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**Half-Year Financial Report
January-June 2023**

**Net sales down,
financial position remained stable**

January-June 2023 in brief

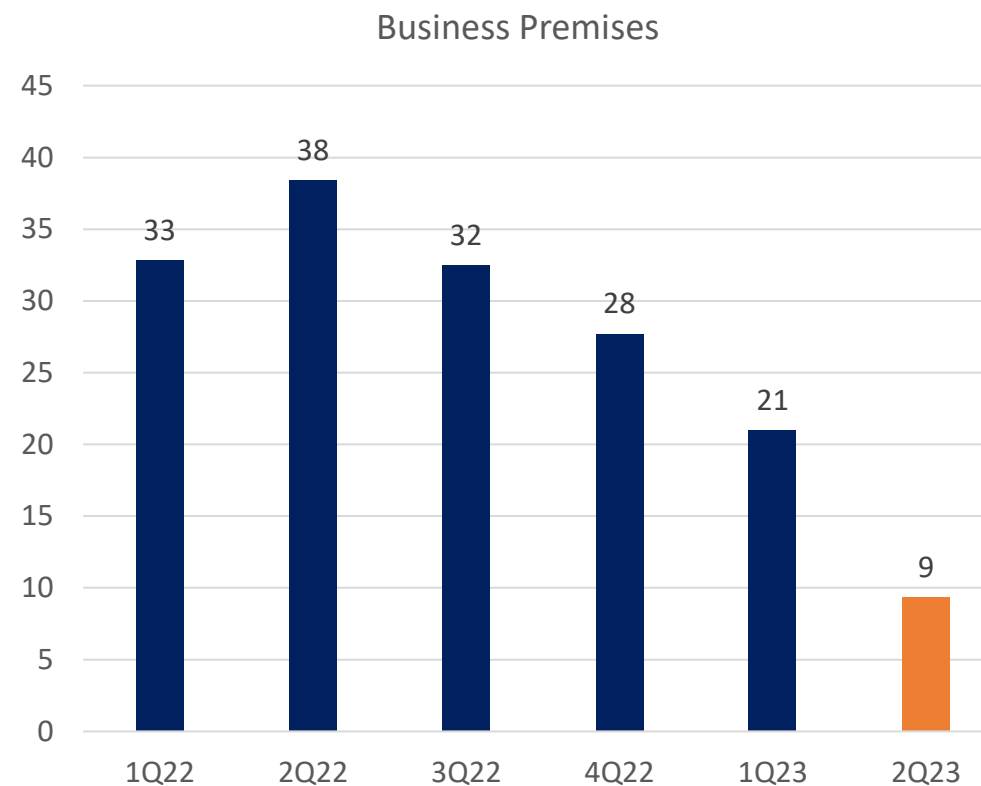
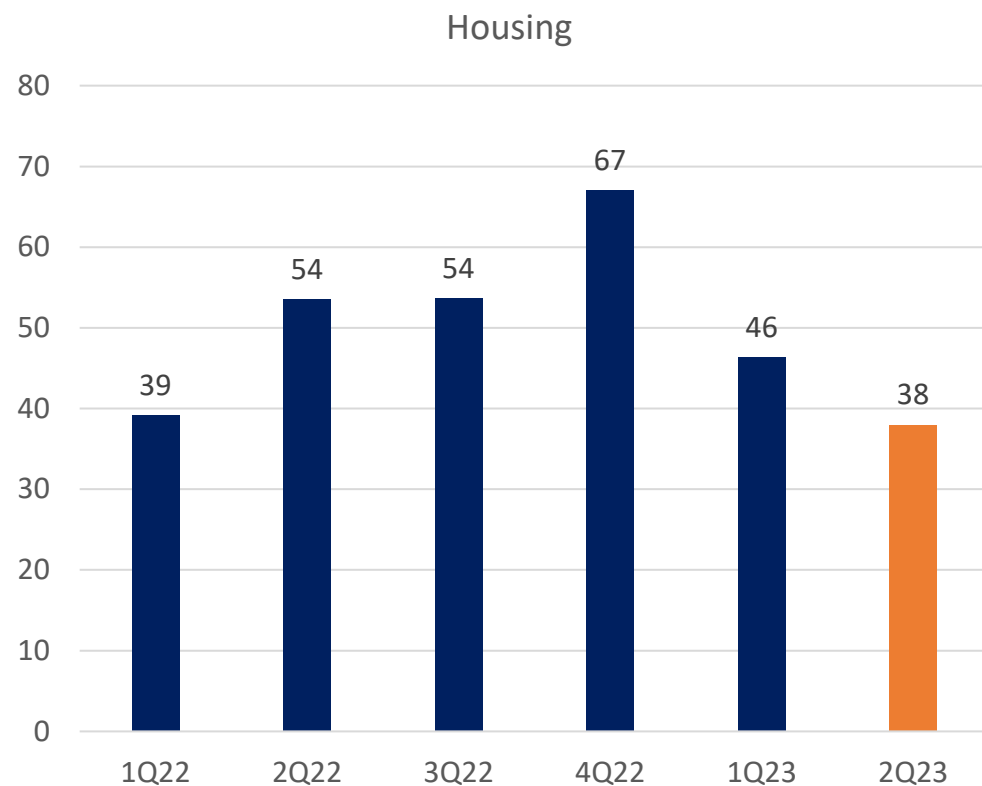
- In January–June, **net sales** were down 30.1% on the previous year and amounted to EUR 114.6 (163.9) million. Net sales declined in both service areas, but especially in Business Premises. This decrease was due to the lower number of construction projects and termination of business premises project contracts in 2022.
- **The operating result from continuing operations** was EUR -18.2 (-21.5) million. The operating loss was impacted especially by developer-contracted projects sold at a loss as well as other low-margin or loss-making projects.
- **Cash and cash equivalents** totalled EUR 9.0 (18.0) million at the end of the review period (EUR 13.2 million on 31 December 2022). In addition to this, the company had EUR 5.0 million pledged cash deposits as collateral for the credit facility signed on June 30, 2022. Pledges are presented in the receivables in the balance sheet.
- **The order backlog** declined to EUR 120.9 million (EUR 205.9 million on 31 December 2022).
- **Interest-bearing liabilities** excluding IFRS 16 lease liabilities amounted to EUR 28.1 million (EUR 33.9 million on 31 December 2022).

Net sales by service area, EUR million

Service area	1-6/2023	1-6/2022	1-12/2022
Housing	84.3	92.7	213.3
Business Premises	30.3	71.2	131.5
TOTAL	114.6	163.9	344.8

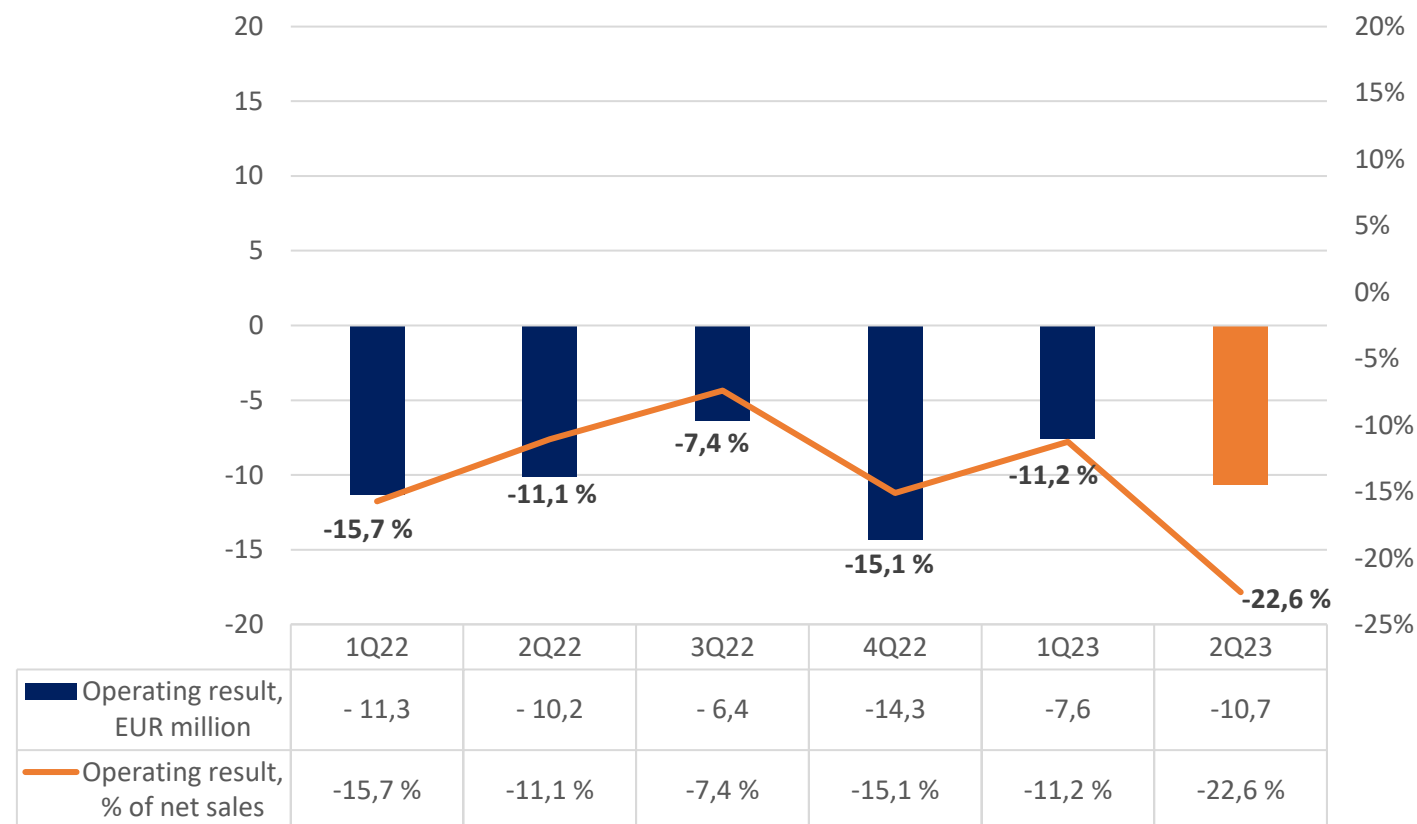


Net sales by quarter and service area, EUR million



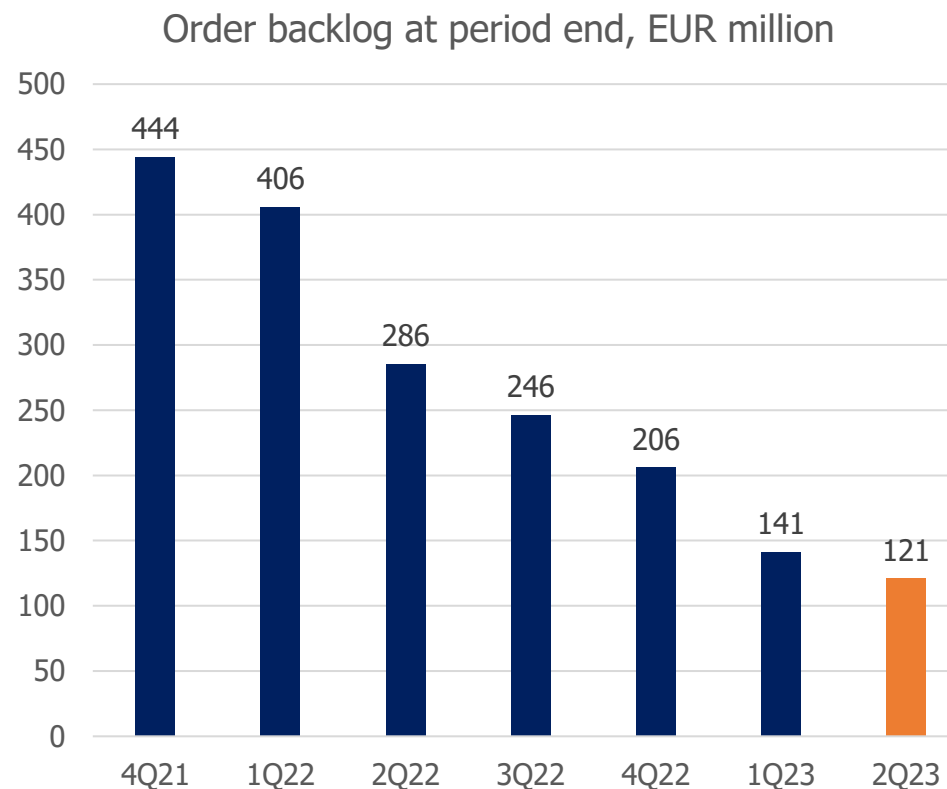
Operating result for the review period

- **The operating result** from continuing operations was EUR -18.2 (-21.5) million. The operating loss was impacted especially by developer-contracted projects sold at a loss as well as other low-margin or loss-making projects.



Order backlog

- The order backlog declined to EUR 120.9 million (EUR 205.9 million on 31 December 2022).
- The order backlog was down in both service areas due to the low order intake.



Balance sheet

- **The balance sheet** total declined to EUR 188.9 (267.2) million.
- The key figures for **financial standing and indebtedness** weakened, as shareholders' equity and cash and cash equivalents decreased due to the loss-making result.
- **Cash and cash equivalents** were also decreased by repayments of financial liabilities.
- **The equity ratio without the lease liabilities** under IFRS 16 stood at 37.9% (38.7%) and the net gearing ratio was 42.0% (31.0%).

Consolidated balance sheet, EUR million	30 June 2023	30 June 2022	31 Dec 2022
Non-current assets	24.7	46.0	27.7
Current assets			
Inventories, excluding IFRS 16 assets	62.1	126.5	101.2
Inventories, IFRS 16 assets	59.7	82.3	70.9
Current receivables	33.4	68.4	50.4
Cash and cash equivalents	9.0	18.0	13.2
Non-current assets held for sale	0.0	0.0	3.8
Total assets	188.9	341.2	267.2
Equity	45.6	101.2	66.6
Financial liabilities	28.1	18.3	33.9
Lease liabilities	63.1	85.5	77.8
Liabilities based on customer contracts (advances received)	7.3	38.8	20.6
Other payables	44.8	97.4	68.4
Total equity and liabilities	188.9	341.2	267.2

Housing



- The Housing service area's **net sales** experienced a year-on-year decrease of 9.0% to EUR 84.3 (92.7) million.
- During the review period, 193 **apartments were sold**, most of them in housing projects targeted at consumers. 80 apartments in one consumer project were sold to an investor client.
- During the period, 716 (602) **housing units were completed**, but no new housing projects were started up (235 units started up in 1-6/2022).
- There were 480 (1,635) housing units **under construction** at the end of the review period.

Housing

Sold, under construction, unsold

Sold housing units during the review period	1-6/2023	1-6/2022	1-12/2022
Investor projects	53	136	497
Consumer projects	140	149	261
Sold housing units during the review period, total	193	285	758

Housing units under construction	1-6/2023	1-6/2022	1-12/2022
Under construction at the beginning of the period	1196	2002	2002
+started up during the period	-	235	586
- completed during the period	-716	-602	-1392
Housing units under construction, in the end of the period	480	1635	1196

Unsold housing units	1-6/2023	1-6/2022	1-12/2022
Under construction	-	254	181
Completed	69	56	73
Unsold housing units, total	69	310	254

Business Premises

- The service area's **net sales** experienced a year-on-year decrease of 57.5% to EUR 30.3 (71.2) million. Net sales decreased due to the decline in the number of projects and as a result of Lehto's more selective project selection process.
- Four business premises projects **were completed and handed** over during the review period (4 sites in 1-6/2022).
- At period-end, three (14) projects were **under construction**, most notably a local service centre in Kivistö, Vantaa, the Finnish headquarters of Makita, and a warehouse building in Tuusula.
- The Business Premises service area's **order backlog** decreased slightly to EUR 49.3 million (EUR 50.3 million on 31 December 2022).



Outlook for 2023

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Lehto's previously published outlook for 2023 remains unchanged.

Due to the uncertain market and financing situation of the construction industry, and the ongoing process regarding structural and ownership arrangements, there are many uncertainties related to 2023 outlook.

Lehto estimates that the 2023 net sales for Housing service area will be lower than in 2022 (EUR 213.3 million in 2022) and the net sales in Business Premises service area will decrease significantly from 2022 (EUR 131.5 million in 2022). Operating result is estimated to improve substantially.

The reason behind the decline in net sales is the decreased amount of projects in business premises and housing. The improvement in operating profit is primarily based on a significant reduction in loss-making projects.

The most significant risks related to net sales and operating result are presented in the Half-Year Financial Report, in the chapter "Risks and uncertainty factors".

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