	0.0	0.0	0.0	0.0
	<b>-28.2</b>	<b>-2.4</b>	<b>-32.6</b>	<b>-8.2</b>
<b>Components of other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation difference	0.0	0.0	0.0	0.1
	0.0	0.0	0.0	0.1
<b>Comprehensive result, total</b>	<b>-28.2</b>	<b>-2.4</b>	<b>-32.6</b>	<b>-8.1</b>
<b>Comprehensive result attributable to</b>				
Equity holders of the parent company	-28.2	-2.4	-32.6	-8.1
Non-controlling interest	0.0	0.0	0.0	0.0
	<b>-28.2</b>	<b>-2.4</b>	<b>-32.6</b>	<b>-8.1</b>

**Earnings per share calculated from the result attributable to shareholders of the parent company, EUR per share**

Average number of (issue-adjusted) outstanding shares during the period, basic	87,159,445	72,863,955	87,142,297	71,012,014
Average number of (issue-adjusted) outstanding shares during the period, diluted	87,421,666	73,485,279	87,447,100	71,330,955
Earnings per share from continuing operations, basic	-0.25	0.00	-0.29	-0.07
Earnings per share from continuing operations, diluted	-0.25	0.00	-0.29	-0.07
Earnings per share from discontinued operations, basic	-0.07	-0.03	-0.08	-0.04
Earnings per share from discontinued operations, diluted	-0.07	-0.03	-0.08	-0.04
Earnings per share, basic	-0.32	-0.03	-0.37	-0.12
Earnings per share, diluted	-0.32	-0.03	-0.37	-0.12

<sup>1)</sup> 2020 is restated according to Swedish operations as discontinued operations

**CONSOLIDATED BALANCE SHEET**  
**EUR million**

**2021/12/31**

**2020/12/31**

	2021/12/31	2020/12/31
<b>Assets</b>		
<i>Non-current assets</i>		
Goodwill	4.6	4.6
Other intangible assets	2.0	4.5
Property, plant and equipment	19.2	22.7
Investment properties	0.7	0.7
Investments and receivables	8.9	15.4
Deferred tax assets	13.8	15.4
<i>Non-current assets total</i>	49.2	63.4
<i>Current assets</i>		
Inventories	194.9	135.7
Trade and other receivables	90.1	79.7
Cash and cash equivalents	32.8	105.1
<i>Current assets total</i>	317.8	320.4
<b>Assets total</b>	<b>367.0</b>	<b>383.8</b>
<b>Equity and liabilities</b>		
<i>Equity</i>		
Share capital	0.1	0.1
Invested non-restricted equity reserve	88.7	88.7
Translation difference	-0.3	-0.2
Retained earnings	35.0	43.3
Result for the financial period	-32.6	-8.2
Equity attributable to shareholders of the parent company	90.9	123.6
Non-controlling interest	0.0	0.0
<i>Equity total</i>	90.9	123.6
<i>Non-current liabilities</i>		
Deferred tax liabilities	0.2	0.3
Provisions	22.0	12.5
Financial liabilities	3.1	10.0
Lease liabilities	88.2	31.5
Other non-current liabilities	0.1	0.1
<i>Non-current liabilities total</i>	113.7	54.5
<i>Current liabilities</i>		
Financial liabilities	42.7	70.4
Lease liabilities	2.3	1.8
Advances received	32.4	64.4
Trade and other payables	85.0	69.1
<i>Current liabilities total</i>	162.4	205.7
Liabilities total	276.0	260.2
<b>Equity and liabilities total</b>	<b>367.0</b>	<b>383.8</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, EUR million

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY

	Share capital	Invested non-restricted equity reserve	Translation difference	Retained earnings	Total	Non-controlling interest	Equity, total
<b>Equity at 1 January 2020</b>	<b>0.1</b>	<b>69.2</b>	<b>-0.3</b>	<b>43.2</b>	<b>112.1</b>	<b>0.0</b>	<b>112.1</b>
<b>Comprehensive income</b>							
Result for the financial period			0.1	-8.2	-8.1	0.0	-8.1
<b>Total comprehensive income</b>			<b>0.1</b>	<b>-8.2</b>	<b>-8.1</b>	<b>0.0</b>	<b>-8.1</b>
<b>Transactions with equity holders</b>							
Distribution of dividends				0.0	0.0		0.0
Share issue		20.3			20.3		20.3
Direct expenses related to share issue deducted from the tax effect		-0.8			-0.8		-0.8
Share-based compensation				0.6	0.6		0.6
Repurchasing own shares				-0.5	-0.5		-0.5
<b>Transactions with equity holders, total</b>		<b>19.5</b>		<b>0.1</b>	<b>19.6</b>		<b>19.6</b>
<b>Changes in holdings in subsidiaries</b>							
<b>Equity at 31 December 2020</b>	<b>0.1</b>	<b>88.7</b>	<b>-0.2</b>	<b>35.1</b>	<b>123.6</b>	<b>0.0</b>	<b>123.6</b>
<b>Equity at 1 January 2021</b>	<b>0.1</b>	<b>88.7</b>	<b>-0.2</b>	<b>35.1</b>	<b>123.6</b>	<b>0.0</b>	<b>123.6</b>
<b>Comprehensive income</b>							
Result for the financial period			0.0	-32.6	-32.6	0.0	-32.6
<b>Total comprehensive income</b>			<b>0.0</b>	<b>-32.6</b>	<b>-32.6</b>	<b>0.0</b>	<b>-32.6</b>
<b>Transactions with equity holders</b>							
Share-based compensation				-0.1	-0.1		-0.1
<b>Transactions with equity holders, total</b>				<b>-0.1</b>	<b>-0.1</b>		<b>-0.1</b>
<b>Equity at 31 December 2021</b>	<b>0.1</b>	<b>88.7</b>	<b>-0.3</b>	<b>2.4</b>	<b>90.9</b>	<b>0.0</b>	<b>90.9</b>

**CONSOLIDATED CASH FLOW STATEMENT**  
**EUR million**

**1-12/2021**

**1-12/2020**

	<b>1-12/2021</b>	<b>1-12/2020</b>
<b>Cash flow from operating activities</b>		
Profit for the financial period	-32.6	-8.2
<i>Adjustments:</i>		
Non-cash items	9.4	3.7
Depreciation and amortisation	8.8	7.6
Financial income and expenses	3.3	4.0
Income taxes	1.5	1.3
<i>Changes in working capital:</i>		
Change in trade and other receivables	-4.5	-6.4
Change in inventories	0.4	104.0
Change in trade and other payables	-21.5	-26.5
Interest paid and other financial expenses	-5.4	-6.2
Financial income received	0.1	0.3
Income taxes paid	0.0	-0.1
<b>Net cash from operating activities</b>	<b>-40.5</b>	<b>73.6</b>
<b>Cash flow from investments</b>		
Investment in property, plant and equipment	-0.4	-0.5
Investment in other intangible assets	-0.8	-1.4
Loans granted	-0.3	-0.5
Repayments of loan receivables	0.7	0.8
<b>Net cash from investments</b>	<b>-0.7</b>	<b>-1.7</b>
<b>Cash flow from financing</b>		
Loans drawn	0.0	39.9
Loans repaid	-28.7	-82.3
Lease liabilities paid	-2.4	-2.5
Paid share issue		20.3
Costs related to paid share issue		-1.0
Costs related to repurchasing own shares		-0.5
<b>Net cash used in financing activities</b>	<b>-31.1</b>	<b>-26.0</b>
<i>Change in cash and cash equivalents (+/-)</i>	<i>-72.3</i>	<i>45.8</i>
Cash and cash equivalents at the beginning of the year	105.1	59.2
Effects of exchange rate change	0.0	0.0
Cash and cash equivalents at the end of the period	32.8	105.1



KEY FIGURES	7-12/2021	7-12/2020 <sup>2)</sup>	1-12/2021	1-12/2020 <sup>2)</sup>
Net sales, EUR million	238.3	290.0	435.9	544.7
Net sales, change %	-17.9 %	-29.5 %	-20.0 %	-18.2 %
Operating result, EUR million	-22.2	4.0	-24.0	0.1
Operating result, as % of net sales	-9.3 %	1.4 %	-5.5 %	0.0 %
Profit for the period, EUR million	-28.2	-2.4	-32.6	-8.2
Profit for the period, as % of net sales	-11.8 %	-0.8 %	-7.5 %	-1.5 %
Equity ratio, %			27.2 %	38.7 %
Gearing, %			100.6 %	40.0 %
Net gearing ratio, %			113.8 %	7.0 %
Return on equity, ROE, %			-30.4 %	-7.0 %
Return on investment, ROI, %			-10.3 %	0.1 %
Order backlog, EUR million			474.1	426.3
Personnel during the period, average			1 043	1 115
Personnel at the end of period			1 042	1 034
Gross expenditure on assets, EUR million			1.2	2.0
Equity / share, EUR			1.04	1.42
Earnings per share, EUR, basic	-0.32	-0.03	-0.37	-0.12
Earnings per share, EUR, diluted	-0.32	-0.03	-0.37	-0.12
Average number of outstanding shares during the period, basic	87,159,445	71,587,268	87,142,297	71,012,014
Average number of outstanding shares during the period, diluted	87,423,394	72,124,035	87,447,100	71,330,955
Number of outstanding shares at the end of the period	87,159,445	87,089,901	87,159,445	87,089,901
Market value of share at the end of period, EUR million			75.0	117.6
Share prices, EUR				
Highest price, EUR			2.31	2.17
Lowest price, EUR			0.72	0.98
Average price, EUR			1.35	1.37
Price at the end of period, EUR			0.86	1.35
Share turnover, shares			68,750,986	45,969,542
Share turnover out of average number of shares, %			78.9 %	64.7 %
Dividend / share, EUR <sup>1)</sup>			-	-
Dividend payout ratio, % <sup>1)</sup>			-	-
Effective dividend yield % <sup>1)</sup>			-	-
Price / Earnings <sup>1)</sup>			-2.30	-11.75

<sup>1)</sup> For year 2021 dividend proposal

<sup>2)</sup> Restated according to Swedish operations as discontinued operations

**LIABILITIES AND GUARANTEES**

EUR million

	2021/12/31	2020/12/31
<b>Loans covered by pledges on assets</b>		
Loans from financial institutions	4.7	49.5
Debts on shares in unsold housing and real estate company shares	7.4	13.2
Instalment debts	0.0	0.3
<b>Total</b>	<b>12.0</b>	<b>62.9</b>
<b>Guarantees</b>		
Real-estate mortgages	9.4	9.4
Pledges	7.7	22.9
Absolute guarantees	0.3	0.3
<b>Total</b>	<b>17.4</b>	<b>32.6</b>
<b>Contract guarantees</b>		
Production guarantees	61.8	48.1
Warranty guarantees	18.0	22.5
RS guarantees	21.9	20.9
Payment guarantees	1.6	2.0
<b>Total</b>	<b>103.3</b>	<b>93.5</b>
<b>Contract guarantees</b>		
Production guarantees	1.9	2.3

The collateral for instalment debt is the financed equipment. Absolute guarantees include contract guarantees given on behalf of another Group company and loan guarantees for housing companies under construction. Pledges are inventory items and other financing assets pledged as collateral for financial institution loans and loans for housing companies under construction. Pledges are presented at carrying amount. Furthermore, a right of claim to a lease agreement entered into by the company was given as a collateral for a loan to a subsidiary.

**REVENUE ANALYSIS**

EUR million

	7-12/2021	7-12/2020	1-12/2021	1-12/2020
Revenue recognised over time	191.2	196.0	333.1	376.7
Revenue recognised upon delivery	46.7	93.8	102.1	166.9
Rental income	0.4	0.4	0.7	1.0
<b>Total</b>	<b>238.3</b>	<b>290.2</b>	<b>435.9</b>	<b>544.7</b>

**SEGMENT INFORMATION**

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

## RELATED PARTIES

The Group's related parties include Group companies, members of the Board of Director and the Group's top management as well as entities on which related parties have influence through ownership or management. Related parties also include associated companies and joint ventures.

### *Transactions with related parties*

EUR million	Sales 1-12/2021	Sales 1-12/2020	Purchases 1-12/2021	Purchases 1-12/2020
Key personnel and their controlled entities	36.7	75.5	7.4	6.2
<b>Total</b>	<b>36.7</b>	<b>75.5</b>	<b>7.4</b>	<b>6.2</b>

EUR million	Receivables 2021/12/31	Receivables 2020/12/31	Liabilities 2021/12/31	Liabilities 2020/12/31
Key personnel and their controlled entities	5.1	2.3	0.8	0.6
<b>Total</b>	<b>5.1</b>	<b>2.3</b>	<b>0.8</b>	<b>0.6</b>

A major part of related party transactions is connected with purchase of apartments and other premises from the company. The transactions are valued at the debt-free selling price of the completed site. Purchases are mainly equipment rents and other service purchases. There has been no transactions with associates.