

**Q3
22**

**Business Review
January-September 2022**

**Third quarter progresses
as expected**



January – September 2022 in brief

In January–September, **net sales** were down 2.9% on the previous year and amounted to EUR 250.1 (257.5) million. Net sales fell in the Business Premises service area, but grew slightly in the Housing service area.

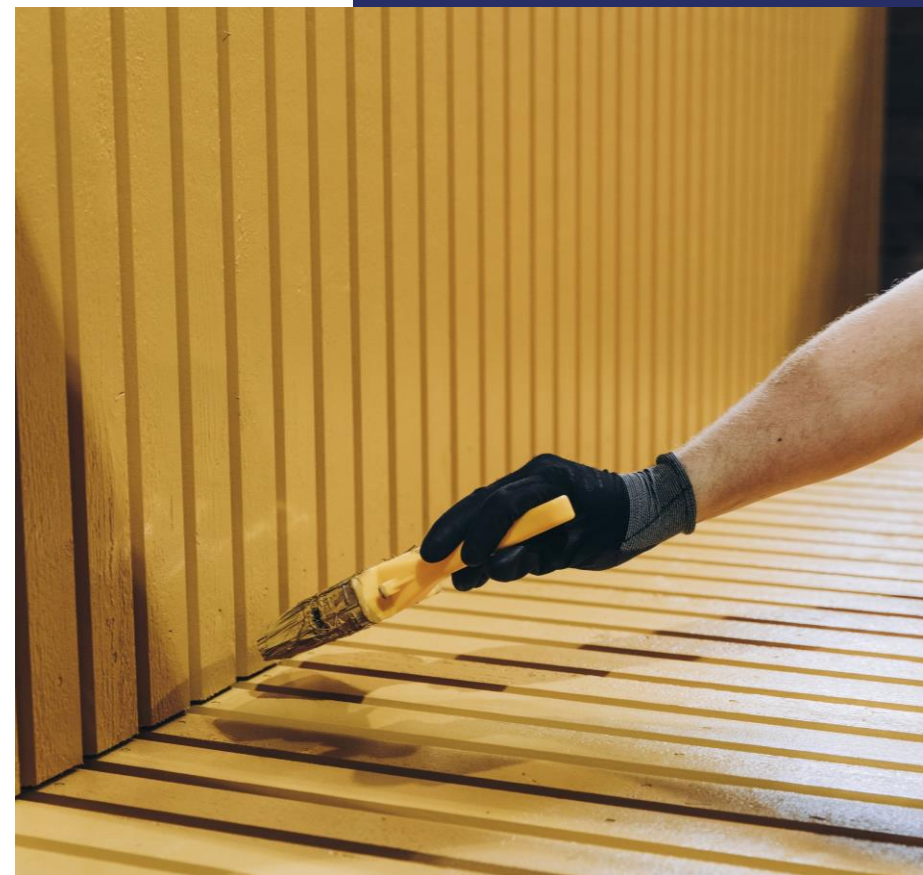
The operating result from continuing operations was EUR -27.9 (-11.8) million. This operating loss was primarily the result of continuing losses in several business premises projects and the penalty fees imposed due to the termination of certain contract agreements.

The order backlog declined to EUR 246.4 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 termination of projects in the order backlog.

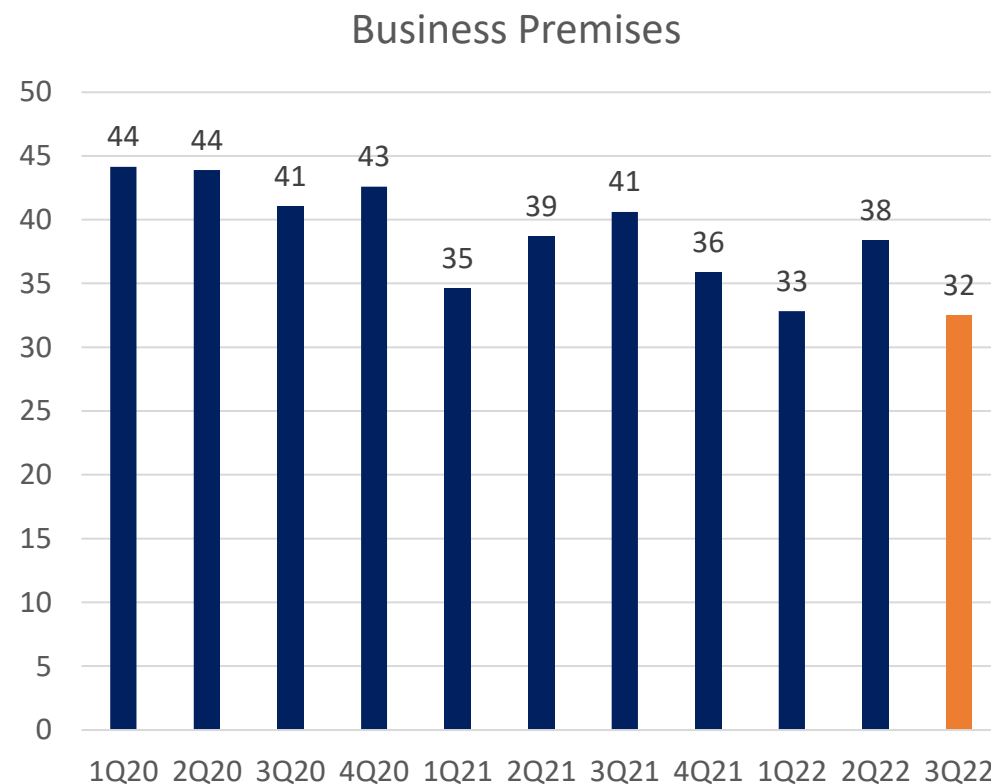
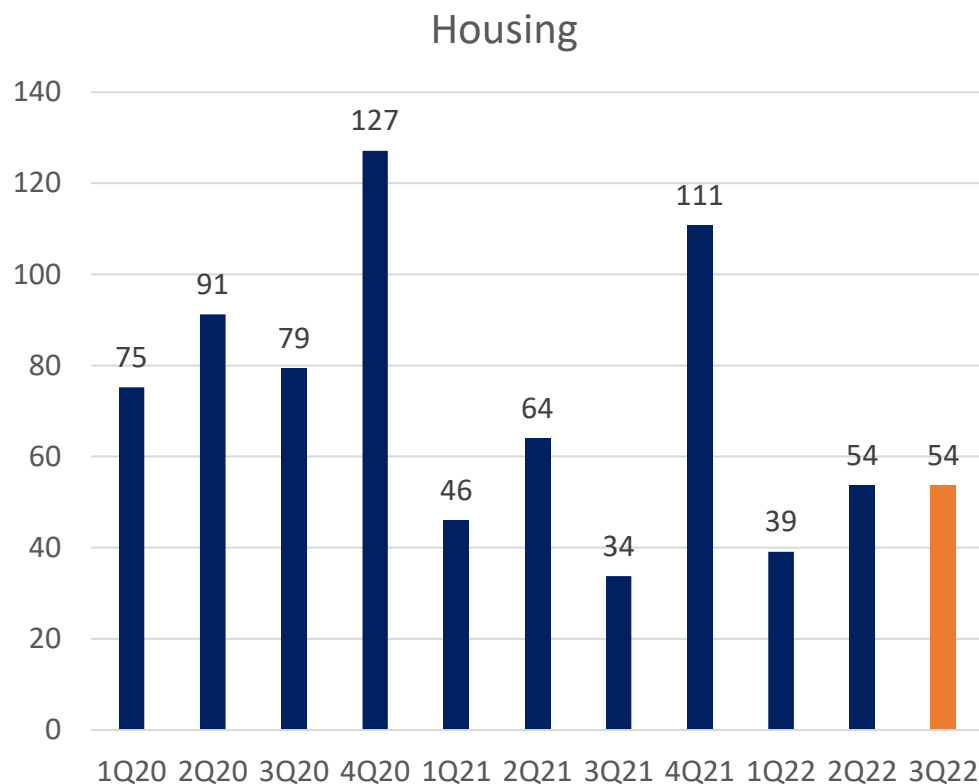
Net sales by service area, EUR million

Service area	1-9/2022	1-9/2021	1-12/2021
Housing	146.3	143.6	254.3
Business Premises	103.7	113.9	149.8
TOTAL	250.1	257.5	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.



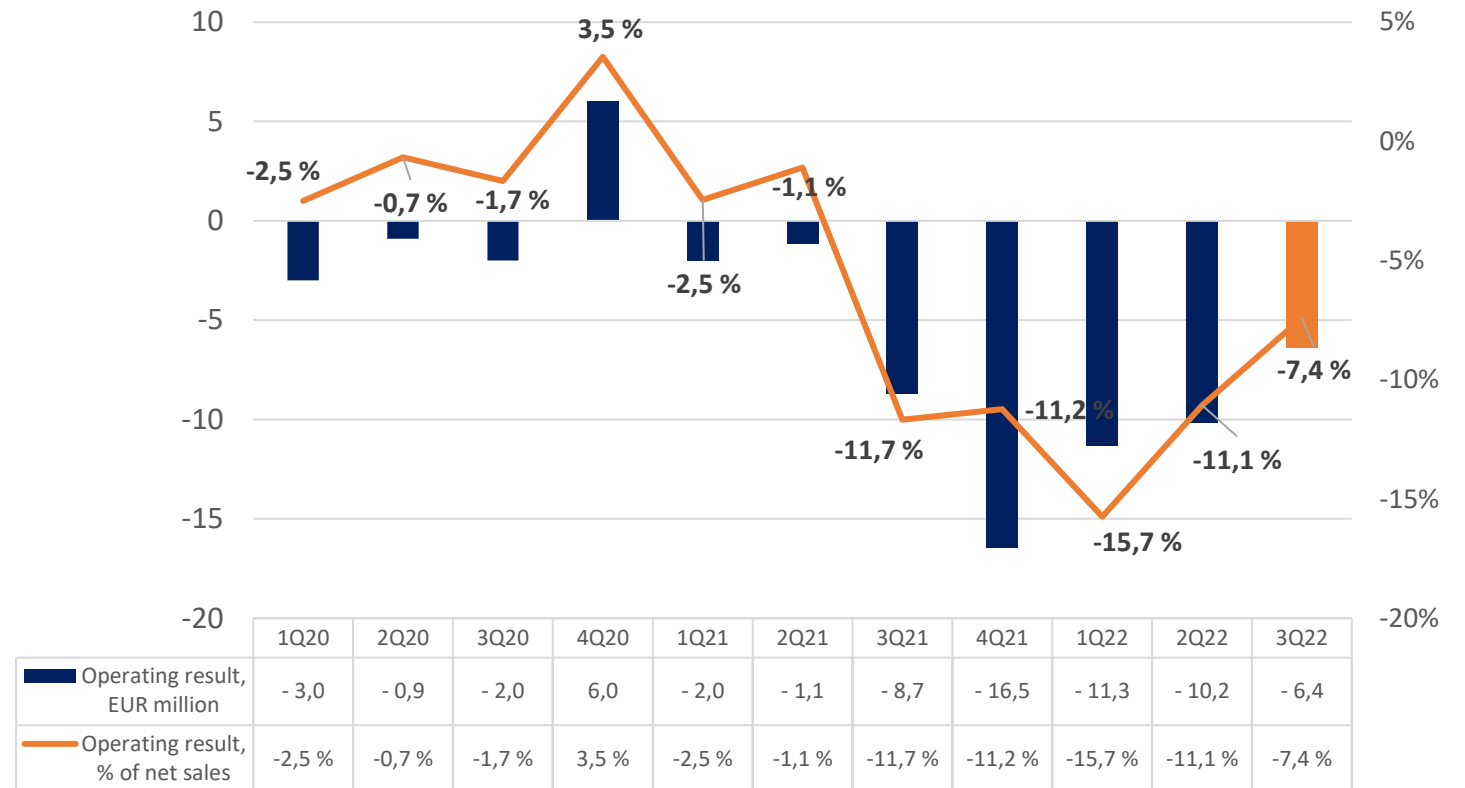
Net sales by quarter and service area, EUR million



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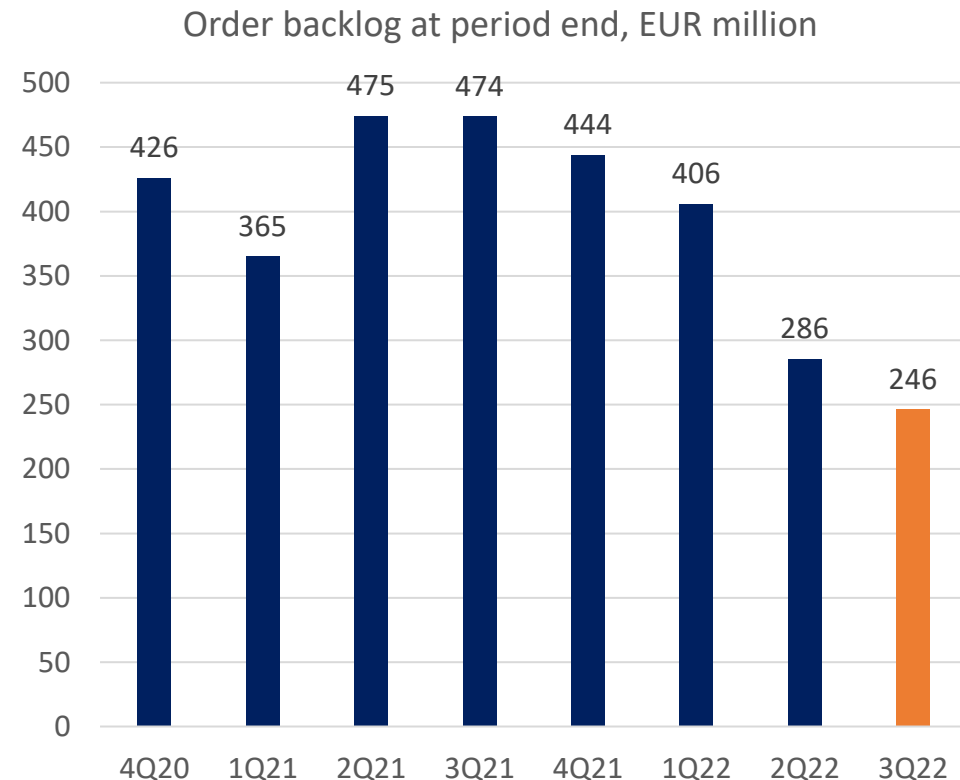
3Q operating result

- The operating result for Q3 was - 6.4 EUR million (- 8.7)
- The 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.



Order backlog

- The order backlog declined to EUR 246.4 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 termination of projects in the order backlog.
- As previously reported by the company, Lehto has canceled or agreed to cancel the contracts or pre-contracts of six projects. The total value of the projects is approximately EUR 125 million, and EUR 73 million of them were previously recorded in the order backlog. As a result of the increase in construction costs, their projected margin was negative.



Balance sheet

- The balance sheet total fell slightly from the 2021 closing date to EUR 326.7 million.
- The equity ratio improved during the review period, as equity grew following the divestment of the pipeline renovations business and the issuance of the convertible bond.

Consolidated balance sheet, EUR million	30 Sep 2022	30 Sep 2021	31 Dec 2021
Non-current assets	44.9	55.4	49.2
Current assets			
Inventories, excluding IFRS 16 assets	121.4	129.9	108.3
Inventories, IFRS 16 assets	79.4	89.2	86.6
Current receivables	69.2	97.7	90.1
Cash and cash equivalents	11.6	52.3	32.8
Total assets	326.7	424.5	367.0
Equity	94.8	111.4	90.9
Financial liabilities	38.7	63.3	45.8
Lease liabilities	84.0	93.4	90.4
Advances received	37.5	87.5	32.4
Other payables	71.6	69.0	107.4
Total equity and liabilities	326.7	424.5	367.0

Housing



- **Net sales** in the Housing service area grew by 1.9% from the comparison period to EUR 146.3 (143.6) million.
- The relative proportions of net sales accounted for by consumer and investor projects were approximately the same as in the comparison period.
- 459 (1,265) **apartments were sold** in the review period. The number of apartments sold to consumers was slightly lower than in the comparison period, but the number of apartments sold to investors was significantly lower as commercial negotiations were delayed due to the tightening economic environment.
- During the period, 794 (641) **housing units were completed** and the construction of 454 (1,185) new units was started. The startups were units in Southern and Northern Finland sold to investors.
- There were 1,662 (1,988) **housing units under construction** at the end of the review period.
- **The volume of care home construction** was lower than in the comparison period due to a decrease in the number of projects. One (3 in 1–9/2021) care home was completed during the period. At period-end, two (2) assisted living facilities were under construction as part of a housing construction project.

Business Premises

LEHTO



- The service area's net sales experienced a year-on-year decrease of 8.9% to EUR 103.7 (113.9) million. Net sales decreased as the number of projects declined.
- Nine business premises projects were completed and handed over during the review period (9 projects in 1–9/2021). At the end of the period, 11 (19) 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 and a pulp warehouse at the Port of Kemi. In October, after the end of the review period, Fennovoima's office building was handed over to the client.
- The order backlog declined to EUR 72.5 million (EUR 202.0 million on 31 December 2021).



Outlook for 2022

Lehto's previously published outlook for 2022 remains unchanged.

Lehto estimates that net sales from continuing operations in 2022 will be slightly lower than in 2021 (EUR 404.1 million in 2021) and the operating result from continuing operations will be a loss of about EUR 15–20 million.

This outlook is based on the company's estimate of the progress of ongoing construction projects, construction projects to be started and sold in 2022, and the current outlook on trends in the housing market.

The significant uncertainty surrounding both net sales and the operating result in 2022 is related to the completion of sales contracts for certain construction projects during 2022. The company's outlook expects these transactions to be completed during 2022, and they will have a significant impact on the Group's operating result.