



Half-Year Financial Report January-June 2022

January-June 2022 in brief

- In January–June, **net sales** were down 10.5% on the previous year and amounted to EUR 163.9 (183.2) million.
- **The operating result** from continuing operations was EUR -21.5 (-3.1) million. This operating loss was primarily the result of continuing losses in several business premises projects and the penalty fees imposed due to the termination of certain contract agreements.
- **The result after taxes** for the review period was EUR 9.1 (-4.4) million. The result was improved by the earnings impact of the sale of the pipeline renovations business, amounting to around EUR 30.9 million.
- **The order backlog** declined to EUR 285.6 million (EUR 444.2 million on 31 December 2021).
- Company's **liquidity and financial standing** significantly improved.

Financial agreement

A financing package amounting to around EUR 50 million was implemented during the review period:

- Divestment of the pipeline renovations business (approximately EUR +29 million)
- A new RCF credit facility from the banks (approximately EUR +13 million)
- RS financing from banks for ongoing and new construction projects (approximately EUR +26 million)
- Issuance of a convertible bond (approximately EUR +15 million, of which EUR 13.0 million had been subscribed by the end of the review period)
- Repayment of the previous RCF credit facility and bilateral loans (approximately EUR -32 million).

The financing package significantly improved the company's liquidity and financial standing.

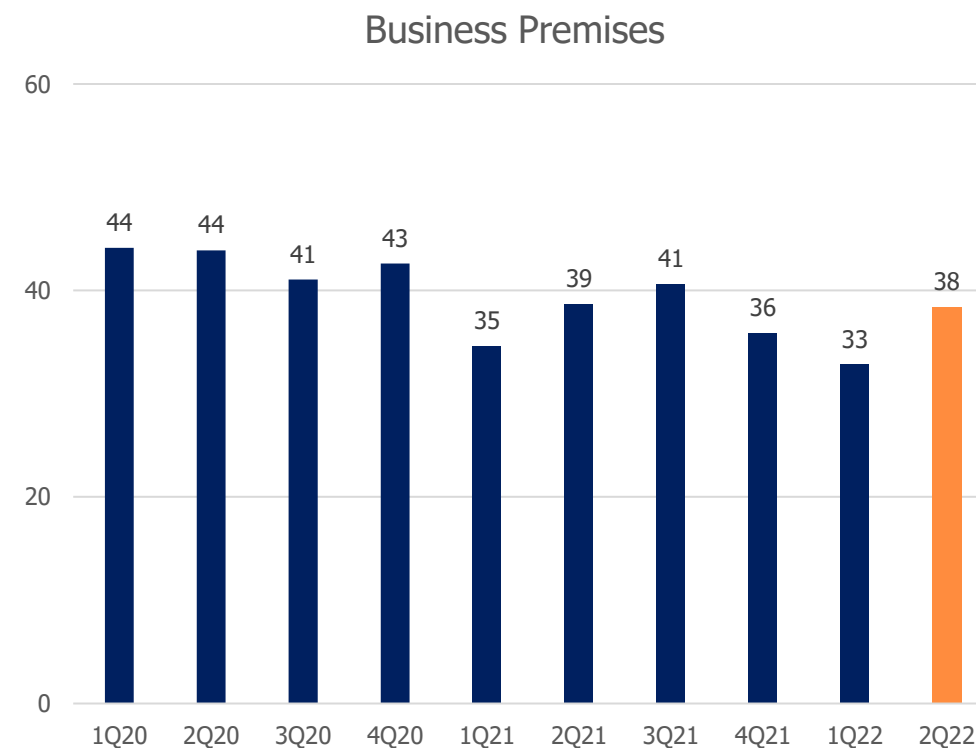
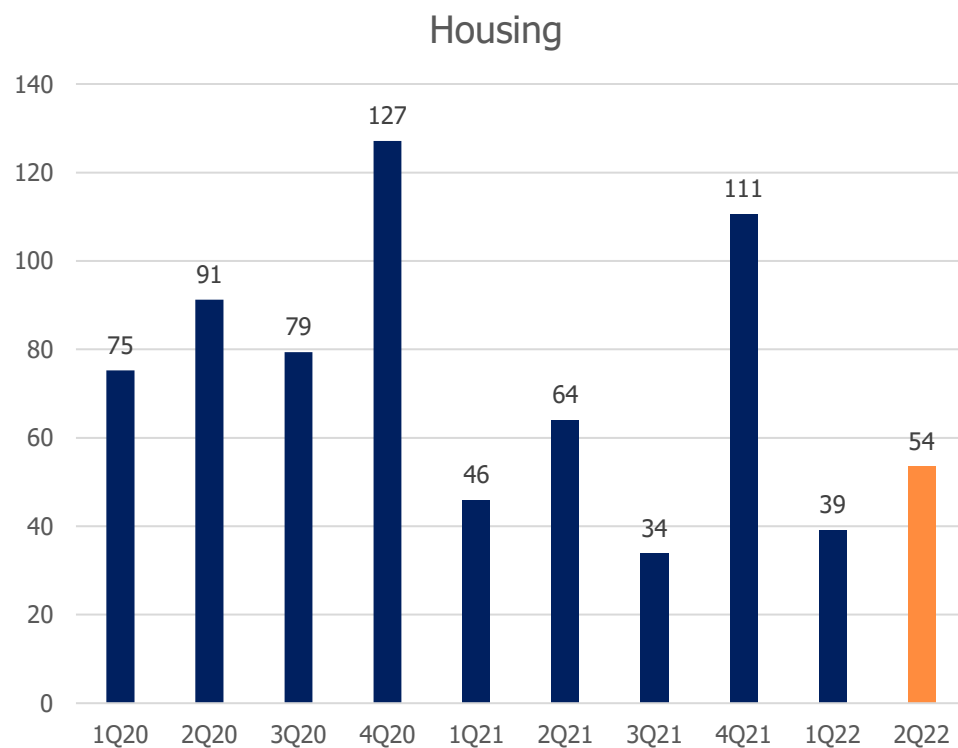
Net sales by service area, EUR million

Service Area	1-6/2022	1-6/2021	1-12/2021
Housing	92.7	109.9	254.3
Business Premises	71.2	73.3	149.8
TOTAL	163.9	183.2	404.1



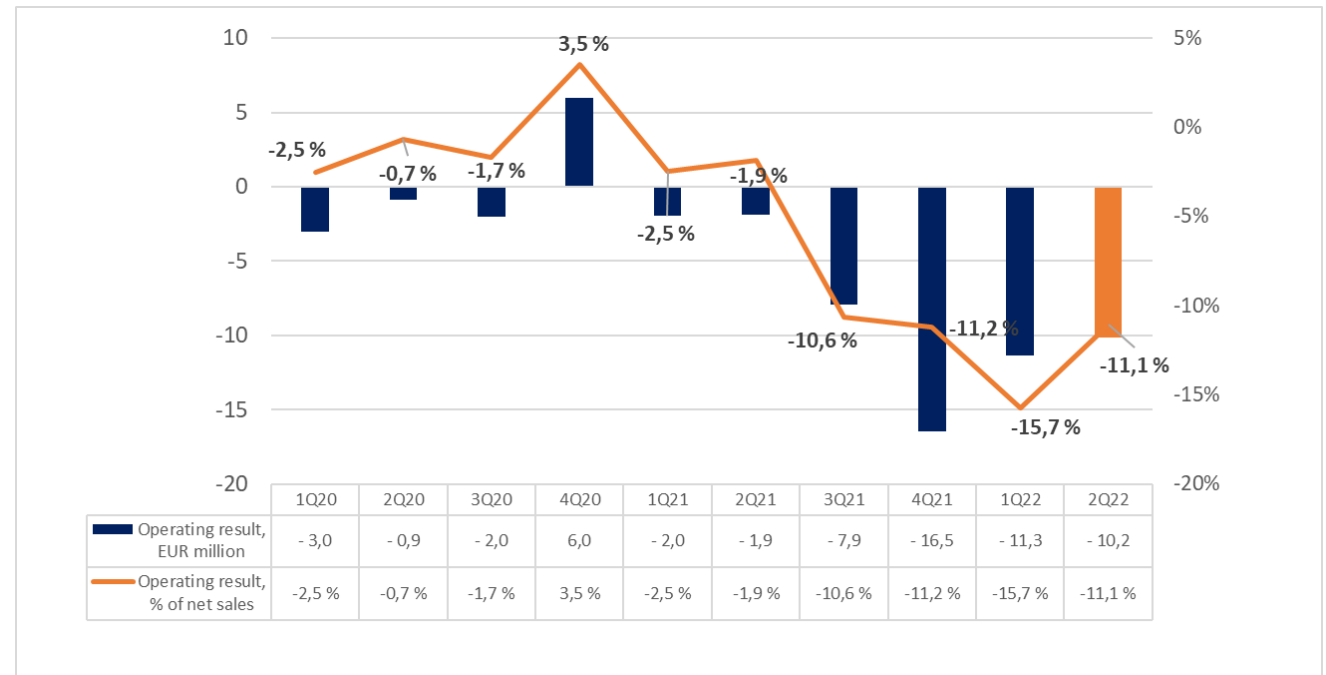
The impact of the divested pipeline renovations business has been eliminated from the net sales of the Housing service area for all reported periods.

Net sales by quarter and service area, EUR million



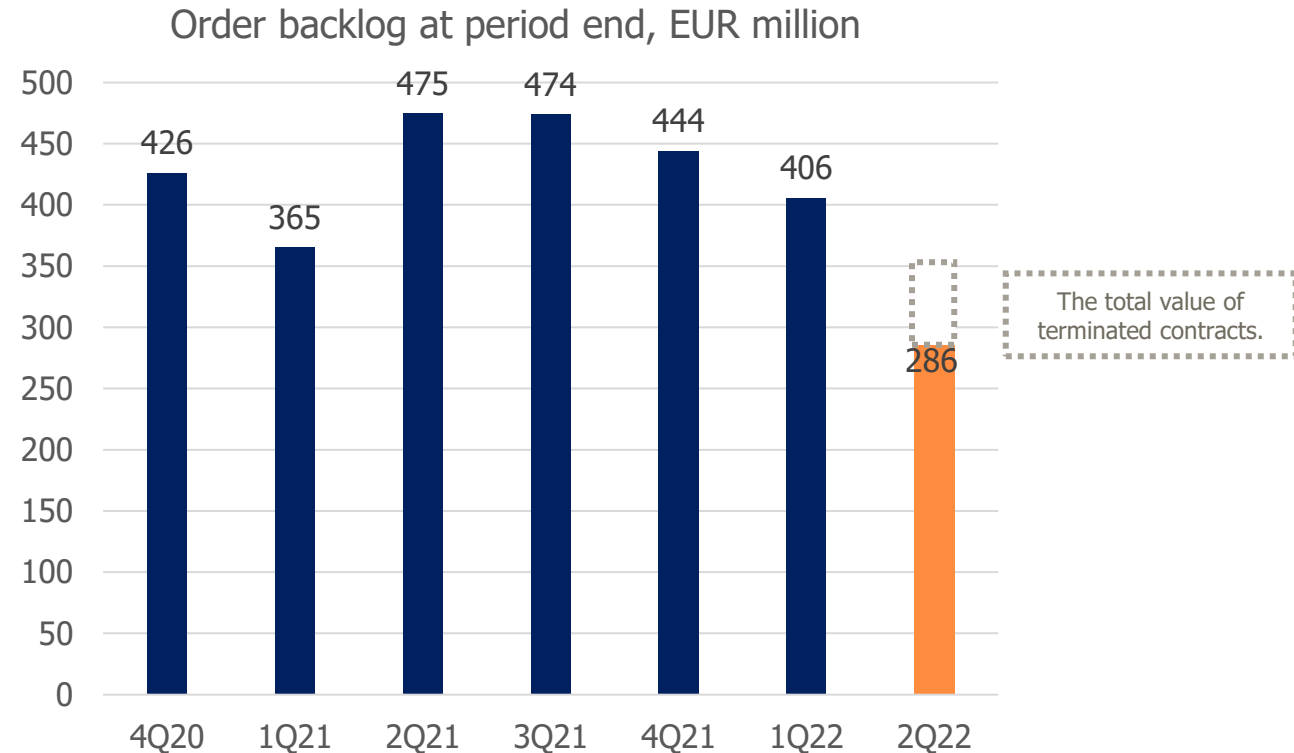
The result after taxes for the review period was EUR 9.1 million

- The operating result from continuing operations was EUR -21.5 (-3.1) million. This operating loss was primarily the result of continuing losses in several business premises projects and the penalty fees imposed due to the termination of certain contract agreements.
- The result after taxes for the review period was EUR 9.1 (-4.4) million. The result was improved by the earnings impact of the sale of the pipeline renovations business, amounting to around EUR 30.9 million.



Order backlog

- The order backlog declined to EUR 285.6 million (EUR 444.2 million on 31 December 2021).
- The order backlog decreased especially in Business Premises service areas due to low order intake, stricter project selection and the cancellation of some projects in the order backlog.
- The value of the contracts agreed to be terminated is approximately EUR 73 million and as a result of rising construction costs, their expected margins were negative.
- In addition, Lehto has canceled or agreed to cancel three pre-contracts with the total value of approximately EUR 52 million.



Balance sheet

- The key figures for financial standing and indebtedness improved during the review period, as equity grew following the divestment of the pipeline renovations business and the issuance of the convertible bond.
- Cash and cash equivalents were increased by EUR 28.7 million in proceeds after expenses from the divestment of the pipeline renovations business and EUR 7.6 million in subscriptions paid for the convertible bond by 30 June.
- Cash and cash equivalents were weakened by repayments of the previous RCF credit facility and other loans amounting to EUR 32 million as well as loss-making business operations.
- Equity ratio including IFRS 16 lease liabilities was 33.5% (27.2% 31 December 2021) and net gearing ratio 84.9% (113.8% 31 December 2021).
- Equity ratio including excluding IFRS 16 lease liabilities was 46.7% (37.3%) and net gearing ratio 0.3% (14.4%).

Consolidated balance sheet, EUR million	30.6.2022	30.6.2021	31.12.2021
Non-current assets	46,0	56,7	49,2
Current assets			
Inventories. excluding IFRS 16 assets	126,5	118,3	108,3
Inventories. IFRS 16 assets	82,3	73,0	86,6
Current receivables	76,6	106,4	90,1
Cash and cash equivalents	18,0	56,8	32,8
Total assets	349,4	411,1	367,0
Equity	101,2	119,2	90,9
Financial liabilities	18,3	67,8	45,8
Lease liabilities	85,5	77,5	90,4
Advances received	47,0	74,3	32,4
Other payables	97,4	72,4	107,4
Total equity and liabilities	349,4	411,1	367,0



Housing

The Housing service area's net sales experienced a year-on-year decrease of 15.6% to EUR 92.7 (109.9) million.

285 (979) apartments were sold in the review period, of which slightly more were sold to consumers than in the comparison period.

During the period, 602 (447) housing units were completed and the construction of 235 (838) new units was started. The startups were units in Southern and Northern Finland sold to investors.

There were 1,635 (1,835) housing units under construction at the end of the review period.

Although housing will continue to focus on investor sales, 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 the contract agreement.

In the review period, Lehto has sold the pipeline renovation business.

Housing

Sold, under construction, unsold

Sold housing units during the review period	1-6/2022	1-6/2021	1-12/2021
To investors	136	860	1 529
To consumers	149	119	319
Sold housing units during the review period, total	285	979	1 848

Housing units under construction	1-6/2022	1-6/2021	1-12/2021
Under construction at the beginning of the period	2 002	1 444	1 444
+ started up during the period	235	838	1 835
- Completed during the period	-602	-447	-1 277
Housing units under construction, in the end of the period	1 635	1 835	2 002

Unsold housing units	30.6.2022	30.6.2021	31.12.2021
Under construction	254	237	430
Completed	56	33	26
Unsold housing units, total	310	270	456



Business Premises

LEHTO

- Four business premises projects were completed and handed over during the review period (6 sites in 2021).
- At the end of the period, 14 (21) 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.
- The order backlog declined to EUR 101.8 million (EUR 202.0 million on 31 December 2021).



Outlook for 2022

The outlook published on 28 April 2022 is intact.

Lehto estimates that Net Sales from continuing operations in year 2022 will be slightly lower than in 2021 (EUR 404.1 million in 2021) and operating result from continuing operations will be EUR 15-20 million negative.

The outlook is based on company's estimation of the progress of the ongoing projects, estimation of the starts and sales of new projects in year 2022 and the current outlook on housing market development.

The war in Ukraine, problems in global logistics chains, inflation, and the weakening economical development cause uncertainties in the market. The main risks associated with the development of net sales and operating profit are related to the weakening demand for the apartments, delays in the start of new housing projects and the increase of the costs to complete ongoing projects.

CEO's Review

CEO's TOP 5

LEHTO

Improving the financial position creates the basis for the implementation of the strategy

Strong focus in project profitability

The new management improves operating models: profitability and risk management

Financially unprofitable projects have been eliminated

Market environment remains challenging

Strategy 2022-2026 in brief

LEHTO

Housing, wood construction

Lehto will develop its modular wooden apartment building and then seeks to increase the volume accounted for by wooden apartment buildings during the strategy period. One of the prerequisites for growth is to engage in closer cooperation with cities in town planning and building permit processes. Demand is seeing strong growth.

Housing, concrete construction

Lehto will enhance its competitiveness by improving cost-effectiveness: efficiency in town planning and design, modularity, industrial prefabrication and an efficient operating model.

Business premises

Operations are strongly focused on areas where Lehto is competitive. In the short term, Business Premises will focus on improving profitability, which is expected to decrease business volume.

Three important perspectives of strategy

Lehto's strategy creates value for its stakeholders by renewing construction and focusing on three development perspectives.

**Customer
experience**

**Cost
leadership**

**Sustainable
development**

Stage at the strategic path



Costs | Risk management | Financial position



Cost leadership | Profitability



Growth | Scalability

Reinforcements in management team

- **Top management strengthened during the summer:**

In June, Tero Karislahti started as EVP, Housing service area.

In January, Matti Koskela started as EVP, Business Premises service area.

- **Vice President, Human Resources from the company:**

In July, Jani Pentti took over the position.





Thank you!