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Half-Year Financial Report 1 January–30 June 2022  
4 August 2022 at 7.30 a.m. (EET)

**LEHTO**

# Significantly better financial position

This half-year financial 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. Figures in brackets refer to the corresponding period of the previous year, unless otherwise stated.

## Summary 1–6/2022

GROUP	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Net sales from continuing operations, EUR million	92.0	102.7	163.9	183.2	404.1
Change in net sales from continuing operations, %	-10.4%	-14.7%	-10.5%	-23.6%	-21.8%
Operating result from continuing operations, EUR million	-10.2	-1.1	-21.5	-3.1	-28.3
Operating result from continuing operations, % of net sales	-11.1%	-1.1%	-13.1%	-1.7%	-7.0%
Result from continuing operations, EUR million	-11.2	-2.0	-23.5	-4.6	-29.9
Result from discontinued operations, EUR million	31.1	0.2	32.6	0.3	-2.7
Result for the period, EUR million	19.9	-1.7	9.1	-4.4	-32.6
Order backlog at period end, EUR million	285.6	474.5	285.6	474.5	444.2
Earnings per share, EUR	0.23	-0.02	0.10	-0.05	-0.37
Cash and cash equivalents, EUR million	18.0	56.8	18.0	56.8	32.8
Financial liabilities, EUR million	18.3	67.8	18.3	67.8	45.8
Lease liabilities, EUR million	85.5	77.5	85.5	77.5	90.4
Equity ratio, %	33.5%	35.4%	33.5%	35.4%	27.2%
Net gearing ratio, %	84.9%	74.2%	84.9%	74.2%	113.8%
Equity ratio, excl. IFRS 16 lease liabilities, %	46.7%	46.0%	46.7%	46.0%	37.3%
Net gearing ratio, excl. IFRS 16 lease liabilities, %	0.3%	9.2%	0.3%	9.2%	14.4%

Discontinued operations include the pipeline renovations business sold in June 2022 and the Swedish operations that were wound up in 2021. The figures for the comparison periods have been adjusted accordingly.

- A financing package amounting to around EUR 50 million was implemented during the review period. Its key elements were:
  - 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.
- In January–June, net sales were down 10.5% on the previous year and amounted to EUR 163.9 (183.2) million. Net sales decreased in both service areas due to a reduction in the number of construction projects.
- 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 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.
- At the end of the period, there were 1,635 (1,835) apartments under construction, the majority of which are related to projects for institutional investors.
- Cash and cash equivalents at the end of the review period were EUR 18.0 (56.8) million, which includes a total of EUR 7.6 million in convertible bond payments received by the company by 30 June 2022. The company received an additional amount of EUR 5.4 million in convertible bond-related payments on 1 July 2022. At the end of the review period, no funds had been drawn from the company's new EUR 13 million RCF credit facility.
- Interest-bearing liabilities excluding IFRS 16 lease liabilities amounted to EUR 18.3 (67.8) million.
- The order backlog declined to EUR 285.6 million (EUR 444.2 million on 31 December 2021). The order backlog decreased in both service areas due to low order intake, stricter project selection and the cancellation of some projects in the order backlog.

<b>Net sales by service area, EUR million</b>	<b>4-6/2022</b>	<b>4-6/2021</b>	<b>Change Q2</b>	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>Change</b>	<b>1-12/2021</b>
Housing	53.6	64.0	-16.3%	92.7	109.9	-15.6%	254.3
Business Premises	38.4	38.7	-0.8%	71.2	73.3	-2.8%	149.8
<b>Total</b>	<b>92.0</b>	<b>102.7</b>	<b>-10.4%</b>	<b>163.9</b>	<b>183.2</b>	<b>-10.5%</b>	<b>404.1</b>

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

# CEO Juuso Hietanen



“Improving profitability is like building a house: the foundations have to be in good shape and sometimes you also have to clear and clean up the plot. During the first half of the year, we successfully secured financing as planned. That is the foundation that will now enable us to focus on improving our operational profitability and project management as well as implementing our strategy. At the same time, we have cut away functions and projects that would not have been financially profitable. We are now better positioned to build a profitable future.

To improve our financial position, we engaged in financing negotiations during the first half of the year, issued a convertible bond, divested our pipeline renovations business and reorganised our businesses. Thanks to these steps, our liquidity and financial standing are now significantly stronger. In addition, our financial liabilities are at a very moderate level and the available financing will enable us to implement our strategy.

In January–June, net sales from continuing operations were down 10.5% year-on-year. Net sales decreased particularly in the Housing service area, in which a smaller amount of net sales was recognised from developer-contracted housing projects than in the comparison period. The construction volume in business premises was on a par with the previous year.

Profitability remained weak, especially due to the loss-making nature of ongoing business premises projects. Profitability is also impacted by the divestment of the pipeline renovations business. The net sales and operating result of continuing operations weakened as a result, but this also had a non-recurring positive effect on cash and earnings. The result after taxes for January–June was EUR 9 million positive.

The number of housing startups declined year-on-year. Only a moderate number of new housing projects were started up due to a strong increase in market costs and also to some extent due to ongoing financing negotiations. Startups were also delayed by our new startup requirements that are intended to ensure the financial success of projects.

In the Business Premises service area, we have cut projects with a heavy hand. We have exited from certain project agreements that we assessed would have been financially unprofitable for us. As a result, our order backlog is smaller, but its profitability is better.

The market environment has remained challenging. The prices of building materials are still high, and demand also involves uncertainties due to the war in Ukraine. We seek to reduce market-related risks by confirming procurement prices before starting up a project and by focusing more strongly on investor sales in housing construction, thereby ensuring sales and better cash flow.

It is clear that we still have much to do in improving our profitability and operative business – these are by far our most important objectives in the first half of our 2022–2026 strategy period. We will improve profitability above all through the profitability of our projects – in the construction sector, a large part of the profit impact becomes evident with a delay. Our new business management has created new operating models and practices that improve profitability and reduce risks, with both rapid and long-term impacts. I believe that this work will already begin to bear fruit in 2023. Our direction is clear and correct.”

# 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.

Additional information of the uncertainties is presented in the chapter: risks and uncertainties.

## Press conference on the half-year report

Lehto Group will hold a press conference for investors, analysts and the media on Thursday, 4 August 2022 at 10:00 am (EET). You can attend the event in person (Lapinlahdenkatu 16, Helsinki, KIRAHub premises Maria01/Urban3) or watch it as a live webcast at [lehto.fi/en/investors](https://lehto.fi/en/investors).

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.

## Development of the business environment during the review period

### DEVELOPMENT OF THE BUSINESS ENVIRONMENT

The war in Ukraine that began at the end of February has had adverse impacts on Lehto's business environment. The greatest negative impacts are caused by a sharp increase in costs and general market uncertainty. According to Statistics Finland, construction costs in June 2022 had increased by 9.4% year-on-year. Costs of materials grew by 15.3% and labour costs by 3.2% over a 12-month period.

In its Business Cycle Review published on 18 May 2022, the Confederation of Finnish Construction Industries RT estimated that the situation will remain good in construction in 2022 in spite of growing uncertainty. Construction is expected to see further growth of a couple of per cent this year, and then start declining at the same rate next year. The adverse business impacts of the war in Ukraine will increase towards 2023. The main concerns are posed by the rise in costs caused by weaker availability of raw materials.

The Confederation of Finnish Construction Industries RT estimated that the large number of projects initiated before the war will maintain growth in the volume this year. Housing construction is expected to slacken from its record-high 2021 level (48,000) to 39,000 housing units, while growth in business premises construction is estimated to fall slightly short of the forecast. Both housing and business premises construction are expected to contract in 2023.

## HOUSING

In the Housing service area, Lehto builds new blocks of flats in growth centres 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 business primarily comprises developer-contracted housing projects, in which 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.

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 the review period***

The Housing service area's net sales experienced a year-on-year decrease of 15.6% to EUR 92.7 (109.9) million. Net sales from developer-contracted projects decreased year-on-year, and net sales from investor projects were also lower than in the comparison period.

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

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

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.

<b>Housing units under construction</b>	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>1-12/2021</b>
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
<b>Housing units under construction, in the end of the period</b>	<b>1,635</b>	<b>1,835</b>	<b>2,002</b>

At the end of the review period, 310 (270) housing units were either under construction or completed yet unsold. Of these, 56 (33) were completed, unsold apartments. 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.

<b>Unsold housing units</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>31 Dec 2021</b>
Under construction	235	838	1 835
Completed	-602	-447	-1 277
<b>Unsold housing units, total</b>	<b>310</b>	<b>270</b>	<b>456</b>

The Housing service area's order backlog stood at EUR 183.8 million at the end of the review period (EUR 242.3 million on 31 December 2021). 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.

Demand for housing construction remained good in spite of the uncertainty arising from the war in Ukraine. Lehto engaged in financing negotiations throughout the first half of the year, and this led to uncertainty in negotiations on projects sold to investors. In the case of several projects, the final agreements were signed and construction work was started after the end of the review period.

During the review period, agreements were signed for two housing projects sold to investors as well as for care homes and assisted living facilities as part of housing projects. The availability and price of financing still slows down startups of projects for consumers.

The volume of care home construction was at the same level as in the comparison period. One (1 project in 1-6/2021) care home was completed during the period. At period-end, one (1) assisted living facility was under construction as part of a housing construction project. 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. Two large care home projects will be started up during the second half of the year. Lehto expects demand for care homes and assisted living to rise in the longer term.

On 28 April 2022, Lehto announced that it will sell its pipeline renovations business. The transactions were completed on 14 June 2022 and Lehto received an initial purchase price of approximately EUR 32 million in cash. The initial purchase price will later be adjusted by an amount that is based on cash reserves, interest-bearing debt and net working capital on the transaction date. The transaction comprised the entire share capital of Remonttipartio Oy, a wholly owned subsidiary of Lehto, including approximately EUR 2.8 million cash reserves. The pipeline renovations business is presented as a discontinued operation in this half-year report and the figures for the 2021 comparison year have been adjusted retrospectively to reflect this.

Mr Tero Karislahti, 39, was appointed as Executive Vice President of the Housing service area and as a member of Lehto Group's 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**

During the review period, Lehto updated its business premises strategy. Business functions have been scaled down significantly: for instance, life-cycle functions will be discontinued. Lehto will carry out school, hotel and office construction on a limited basis in projects where it can harness design and implementation solutions based on Lehto's expertise.

Going forward, Business Premises will build projects for growing market sectors, such as for the needs of industry, storage and logistics. In addition, the service area builds hall-type business buildings and selected multifunctional buildings, for which there is expected to be a growing need in the largest growth centres and dense urban structures. Sports halls are also included in the product range. The Business Premises service area focuses geographically on market areas in the growth triangle (the region between Helsinki, Tampere and Turku) and the Oulu region.

### ***Business development in the review period***

The service area's net sales experienced a year-on-year decrease of 2.8% to EUR 71.2 (73.3) million. Net sales decreased as the number of projects declined.

Four business premises projects were completed and handed over during the review period (6 sites during 1-6/2021). 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). The reasons behind the decrease in the order backlog were the small number of new project agreements and particularly the agreed termination of three projects that were in the order backlog. The value of the terminated project agreements was about EUR 73 million and as a result of rising construction costs their expected margins were negative. In addition to the above, Lehto has cancelled or agreed to cancel three pre-contracts with the value of approximately EUR 52 million.

The financial effects of the termination of agreements have been taken into consideration in Lehto's second-quarter income statement and balance sheet. Termination of low margin or loss-making contracts is the pre-condition for profitable business.



Lehto has developed the Hippos2020 project with the City of Jyväskylä. Uncertainties related to the project have increased due to the coronavirus crisis and the war in Ukraine, 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 mobilised them in practice under the leadership of the service area's new EVP from the beginning of 2022. The company has also implemented structural and operational changes aimed at reducing its cost level. When evaluating prospective projects, Lehto has also paid particular attention to their suitability with respect to the company's resources and strategy. The effects of these changes are already strongly evident in operational activities, but it will take some time for them to have a visible effect on the financial figures in long-term project business.

## **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, 222 people worked in factory operations (253 on 31 December 2021). 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

## Consolidated balance sheet, EUR million

	30 June 2022	30 June 2021	31 Dec 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
<b>Total assets</b>	<b>349.4</b>	<b>411.1</b>	<b>367.0</b>
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
<b>Total equity and liabilities</b>	<b>349.4</b>	<b>411.1</b>	<b>367.0</b>

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.

The equity ratio (taking lease liabilities into consideration) stood at 33.5% (27.2% on 31 December 2021) and the net gearing ratio was 84.9% (113.8% on 31 December 2021). The equity ratio without the lease liabilities under IFRS 16 stood at 46.7% (37.3%) and the net gearing ratio was 0.3% (14.4%).

### Assets

Non-current assets amounted to EUR 46.0 million at the end of the review period (EUR 49.2 million on 31 December 2021). Non-current assets include goodwill of EUR 4.6 (4.6) million, EUR 10.3 (10.6) million in factory buildings and EUR 3.5 (3.9) million in machinery and equipment.

Inventories grew to EUR 208.8 (194.9) million primarily due to construction costs committed to projects in progress.

Current receivables declined to EUR 76.6 (90.1) million and included, among other items, trade receivables of EUR 33.0 (51.6) million and percentage-of-completion receivables of EUR 40.6 (36.6) million.

Cash and cash equivalents totalled EUR 18.0 million on 30 June 2022 (EUR 32.8 million on 31 December 2021). In addition to the loss-making result, repayments of financial liabilities in particular contributed to the reduction in cash and cash equivalents. 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 32.5 million as well as loss-making business operations.

## Equity and liabilities

Equity grew to EUR 101.2 (90.9) million during the review period. Equity was increased by the positive result for the review period, EUR 9.1 million, which included EUR 32.6 million in earnings allocated to discontinued operations. In addition, equity includes the share of the EUR 7.6 million in convertible bond proceeds received by 30 June 2022 that are recognised in equity, less arrangement fees, EUR 1.1 million.

Financial liabilities excluding lease liabilities declined to EUR 18.3 million during the review period (EUR 45.8 million on 31 December 2021). Financial liabilities include the present value, EUR 5.6 million, of the debt component of the EUR 7.6 million convertible bond subscriptions received by 30 June 2022 less arrangement fees. The table below presents a breakdown of the balance sheet values of interest-bearing liabilities at 30 June 2022:

Interest-bearing liabilities	30 June 2022	30 June 2021	31 Dec 2021
RCF credit facility in use	0.0	39.0	25.1
Convertible bond	7.6	0.0	0.0
less expenses and equity component separated	-2.0	0.0	0.0
Project-specific loans	0.0	5.0	3.2
RS loans related to unsold apartments in developer contracted housing projects	6.8	7.4	7.4
Investment loans	4.7	5.1	4.8
VAT payment arrangement	1.3	11.3	5.3
<b>Financial liabilities, total</b>	<b>18.3</b>	<b>67.8</b>	<b>45.8</b>
IFRS 16 lease liabilities	85.5	77.5	90.4
<b>Interest-bearing liabilities, total</b>	<b>103.9</b>	<b>145.2</b>	<b>136.3</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 grew to EUR 47.0 (32.4) million. Advances received include payments received for projects under construction to the extent these are not yet recorded in net sales.

Other liabilities decreased to EUR 97.4 (107.4) million. They include liabilities related to ordinary business operations, such as EUR 41.9 (46.0) million in trade payables and EUR 10.5 (8.1) million in VAT liabilities.

<b>Cash flow statement, EUR million</b>	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>1-12/2021</b>
Cash flow from operating activities			
Profit for the period + adjustments to accrual-based items	-25.9	-1.4	-14.9
Change in net working capital	9.8	-38.5	-25.6
<b>Total cash flow from operating activities</b>	<b>-16.1</b>	<b>-39.9</b>	<b>-40.5</b>
Cash flow from investments	28.2	-0.4	-0.7
Cash flow from financing	-26.8	-8.0	-31.1
<b>Change in cash and cash equivalents</b>	<b>-14.7</b>	<b>-48.3</b>	<b>-72.3</b>
Cash and cash equivalents at the beginning of the period	32.8	105.1	105.1
Cash and cash equivalents at the end of the period	18.0	56.8	32.8

Cash and cash equivalents decreased in January–June by EUR 14.7 million to EUR 18.0 (32.8) million. Net cash flow from operating activities was EUR -16.1 million (EUR -39.9 million 1–6/2021), which includes a positive impact of EUR 9.8 (-38.5) million due to the decrease in net working capital. Net working capital decreased due to factors such as growth in advance payments received.

Net cash flow from investments was EUR 28.2 million (EUR -0.4 million in 1-6/2021), of which EUR 28.7 million was due to the transaction price received for the pipeline renovations business less cash and cash equivalents at the time of sale. In addition, EUR -0.4 (-0.6) million is related to investments.

Net cash flow from financing was EUR -26.8 million (EUR -8.0 million 1–6/2021). Cash flow from financing includes, among other items, EUR 32.5 million in repayments of the earlier RCF credit facility and other loans as well as EUR 7.6 million from the convertible bond.

<b>Financial position, EUR million</b>	<b>Excl. IFRS 16 lease liabilities</b>			<b>Incl. IFRS 16 lease liabilities</b>		
	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>Change</b>	<b>30 June 2022</b>	<b>30 June 2021</b>	<b>Change</b>
Cash and liquid assets	18.0	56.8	-38.8	18.0	56.8	-38.8
Interest-bearing liabilities	18.3	67.8	-49.4	103.9	145.2	-41.4
Interest-bearing net debt	0.3	11.0	-10.6	85.9	88.4	-2.6
Equity ratio, %	46.7%	46.0%	0.7%	33.5%	35.4%	-1.9%
Net gearing ratio, %	0.3%	9.2%	-8.9%	84.9%	74.2%	10.7%

## Analysis of debt maturity, EUR million

<b>30 June 2022</b>	<b>less than 1 year</b>	<b>1–5 years</b>	<b>more than 5 years</b>	<b>Total</b>
Convertible bond	0.5	10.9		11.4
Other financial liabilities	12.6	0.1		12.8
Lease liabilities	3.9	12.4	119.9	136.2
Trade payables and other non-interest-bearing liabilities	58.9	4.1		63.1

<b>31 Dec 2021</b>	<b>less than 1 year</b>	<b>1–5 years</b>	<b>more than 5 years</b>	<b>Total</b>
Financial liabilities	43.2	3.1		46.4
Lease liabilities	4.1	13.5	126.3	143.9
Trade payables and other non-interest-bearing liabilities	60.9	0.1		61.0

The analysis of debt maturity includes future repayments of liabilities and interest expenses.

Most of the lease liabilities concern long-term (as long as 50-70 years) land lease agreements for construction projects presented in inventories. In accordance with IFRS 16, these land leases are classified as right-of-use assets and liabilities over the entire contract period, even though they are normally only under the control of the company for a few years, that is, during the design and construction period of the project.

## KEY FINANCING AGREEMENTS

### *Revolving credit facility (RCF)*

Lehto signed an agreement for a new Revolving Credit Facility (RCF) with OP Corporate Bank plc and Nordea Bank Plc. The RCF amounts to EUR 13 million and is valid until 31 March 2024. No funds had been drawn from the RCF at the end of the review period. The RCF includes securities, financial covenants related to EBITDA and minimum cash requirements, restriction on dividend payouts while the agreement is in force, and conditions related to the company's operations and the constitution and chairman of the Board of Directors.

### *Convertible bond*

On 30 June 2022, Lehto offered the first tranche of its unsecured convertible bonds due June 2027 for subscription by institutional and other qualified investors. The convertible bonds are convertible into new and/or existing shares in Lehto and were issued in an aggregate principal amount of EUR 13.02 million. The maximum amount of the convertible bond is EUR 15 million. A total of EUR 1.98 million of the convertible bonds remained unsubscribed on the date of this release.

In accordance with its undertaking announced on 29 June 2022, the biggest shareholder of the company, Lehto Invest Oy, subscribed for convertible bonds for an amount of EUR 8 million in connection with the convertible bonds' first tranche issue. In addition, Lehto Invest Oy has undertaken to subscribe for any convertible bonds that have not been subscribed for by other investors by 30 September 2022, provided the maximum aggregate principal amount of convertible bonds so subscribed for is EUR 3 million.

The transaction aims to improve the financing position of the company and to facilitate the company's bank financing arrangement, and the proceeds from the convertible bonds will be used for general corporate purposes. The convertible bonds are issued at 100% of their principal amount of EUR 20,000 per bond, and unless previously

converted, repurchased or redeemed, will be redeemed at par at maturity with accrued interest. The convertible bonds carry a coupon of 6% per annum payable semi-annually in arrear in equal instalments on 30 June and 31 December each year, with the first interest payment date being 31 December 2022. In accordance with the terms and conditions of the convertible bonds, PIK interest of 4.00% per annum will be payable at maturity on the unconverted share.

The initial conversion price is EUR 0.40 per share, which corresponds to the closing price of the company's share on the stock exchange of Nasdaq Helsinki Ltd on 28 June 2022. The conversion price will be subject to adjustments for any dividends in cash or in kind, as well as customary anti-dilution adjustments, pursuant to the terms and conditions of the convertible bonds.

The shares underlying the special rights connected to the convertible bonds represent approximately 37.3% of the total number of Lehto's issued and outstanding shares immediately prior to the offering in maximum, subject to potential adjustments to the conversion price.

Aktia Alexander Corporate Finance Oy acts as the coordinator and financial advisor of the offering. Bird & Bird Attorneys Ltd is acting as the company's legal adviser.

### ***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 June, the remaining commitments under the payment arrangement amounted to EUR 1.3 million. The last instalment of the payment arrangement is due for payment in August 2022, at which time the arrangement will be concluded.

### ***Financing negotiations and going concern analysis***

In connection with the drafting of the 2021 financial statements, the company's management and Board of Directors carried out a going concern analysis. The analysis concluded that the company's financial position had weakened due to loss-making operations, and it had become more difficult to acquire financing.

The analysis took into consideration existing financial commitments, operational means to improve cash flows, opportunities to reduce costs and sell assets, and potential new sources of equity and debt financing. In addition, the company consulted external advisors on issues concerning the arrangement of financing and reorganisation of operations. On the basis of the analysis, the company's management and Board of Directors concluded that the company's operations are not subject to any such uncertainties that would cause significant reason to doubt that the company would be able to continue its operations and make its payments.

Throughout the review period, the company proactively negotiated with financier banks, guarantee institutions and equity financing providers, and kept a particularly close eye on the adequacy of cash assets. On the last day of the review period, 30 June 2022, the company signed a financing agreement with a syndicate formed by OP and Nordea, and issued a convertible bond. Essential aspects of the preparatory work on the financing agreement included reviews of the risks posed by rising costs and the geopolitical situation, direct and indirect impacts on the company and preparation for risks with respect to both the volume of operations and focus areas.

### ***Management of liquidity risk***

The company operates in the project business, a cyclical sector in which projects typically cause expenses before generating income. The company continuously manages its liquidity risk by complying with the financing policy

in force that has been approved by the Board of Directors. The aim and principle of the financing policy is to safeguard sufficient and cost-effective funding for the business in all circumstances. The company monitors liquidity with a budget-based indirect cash flow forecast that is updated monthly and a direct cash flow forecast that is updated weekly.

In line with the Group's financing policy, the minimum cash target is 4% of forecast annual net sales for the financial year and the financing secured for the implementation of each project. At the end of the review period, the Group's cash and cash equivalents amounted to more than 4% of forecast annual net sales.

## Personnel and remuneration

The average number of Group personnel during the review period was 993 (1,043 in 2021). The number of personnel at period-end was 814 (1,042 on 31 December 2021). Due to the divestment of the pipeline renovations business, the number of personnel decreased by 121. About half of the Group's personnel are salaried employees and about half work at construction sites.

On 25 March 2022, Lehto carried out a targeted bonus issue related to the implementation of the incentive plan for key personnel. In the share issue, Lehto Group Plc granted 151,842 treasury shares to key employees covered by the incentive plan.

## 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, the company seeks to attract new business opportunities and partners, as well as to further improve the profitability and predictability of its operations. Further development of risk management is one of the major priorities in Lehto's operations.

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 during 2022**

The prices of numerous building materials increased sharply and the availability of certain materials weakened already in 2021. This applies to wood, processed wood, concrete elements, insulation and technical building components in particular. 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. The realisation of these risks could have a significant impact on Lehto's full-year net sales and operating result for 2022. In order to eliminate such risks, Lehto engages in continuous dialogue with its suppliers and assesses the potential for using substitute materials or components in its projects.

Lehto has changed its pricing, purchasing and contractual practices so that the company can better mitigate cost risks. The coronavirus pandemic and war in Ukraine have caused general uncertainty in the customer and financing markets, 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. It is possible that the startup of the company's construction projects will be delayed if Lehto is unable to organise project-specific financing or guarantees for its projects.



Lehto is currently working on both contracting and developer contracting projects in both the Housing and Business Premises service areas. Net sales and operating profit will be affected by the accuracy of project cost estimates, progress in selling these projects and exactly when they are sold.

## Impacts of the coronavirus situation and war in Ukraine

In spite of the exceptional circumstances caused by the pandemic, the company's business has continued to perform relatively well. The implementation of some projects has been slightly delayed due to coronavirus infections. Projects have involved uncertainties due to the coronavirus pandemic, but demand for housing construction has remained good in spite of these uncertainties. The coronavirus situation continues to pose uncertainty regarding the availability and prices of building materials. It is possible that construction costs will remain high or rise further.

The war in Ukraine has had adverse impacts on Lehto's business environment. The greatest negative impacts are caused by a sharp increase in costs and general market uncertainty. According to Statistics Finland, construction costs in June 2022 had increased by 9.4% year-on-year. Costs of materials grew by 15.3% and labour costs by 3.2% over a 12-month period. Lehto seeks to control rising costs especially by confirming procurement prices in advance.

Due to market uncertainty, Lehto has reduced the volume of developer-contracted housing and business premises construction. The company is very selective in starting up new developer contracting projects.

## Resolutions of the Annual General Meeting

In accordance with the proposal of the Board of Directors, the Annual General Meeting (AGM) of 2 May 2022 decided that no dividend will be paid for the financial year ending on 31 December 2021.

The AGM confirmed the number of Board members to be five. Pursuant to the proposal made by the shareholders' nomination committee, Anne Korhikoski, Helena Säteri, Jani Nokkanen and Hannu Lehto were re-elected as members of the Board of Directors. Eero Sihvonen was elected as a new Board member. Hannu Lehto was elected Chairman of the Board of Directors. The term of the Board members will expire at the end of the Annual General Meeting 2023.

The above-mentioned and other decisions of the Annual General Meeting were disclosed in a stock exchange release on 2 May 2022.

## Shares and shareholdings

Lehto Group Plc is listed on the official list of Nasdaq Helsinki Ltd. The number of shares at the end of June was 87,339,410 and the company had 17,695 shareholders. The company holds 28,123 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 30 June 2022 was EUR 0.375. The share's highest rate during the review period was EUR 0.944 and its lowest rate was EUR 0.35. A total of

30,336,103 shares in the company were traded during the period with a trading value of approximately EUR 18 million.

On 2 May 2022, the AGM also decided to authorise the Board of Directors to decide on the issue of a maximum of 40,000,000 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 organise the approximately EUR 15 million financing arrangement with equity elements announced by the company on 11 April 2022, to develop capital structure, to expand the ownership base, to implement incentive systems, and as a consideration in acquisitions and transactions when the company purchases assets linked to its operations.

The authorisation is valid until 30 June 2023 and replaces the company's previous share issue and option authorisations.

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

## Events after the review period

On 1 July 2022, after the review period, the company received cash proceeds of EUR 5.4 million related to the convertible bond subscription commitments on 30 June 2022. The company had already received cash proceeds of EUR 7.6 million on 30 June 2022.

### **Vantaa, 3 August 2022**

*Lehto Group Plc  
Board of Directors*

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# Tables

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, EUR million

	1-6/2022	1-6/2021 <sup>1)</sup>	1-12/2021 <sup>1)</sup>
<b>Net sales</b>	<b>163.9</b>	<b>183.2</b>	<b>404.1</b>
Other operating income	0.3	0.3	0.4
Changes in inventories	18.7	8.7	-6.9
Material and services	-165.6	-155.6	-347.0
Employee benefit expenses	-28.5	-28.0	-56.1
Depreciation and amortisation	-2.9	-3.5	-7.0
Other operating expenses	-7.4	-8.1	-15.9
<b>Operating result</b>	<b>-21.5</b>	<b>-3.1</b>	<b>-28.3</b>
Financial income	0.0	0.0	0.1
Financial expenses	-1.3	-1.4	-2.9
<b>Result before taxes</b>	<b>-22.8</b>	<b>-4.5</b>	<b>-31.1</b>
Income taxes	-0.7	-0.1	1.2
<b>Result from continuing operations</b>	<b>-23.5</b>	<b>-4.6</b>	<b>-29.9</b>
Result from discontinued operations	32.6	0.3	-2.7
<b>Result for the period</b>	<b>9.1</b>	<b>-4.4</b>	<b>-32.6</b>
<b>Result attributable to</b>			
Equity holders of the parent company	9.1	-4.4	-32.6
Non-controlling interest	0.0	0.0	0.0
	<b>9.1</b>	<b>-4.4</b>	<b>-32.6</b>
<b>Components of other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation difference	0.0	-0.3	0.0
	0.0	-0.3	0.0
<b>Comprehensive result, total</b>	<b>9.1</b>	<b>-4.6</b>	<b>-32.6</b>
<b>Comprehensive result attributable to</b>			
Equity holders of the parent company	9.1	-4.6	-32.6
Non-controlling interest	0.0	0.0	0.0
	<b>9.1</b>	<b>-4.6</b>	<b>-32.6</b>

<sup>1)</sup> 2021 is restated according to pipeline operations as discontinued operations

**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	87,240,819	87,124,865	87,142,297
Average number of (issue-adjusted) outstanding shares during the period, diluted	87,440,873	87,427,066	87,447,100
Earnings per share from continuing operations, basic	-0.27	-0.05	-0.34
Earnings per share from continuing operations, diluted	-0.27	-0.05	-0.34
Earnings per share from discontinued operations, basic	0.37	0.00	-0.03
Earnings per share from discontinued operations, diluted	0.37	0.00	-0.03
Earnings per share, basic	0.10	-0.05	-0.37
Earnings per share, diluted	0.10	-0.05	-0.37

<b>CONSOLIDATED BALANCE SHEET, EUR million</b>	<b>2022/6/30</b>	<b>2021/6/30</b>	<b>2021/12/31</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	4.6	4.6	4.6
Other intangible assets	1.7	4.0	2.0
Property, plant and equipment	17.8	20.9	19.2
Investment properties	0.7	0.7	0.7
Investments and receivables	7.6	11.5	8.9
Deferred tax assets	13.5	15.0	13.8
<i>Non-current assets total</i>	<i>46.0</i>	<i>56.7</i>	<i>49.2</i>
<b>Current assets</b>			
Inventories	208.8	191.3	194.9
Trade and other receivables	76.6	106.4	90.1
Cash and cash equivalents	18.0	56.8	32.8
<i>Current assets total</i>	<i>303.4</i>	<i>354.5</i>	<i>317.8</i>
<b>Assets, total</b>	<b>349.4</b>	<b>411.1</b>	<b>367.0</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	0.1	0.1	0.1
Invested non-restricted equity reserve	89.8	88.7	88.7
Translation difference	-0.2	-0.3	-0.3
Retained earnings	2.4	35.0	35.0
Result for the financial period	9.1	-4.4	-32.6
Equity attributable to shareholders of the parent company	101.2	119.2	90.9
Non-controlling interest	0.0	0.0	0.0
<b>Equity total</b>	<b>101.2</b>	<b>119.2</b>	<b>90.9</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	0.7	0.3	0.2
Provisions	15.6	12.6	22.0
Financial liabilities	5.7	4.2	3.1
Lease liabilities	83.3	75.3	88.2
Other non-current liabilities	4.1	0.1	0.1
<b>Non-current liabilities total</b>	<b>109.4</b>	<b>92.5</b>	<b>113.7</b>
<b>Current liabilities</b>			
Financial liabilities	12.6	63.6	42.7
Lease liabilities	2.2	2.2	2.3
Advances received	47.0	74.3	32.4
Trade and other payables	77.0	59.3	85.0
<b>Current liabilities total</b>	<b>138.8</b>	<b>199.4</b>	<b>162.4</b>
Liabilities total	248.2	291.9	276.0
<b>Equity and liabilities, total</b>	<b>349.4</b>	<b>411.1</b>	<b>367.0</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 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	-4.4	-4.4		-4.4
<b>Total comprehensive income</b>			<b>0.0</b>	<b>-4.4</b>	<b>-4.4</b>		<b>-4.4</b>
<b>Transactions with equity holders</b>							
Share-based compensation				0.0	0.0		0.0
<b>Transactions with equity holders, total</b>				<b>0.0</b>	<b>0.0</b>		<b>0.0</b>
<b>Equity at 30 June 2021</b>	<b>0.1</b>	<b>88.7</b>	<b>-0.3</b>	<b>30.7</b>	<b>119.2</b>	<b>0.0</b>	<b>119.2</b>
<b>Equity at 1 January 2022</b>							
<b>Equity at 1 January 2022</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>
<b>Comprehensive income</b>							
Result for the financial period			0.0	9.1	9.1		9.1
<b>Total comprehensive income</b>			<b>0.0</b>	<b>9.1</b>	<b>9.1</b>		<b>9.1</b>
<b>Transactions with equity holders</b>							
The equity component separated from the convertible bond		1.1			1.1		1.1
Share-based compensation				0.0	0.0		0.0
<b>Transactions with equity holders, total</b>		<b>1.1</b>		<b>0.0</b>	<b>1.1</b>		<b>1.1</b>
<b>Equity at 30 June 2022</b>	<b>0.1</b>	<b>89.8</b>	<b>-0.2</b>	<b>11.5</b>	<b>101.2</b>	<b>0.0</b>	<b>101.2</b>

**CONSOLIDATED CASH FLOW STATEMENT,  
EUR million**
**1-6/2022**
**1-6/2021**
**1-12/2021**

	1-6/2022	1-6/2021	1-12/2021
<b>Cash flow from operating activities</b>			
Result for the financial period	9.1	-4.4	-32.6
<b>Adjustments:</b>			
Non-cash items	-6.2	0.1	9.4
Depreciation and amortisation	2.9	3.6	8.8
Financial income and expenses	1.3	1.4	3.3
Capital gains	-31.6	0.0	0.0
Income taxes	1.1	0.4	1.5
<b>Changes in working capital:</b>			
Change in trade and other receivables	11.1	-23.0	-4.5
Change in inventories	-17.7	-10.1	0.4
Change in trade and other payables	16.3	-5.4	-21.5
Interest paid and other financial expenses	-2.3	-2.5	-5.4
Financial income received	0.0	0.0	0.1
Income taxes paid	-0.3	0.0	0.0
<b>Net cash from operating activities</b>	<b>-16.1</b>	<b>-39.9</b>	<b>-40.5</b>
<b>Cash flow from investments</b>			
Investment in property, plant and equipment	-0.2	-0.3	-0.4
Investment in other intangible assets	-0.2	-0.3	-0.8
Sale of discontinued operations (less cash at the time of sale)	28.7		
Financial assets at fair value through profit or loss	-0.2	0.0	0.0
Loans granted	0.0	0.0	-0.3
Repayments of loan receivables	0.0	0.2	0.7
<b>Net cash from investments</b>	<b>28.2</b>	<b>-0.4</b>	<b>-0.7</b>
<b>Cash flow from financing</b>			
Loans drawn	7.6	0.0	0.0
Loans repaid	-32.5	-6.8	-28.7
Lease liabilities paid	-1.1	-1.2	-2.4
Loan arrangement fees	-0.8		
<b>Net cash used in financing activities</b>	<b>-26.8</b>	<b>-8.0</b>	<b>-31.1</b>
<b>Change in cash and cash equivalents (+/-)</b>	<b>-14.7</b>	<b>-48.3</b>	<b>-72.3</b>
Cash and cash equivalents at the beginning of the year	32.8	105.1	105.1
Effects of exchange rate change	0.0	0.0	0.0
Cash and cash equivalents at the end of the period	18.0	56.8	32.8

<b>KEY FIGURES</b>	<b>1-6/2022</b>	<b>1-6/2021<sup>1)</sup></b>	<b>1-12/2021<sup>1)</sup></b>
Net sales, EUR million	163.9	183.2	404.1
Net sales, change %	-10.5%	-23.6%	-21.8%
Operating result, EUR million	-21.5	-3.1	-28.3
Operating result, as % of net sales	-13.1%	-1.7%	-7.0%
Result for the period, EUR million	9.1	-4.4	-32.6
Result for the period, as % of net sales	5.6%	-2.4%	-8.1%
Equity ratio, %	33.5%	35.4%	27.2%
Gearing, %	93.7%	70.2%	100.6%
Net gearing ratio, %	84.9%	74.2%	113.8%
Order backlog, EUR million	285.6	474.5	444.2
Personnel during the period, average	993	1,041	1,043
Personnel at the end of period	814	1,079	1,042
Gross expenditure on assets, EUR million	0.4	0.6	1.2
Equity / share, EUR	1.16	1.37	1.04
Earnings per share, basic	0.10	-0.05	-0.37
Earnings per share, diluted	0.10	-0.05	-0.37
Average number of (issue-adjusted) outstanding shares during the period, basic	87,240,819	87,124,865	87,142,297
Average number of (issue-adjusted) outstanding shares during the period, diluted	87,440,873	87,427,066	87,447,100
Number of (issue-adjusted) outstanding shares at the end of the period	87,311,287	87,159,445	87,159,445
Market value of share at the end of period, EUR million	32.7	141.5	75.0
Share prices, EUR			
Highest price, EUR	0.94	2.31	2.31
Lowest price, EUR	0.35	1.19	0.72
Average price, EUR	0.59	1.71	1.35
Price at the end of period, EUR	0.38	1.62	0.86

<sup>1)</sup> Restated according to pipeline operations as discontinued operations



## DISCONTINUED OPERATIONS

Lehto announced on 14 June, 2022 that it has sold its pipeline business. Pipeline operations belong to Building Services operating segment and its net sales have been reported as part of Housing service area. The net sales of the pipeline renovation business in 2021 were EUR 31.8 million and its effect on the Group's operating result was EUR 4.2 million positive. At the time of sale, 121 people worked in the business. The result of pipeline operations until the time of sale is classified as discontinued operations in this half-year report and comparison period have been adjusted accordingly.

In addition, discontinued operations include Swedish operations that were discontinued in 2021. The Swedish operations had no effect on the discontinued result in the review period January-June 2022.

<b>Operating result from discontinued operations</b>	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>1-12/2021</b>
Net sales	17.4	14.4	31.8
Expenses	-15.9	-13.9	-29.6
Depreciation and impairment	0,0	-0,0	-1.9
<b>Operating result</b>	<b>1.5</b>	<b>0.5</b>	<b>0.4</b>
Financial items	0.0	-0.0	-0.4
Taxes	-0.4	-0.3	-2.6
<b>Operating result for the financial year</b>	<b>1.1</b>	<b>0.3</b>	<b>-2.7</b>
Gain on sale of discontinued operations	31.5		
<b>Result for the financial year from discontinued operations</b>	<b>32.6</b>	<b>0.3</b>	<b>-2.7</b>
Earnings per share, discontinued operations, basic, EUR/share	0.37	0.00	-0.03
Earnings per share, discontinued operations, diluted, EUR/share	0.37	0.00	-0.03
<b>Cash flow from discontinued operations</b>	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>1-12/2021</b>
Net cash from operating activities	3.2	3.3	1.1
Net cash from investments	28.7	0.0	0.0
Net cash used in financing activities	0.0	0.0	0.0
<b>Total</b>	<b>32.0</b>	<b>3.3</b>	<b>1.1</b>
<b>Effect of disposal on the financial position of the Group</b>	<b>2022/6/30</b>		
Non-current assets	0.0		
Inventories	0.1		
Trade and other receivables	3.9		
Cash and cash equivalents	2.8		
Non-current liabilities	-0.2		
Advances received	-0.7		
Trade and other payables	-5.9		
<b>Net assets and liabilities</b>	<b>0.0</b>		
Consideration received in cash	31.5		
Cash and cash equivalents disposed of	-2.8		
<b>Net cash inflow</b>	<b>28.8</b>		

<b>LIABILITIES AND GUARANTEES, EUR million</b>	<b>2022/6/30</b>	<b>2021/6/30</b>	<b>2021/12/31</b>
<b>Loans covered by pledges on assets</b>			
Loans from financial institutions	4.5	48.8	33.0
Debts on shares in unsold housing and real estate company shares	6.8	7.4	7.4
Instalment debts	0.1	0.1	0.0
<b>Total</b>	<b>11.4</b>	<b>56.3</b>	<b>40.4</b>
<b>Guarantees</b>			
Real-estate mortgages	11.3	9.4	9.4
Pledges	6.6	19.6	7.7
Absolute guarantees	0.2	0.3	0.3
<b>Total</b>	<b>18.2</b>	<b>29.3</b>	<b>17.4</b>
<b>Contract guarantees</b>			
Production guarantees	52.0	63.4	61.8
Warranty guarantees	13.3	18.3	18.0
RS guarantees	19.2	18.7	21.9
Payment guarantees	0.9	1.1	1.6
<b>Total</b>	<b>85.4</b>	<b>101.5</b>	<b>103.3</b>

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.

<b>REVENUE ANALYSIS, EUR million</b>	<b>1-6/2022</b>	<b>1-6/2021</b>	<b>1-12/2021</b>
Revenue recognised over time	136.1	127.5	301.3
Revenue recognised upon delivery	27.1	55.4	102.1
Rental income	0.7	0.3	0.7
<b>Total</b>	<b>163.9</b>	<b>183.2</b>	<b>404.1</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 1-6/2022	Sales 1-6/2021	Purchases 1-6/2022	Purchases 1-6/2021	Sales 1-12/2022	Purchases 1-12/2021
Key personnel and their controlled entities	4.1	12.9	4.5	3.2	36.7	7.4
<b>Total</b>	<b>4.1</b>	<b>12.9</b>	<b>4.5</b>	<b>3.2</b>	<b>36.7</b>	<b>7.4</b>

EUR million	Receivables 2022/6/30	Receivables 2021/6/30	Liabilities 2022/6/30	Liabilities 2021/6/30	Receivables 2022/12/31	Liabilities 2022/12/31
Key personnel and their controlled entities	3.5	5.2	0.7	0.4	5.1	0.8
<b>Total</b>	<b>3.5</b>	<b>5.2</b>	<b>0.7</b>	<b>0.4</b>	<b>5.1</b>	<b>0.8</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. In addition to table presented above, by June 30, 2022, the key personnel and their controller entities have subscribed for convertible bonds for an amount of EUR 7.1 million.