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Lehto Group Plc:

Financial Statement Bulletin 1 Jan – 31 Dec 2023

27 March 2024 at 8:00

Due to the bankruptcies of Lehto Group Plc's three (3) subsidiaries that occurred after the end of the financial year, the corporate restructuring proceedings initiated at Lehto Group Plc and the ongoing asset sale negotiations, Lehto's financial statements for 2023 have not yet been completed. The unaudited financial statement information presented in this bulletin is based on estimates at the time of publication of the bulletin ("Financial statement information"). Depending on the final results of the sales negotiations, the accounting value of the company's assets and liabilities may change from the financial statement information presented in this announcement. The financial statements will be completed and published by the end of April 2024. 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 2023

Group	10-12/ 2023	10-12/ 2022	1-12/ 2023	1-12/ 2022
Net sales from continuing operations, EUR million	17.3	94.7	171.8	344.8
Change in net sales from continuing operations, %	-81.7%	-35.4%	-50.2%	-14.7%
Operating result from continuing operations, EUR million	-47.6	-14.3	-71.0	-42.2
Operating result from continuing operations, % of net sales	-274.6%	-15.1%	-41.3%	-12.2%
Result from continuing operations, EUR million	-15.7	-27.8	-77.1	-58.8
Result from discontinued operations, EUR million	0.0	-0.4	-0.1	32.1
Result for the period, EUR million	-15.8	-28.2	-77.2	-26.7
Order backlog at period end, EUR million	0.0	205.9	0.0	205.9
Earnings per share, EUR	-0.18	-0.32	-0.88	-0.31
Cash and cash equivalents, EUR million	6.1	13.2	6.1	13.2
Financial liabilities, EUR million	20.6	33.9	20.6	33.9
Lease liabilities, EUR million	59.1	77.8	59.1	77.8
Equity ratio, %	-10.1%	27.0%	-10.1%	27.0%
Equity ratio, excl. IFRS 16 lease liabilities, %	-22.6%	38.7%	-22.6%	38.7%

- Lehto Group Plc's ("Lehto" or "the Company") financial statement information for the financial period that ended on 31 December 2023 are not based on continuity of operations. On 8 February 2024, after the end of the financial period, Lehto's subsidiaries Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy went into bankruptcy, and the Group's parent company Lehto Group Plc started corporate restructuring proceedings on 16 February 2024. Due to these factors, there are

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significant grounds for doubting that the Company will be able to continue to operate and make payments over the next 12 months.

- The financial statement information includes the income statement and balance sheet items of the bankrupt subsidiaries.
 - Income statement items are presented as continuing operations.
 - Assets are valued at a maximum of the total liabilities of the respective companies, also taking into account the effects of impairment due to the loss of receivables realized in bankruptcy. For the avoidance of doubt, it is stated that at the time of publication of the financial statement bulletin, the assets and liabilities of the said subsidiaries are under the control of the bankruptcy estates.
- The valuation of assets remaining in the group is based on an estimate of the amounts of money that can be collected in situations where they fall below the accounting value formed on the basis of the continuity principle.

The following table discloses the impact of the bankrupt subsidiaries on the consolidated balance sheet.

Effect of subsidiaries declared to bankrupt on the Group financial position Dec 31, 2023	Group	The impact of bankrupt companies	Group without bankrupt companies
Intangible and tangible assets	9.3	0.0	9.3
Investments in associated companies	0.8	0.0	0.8
Other financial assets	1.0	0.0	1.0
Receivables	2.5	2.4	0.1
Inventories	73.8	71.9	1.9
Trade and other receivables	12.1	11.1	1.0
Cash and cash equivalents	6.1	0.0	6.1
Assets, total	105.6	85.3	20.2
Non-current provisions	7.7	7.7	0.0
Non-current lease liabilities	53.6	52.9	0.7
Other non-current liabilities	0.1	0.1	0.0
Current provisions	2.9	2.6	0.4
Current financial liabilities	20.6	5.1	15.5
Current lease liabilities	5.5	5.0	0.5
Liabilities to customers for constructing contracts (advances received)	1.7	1.5	0.2
Trade and other payables	23.9	19.6	4.3
Liabilities, total	116.1	94.6	21.5
Net assets and liabilities	-10.5	-9.3	-1.3
Impact of group eliminations		9.3	-9.3
Groups' net assets and liabilities at the end of financial year			-10.5

- On the closing date, the Lehto Group consists of the parent company Lehto Group Plc, its wholly owned subsidiary Lehto Components Oy, and small project and other companies that do not engage in active operations.
- The Group currently does not engage in significant business, and as part of the parent company's corporate restructuring proceedings, the Company reviews options to expand to new business areas and acquire new business.

- The Group's cash and cash equivalents on the closing date amount to approximately EUR 2.4 million. The future development of the company's cash assets will be influenced particularly by:
 - asset sales income
 - cash income and expenses related to new business and the schedule for the start-up of operations
 - financing acquired for new business
 - effects of the decisions made in the corporate restructuring proceedings of the parent company.
- The Company's restructuring programme is under preparation and its contents, which will be specified later, may affect the valuation of the Company's assets and liabilities. It is possible that as a result of the restructuring activities, the book values of the company's assets and liabilities will change from the financial statement information presented in this bulletin.
- The covenant terms of the company's key RCF financing agreement were not met on the closing date. The responsibilities and obligations related to this financing agreement are taken into account in the Company's restructuring programme.
- The Company has issued convertible bonds of EUR 15.0 million, which are convertible into new and/or existing shares in Lehto. The Company has not been able to comply with all of the terms and conditions of the convertible bonds. Any changes to the convertible bonds will be dealt with as part of the Company's restructuring proceedings.

Business development in 2023

2023 began in a difficult situation. The Company posted a loss for its operations in the previous year, the order book had contracted, and cash reserves were scant. At the same time, the construction market and short-term market outlook were at an all-time low. The Company's operational focus was naturally on securing cash flow and the preconditions for continuing its operations.

In January 2023, Lehto started a process to seek industrial or ownership partners for the Company. At that time, the Company estimated that its business portfolio was too broad in view of the market situation and the Company's financial position; the potential arrangements were intended to ensure financing for the Company's strategy and projects.

During the year, the Company engaged in negotiations with dozens of parties on the sale of business functions or parts thereof, or other corporate arrangements. In parallel with the corporate arrangement processes, Lehto implemented several measures to improve cash flow during the year. Among other things, the second factory building in Oulainen was sold, personnel cuts were made in all units, and both plots and residential units were sold.

The Company obtained cash flow from sales of fixed assets, housing and plots to continue operations and repay debts. Cash flow and belief in the future were also maintained by new orders received during the year and an extensive portfolio of housing projects in growth centres.

In October, the Company signed a letter of intent to sell its operative subsidiaries to a European fund management company. This solution was expected to enable the parent company to continue operating and possibly start up new business operations. In December, the letter of intent was terminated and as the year ended the Company was in a more difficult situation than when the year began.

In February 2024, after the end of the financial year, three Lehto subsidiaries — Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy — filed for bankruptcy because these companies no longer had sufficient financing to continue their operations. A week later, Lehto Group Plc, the parent company, initiated corporate restructuring.

Due to the subsidiaries' bankruptcies, the parent company's equity became negative. The Board has started taking steps to increase its equity capital and will convene a General Meeting to review this matter no later than by the end of May 2024.

In March 2024, Lehto sold the share capital of its subsidiary Insinööritoimisto Mäkeläinen Oy, which produces structural engineering services, after which the Group continues to operate in two operative companies: the parent company Lehto Group Plc and Lehto Components Oy.

At the time of publication of the financial statement bulletin, Lehto is still evaluating and planning alternatives for continuing, selling or reorganising the operations of the parent company and Lehto Components Oy. Lehto also reviews options to expand to new business areas and acquire new business.

Development of the business environment 2023

According to the interim forecast presented by the Bank of Finland in March 2024, Finland's gross domestic product contracted by -1.0% in 2023. The gross domestic product has contracted almost continuously since mid-2022. In December 2023, the Bank of Finland estimated that the economic growth is weak on a broad front, and higher interest rates have been encouraging households to save rather than consume. In addition, higher prices and interest rates and uncertainty about the future have slowed down growth in household consumption. The recovery of the economy is also limited by a substantial contraction in investments. With regard to investments, activity in housing construction is especially low, and the unemployment rate is seeing a temporary rise due to the weak business cycle.

The Business Cycle Review of the Confederation of Finnish Construction Industries RT published in March 2024, states that new construction remained at a historically low level throughout last year. The decline in the volume of new production accelerated to 15 percent, weighed down by housing construction. The drop in value added in construction accelerated beyond the financial crisis figures, to 11 percent.

According to RT, house construction starts have decreased continuously since the beginning of 2022. Housing starts fell to around 17,500 apartments in 2023, which is almost 20,000 less than the previous year. Starts of self-financed apartment buildings decreased by as much as 80 percent, while ARA production rose to 8,600 apartments.

In a review published in February 2024, the Ministry of Finance's construction trends group (RAKSU) estimated that the number of building permits shrunk to about half year-on-year. In 2023, construction was supported by subsidised housing production; the share of total construction start-ups accounted for by production subsidised by the Housing Finance and Development Centre of Finland (ARA) was indeed exceptionally high. Interest rate hikes caused a rise in living costs and almost paralysed the housing market for new homes. The decrease in the prices of homes caused by this slump in demand and the halt in housing sales soon became evident in the lengthening of the time required to sell newly completed residential units.

Balance sheet and financial position

The consolidated balance sheet includes the assets and liabilities of Lehto Group Plc's subsidiaries Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy which went bankrupt after the end of the financial period.

Consolidated balance sheet, EUR million	31 Dec 2023	31 Dec 2022
Non-current assets	13.6	27.7
Current assets		
Inventories, excluding IFRS 16 assets	17.6	101.2
Inventories, IFRS 16 assets	56.2	70.9
Current receivables	12.1	50.4
Cash and cash equivalents	6.1	13.2
Non-current assets held for sale	0.0	3.8
Total assets	105.6	267.2
Equity	-10.5	66.6
Financial liabilities	20.6	33.9
Lease liabilities	59.1	77.8
Liabilities based on customer contracts (advances received)	1.7	20.6
Other payables	34.7	68.4
Total equity and liabilities	105.6	267.2

The balance sheet total fell to EUR 105.6 (267.2) million, as asset values, including asset write-downs, decreased. Valuation of assets is based on an estimate of the amount of money that can be collected. The assets of group companies that have gone bankrupt after the end of the financial year have been valued at a maximum of the total liabilities of the respective companies. Liabilities decreased by EUR 84.6 million to EUR 116.1 (200.7) million. Liabilities were down due to changes in financial liabilities (EUR -13.2 million, net), a decrease in lease obligations as a result of the relinquishing of leased plots (EUR -18.7 million), and a decline in prepayments and other liabilities (EUR -52.6 million).

As liabilities exceeded assets, equity decreased to negative EUR 10.5 million. EUR 2.9 million of the Company's EUR 15.0 million convertible bond has been recognised in equity and EUR 12.1 million in liabilities. In accordance with the terms of the convertible bond, shares in the Company may be subscribed for with the bonds, which would reduce liabilities and improve equity.

Interest-bearing liabilities	31 Dec 2023	31 Dec 2022
Revolving credit facility (RCF)	3.4	13.0
Convertible bond	15.0	15.0
with adjusted expenses and equity component separated	-2.9	-3.3
RS loans related to unsold apartments in developer contracted housing projects	2.2	9.2
Investment loans	0.0	0.0
VAT payment arrangement	2.9	0.0
Financial liabilities, total	20.6	33.9
IFRS 16 lease liabilities	59.1	77.8
Interest-bearing liabilities, total	79.7	111.7

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 at the end of the financial period were related to leases of plots for developer-contracted housing projects under construction. These obligations have been removed from Lehto's consolidated balance sheet due to the bankruptcies of subsidiaries after the end of the financial period. The IFRS 16 liabilities taken off the balance sheet due to the bankruptcies total EUR 58 million.

Financial position, EUR million	Excluding IFRS 16 lease liabilities			Including IFRS 16 lease liabilities		
	31 Dec 2023	31 Dec 2022	Change	31 Dec 2023	31 Dec 2022	Change
Cash and liquid assets	6.1	13.2	-7.1	6.1	13.2	-7.1
Interest-bearing liabilities	20.6	33.9	-13.2	79.7	111.7	-32.0
Interest-bearing net debt	14.5	20.6	-6.1	73.6	98.5	-24.9

The Group's cash flow statement includes the cash flow statement items of Lehto Group Plc's subsidiaries Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy, which went bankrupt after the end of the financial period.

Cash flow statement, EUR million	1-12/ 2023	1-12/ 2022
Cash flow from operating activities		
Profit for the period + adjustments to accrual-based items	-71.1	-49.2
Change in net working capital	68.1	15.5
Total cash flow from operating activities	-2.9	-33.7
Cash flow from investments	4.0	27.8
Cash flow from financing	-8.2	-13.6
Change in cash and cash equivalents	-7.1	-19.5
Cash and cash equivalents at the beginning of the period	13.2	32.8
Cash and cash equivalents at the end of the period	6.0	13.2

Net cash flow from operating activities was EUR -2.9 (-33.7) million, which includes a positive impact of EUR 68.1 (15.5) million due to the decrease in net working capital. The decline in net working capital was caused by the recognition of inventories at net realisable value as well as a decrease in sales receivables and other receivables.

Net cash flow from investments was EUR 4.0 (28.7) million, mainly resulting from the divestment of the Oulainen factory property.

Net cash flow from financing was EUR -8.2 (-13.6) million. Financial liabilities decreased by a net amount of EUR -6.7 million and payments for lease liabilities were EUR -1.4 million.

Key financing agreements

Revolving credit facility (RCF)

Lehto has a Revolving Credit Facility (RCF) agreement with OP Corporate Bank plc and Nordea Bank Plc, which was signed on 30 June 2022. The RCF amounts to EUR 13 million and is valid until 31 March 2024. At the end of the review period, EUR 3.4 million of the RCF was in use. Some of the assets pledged as collateral for the RCF belong to the bankrupt subsidiaries, and some to the continuing Lehto Group.

At the end of the review period, not all of the covenant or other terms of the RCF were met and the contract is about to expire on 31 March 2024. Debt collection and repayment will occur as part of the Company's restructuring proceedings.

Convertible bond

In 2022 Lehto offered the 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 15.0 million. Lehto Invest Oy, the largest shareholder in the Company, has subscribed for a total of EUR 10.0 million of the bond.

The Company has not been able to comply with all of the terms and conditions of the convertible bond, and thus bondholders may terminate the bond in accordance with its terms and conditions. For this reason, the convertible bond has been recognised as a current liability. Any changes to the convertible bond will be handled as part of the Company's restructuring proceedings.

Continuity of operations

The continuity of the Company's operations involves significant uncertainties. The Company will not be able to continue to operate unless it sells assets or acquires new financing and starts new cash-flow generating business. For this reason, there are significant grounds to doubt that the Company will be able to continue to operate and make its payments over the next 12 months.

At the time of publication of the financial statement bulletin the company has cash assets of approximately 2.4 million euros. Cash adequacy will be affected particularly by:

- asset sales income
- cash income and expenses related to new business and the schedule for the start-up of operations
- financing acquired for new business
- effects of the decisions made in the corporate restructuring proceedings of the parent company.

Personnel and remuneration

The average number of Group personnel during the review period was 483 (860 in 2022). The number of personnel at period-end was 384 (664 on 31 December 2022). About 62 per cent of the Group's personnel are salaried employees and 38 per cent of employees work on construction sites and in factories.

During the year, the Group's personnel decreased by 280 employees, and the number of personnel has decreased further due to the bankruptcies of subsidiaries after the end of the financial period and the scaling down of the parent company's operations.

In March 2023, the Company carried out a directed bonus issue under the authorisation granted by the Annual General Meeting of 2 May 2022, in which 103,782 shares in Lehto Group Plc held by the Company were issued to key persons participating in the 2020 incentive scheme. The issued shares represented 0.12% of the Company's total share capital.

Research and development

Lehto has developed and manufactured building modules and components, such as bathroom/kitchen modules, housing space elements, wall elements, large roof elements, technical building modules and windows 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 has been part of continuing operations, and the related costs are largely recorded as an expense in the income statement. During the financial year, no development expenses (EUR 0.4 million in 2022) were capitalized.

Risks and factors of uncertainty

In 2023, all of Lehto's business operations were related to construction. On 8 February 2024, the Lehto subsidiaries engaging in construction operations — Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy — went into bankruptcy, and Lehto no longer engages in actual construction operations. Consequently, the risks associated with construction are no longer relevant to Lehto. Lehto will continue to manufacture construction elements at its factories until further notice, but it is possible that Lehto will also discontinue its factory operations during 2024.

Lehto reviews options to expand to new business areas and acquire new business. The key risks for 2024 are related to starting up new business and arranging the required financing and corporate restructuring proceedings success.

It is possible that the corporate restructuring proceedings concerning Lehto Group Plc will not proceed as planned or the corporate restructuring programme will not be confirmed. In this eventuality, the Company would most likely go bankrupt, and as a result the shareholders and creditors could lose their entire investment and claims. It is also possible that, as a result of the bankruptcies of subsidiaries, claims will be brought against Lehto Group Plc which the Company will not be able to fulfil.

The potential acquisition of new equity financing could result in the significant dilution of shareholdings.

Responsibility and environmental issues

Despite its current lack of business continuity, Lehto aims to act in accordance with the generally accepted principles of responsibility with respect to environmental issues, social responsibility and governance.

During 2024, Lehto will define separate focus areas, targets and metrics for responsibility, along with associated support processes to serve Lehto's business.

The Group's legal structure

At the end of the financial period, the Group was comprised of the parent company, Lehto Group Plc, and its five operative subsidiaries: Lehto Asunnot Oy, Lehto Tilat Oy, Lehto Korjausrakentaminen Oy, Lehto Components Oy and Insinööritoimisto Mäkeläinen Oy. In addition, the Group included one non-operative company in Sweden and temporary real-estate companies or shareholdings in them. All operative subsidiaries were in Finland and the parent company's holding in them was 100%.

The Group's parent company did not engage in actual business operations but served as a hub for a number of shared Group functions which are relevant for the manageability or cost efficiency of the Group's operations. These include human resources management, accounting, coordination of financial affairs, legal affairs, business development, sourcing and purchasing, communications, marketing and information management.

In February 2024, after the end of the financial period, three subsidiaries of Lehto — Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy — filed for bankruptcy. Also, on March 19, 2024 Lehto sold the entire share capital of its subsidiary Insinööritoimisto Mäkeläinen Oy.

Resolutions of the Annual General Meeting

Lehto Group Plc held its 2023 Annual General Meeting on 30 March 2023, in Oulu at the Technopolis Smarthouse auditorium, located at Elektriikkatie 8, Oulu. The Annual General Meeting confirmed the financial statements for the financial period 2022 and granted discharge from liability for the Members of the Board and the CEO.

Deciding on the use of the profit shown by the balance sheet and the payment of dividends

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

Presenting and approving the remuneration report

The Annual General Meeting decided to approve the remuneration report in accordance with the Board's proposal. The decision was advisory.

Board member selection and compensation

The AGM confirmed the number of Board members to be four.

In accordance with the proposal of the Board of Directors, the Annual General Meeting decided to elect the following persons as members of the Board of Directors: Eero Sihvonen, Hannu Lehto, Anne Korkiakoski and Jani Nokkanen. The term of the Board members will expire at the end of the Annual General Meeting 2024.

The Annual General Meeting decided that about 40% of the remuneration paid to members of the Board of Directors is to be paid in Lehto Group Plc shares and the balance in cash. Thereby the Chairman of the Board of Directors is to be paid an annual fee of EUR 69,000, and the Deputy Chairman and members of the Board are each to be paid a fee of EUR 34,500. If a member of the Board of Directors declares that they will refrain from accepting the Company's shares, the remuneration shall be paid solely in cash. Thereby the annual fees paid to Board members are EUR 55,200 to the Chairman, and EUR 27,600 each to the Deputy Chairman and members of the Board.

It was also confirmed that the meeting fees to be paid to Board members for each meeting in the annual calendar, and for other Board meetings in which they participate that last over two hours and for which minutes are kept, shall amount to EUR 1,500 for the Chairman of the Board and EUR 750 each for the Deputy Chairman and members of the Board.

Furthermore, it was confirmed that the meeting fees to be paid to Board committee members for each committee meeting in the annual calendar, and for other committee meetings in which they participate that last over two hours and for which minutes are kept, shall amount to EUR 600 for the Chairman of the committee and EUR 400 each for the committee members.

Reasonable travel expenses related to Board meetings and committee meetings were confirmed to be paid in accordance with the instructions of the Tax Administration, albeit the meeting fees shall include per diems.

Auditor selection and fees

The firm of authorised public accountants KPMG Oy Ab was re-elected as the company's auditor. KPMG Oy Ab has informed the Company that Pekka Alatalo, Authorised Public Accountant (KHT), shall serve as the chief auditor. It was decided that the auditor's fee be paid on the basis of an invoice approved by the Company.

Authorising the Board of Directors to decide on the purchase of the company's own shares

The Annual General Meeting 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 shares shall be purchased through public trading organised by NASDAQ OMX Helsinki Oy in accordance with its rules or using another method. The consideration paid for the purchased shares shall be based on the market price.

The authorisation also entitles the Board of Directors to decide on the purchase of shares other than in proportion to the shares owned by the shareholders (directed purchase). In such a case, there should be sound financial reasons for the company to purchase its own shares. Shares may be purchased to implement the Company's share-based incentive systems, to implement arrangements linked to the Company's business operations, or otherwise to be transferred or cancelled. The Company may also itself retain the shares acquired.

The Board of Directors makes decisions on all other conditions and matters pertaining to the purchase of own shares. The purchase of own shares reduces the Company's unrestricted equity. The authorisation is valid until the end of the next Annual General Meeting, but no later than 30 June 2024, and it replaces the previous authorisation concerning the acquisition of the Company's own shares.

Authorising the Board of Directors to decide on a share issue, on the granting of option rights and other special rights entitling to shares, as well as the transfer of own shares

The AGM 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 deviation from the Company's shareholders' pre-emptive subscription rights, new shares may be issued in a directed issue and own shares held by the Company transferred in a directed transfer if there is a compelling financial reason for the Company to do so or, in case of a bonus issue, a particularly compelling financial reason for the Company and to the benefit of all its shareholders to do so. The Board of Directors decides on all other conditions and matters 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 implement the Company's share-based incentive schemes, to pay Board fees, to strengthen the capital structure, to expand the ownership base, and to pay consideration in acquisitions and transactions when the Company purchases assets linked to its operations.

The authorisation is valid until the end of the next Annual General Meeting, but no later than 30 June 2024, and it replaces the previous issue and option authorisations of the Company.

Minutes of the General Meeting

The minutes of the General Meeting can be found on Lehto Group Plc's website at <https://lehto.fi/en/investors/corporate-governance/annual-general-meeting/>

Decisions of the Board's organisational meeting

At the organisational meeting held after the Annual General Meeting, the Board of Directors of Lehto Group Plc elected Eero Sihvonen as its Chairman. The Board also elected the members of the Audit Committee.

The Board of Directors elected Anne Korkiakoski as the Chairman and Eero Sihvonen and Hannu Lehto as the members of the Audit Committee.

Based on the Board of Directors' assessment of independence, all members of the Board, except Hannu Lehto, are independent of the Company and the significant shareholders of the Company. The composition of the Audit Committee meets the independence requirements set forth in the Corporate Governance Code.

Change in the composition of the Board and Audit Committee on 11 July 2023

Board member Anne Korkiakoski resigned from the Board on 11 July 2023. After her resignation, Eero Sihvonen (Chairman), Hannu Lehto and Jani Nokkanen have continued to serve on the Board.

The Board of Directors noted that after Korkiakoski resigned, the Board of Directors' composition continues to meet the requirements of the Articles of Association, and that the Shareholders' Nomination Committee would submit its proposal for the Board's composition no later than in January 2024 to be decided on at Lehto's 2024 Annual General Meeting.

After Korkiakoski resigned, the composition of Lehto's Board of Directors no longer meets Recommendation No. 8 (Composition of the Board of Directors) of the Governance Code maintained by the Securities Market Association with regard to Board diversity, as both genders are no longer represented on the Board. The reasons for deviating from the recommendation are described both on Lehto's website and in the Corporate Governance Statement for 2023.

The members of the Board of Directors, except Hannu Lehto, are independent of the Company and its significant shareholders.

In connection with the resignation of Korkiakoski, the Board also decided to change the composition of the Audit Committee such that Jani Nokkanen was elected as a member of the Audit Committee, and Eero Sihvonen replaced Korkiakoski as the Chairman of the Audit Committee.

Shares and shareholdings

Lehto Group Plc is listed on the official list of Nasdaq Helsinki Ltd. The number of shares at the end of the year was 87,339,410 and the Company had 13,954 shareholders. The Company holds 203,424 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 2023 was EUR 0.0175. The share's highest rate during the review period was EUR 0.326 and its lowest rate was EUR 0.014. A total of 61,872,140 shares in the Company were traded during the period with a trading value of approximately EUR 5.4 million.

On 4 September 2023, Nasdaq Helsinki put Lehto Group Plc's shares under observation status on the basis of Section 4.1.1(f) of the Nordic Main Market Rulebook for Issuers of Shares.

On 6 February 2024, after the end of the financial period, trading in Lehto Group Plc shares was suspended on Nasdaq Helsinki.

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

Transfers of own shares

In March 2023, the Company carried out a directed bonus issue under the authorisation granted by the Annual General Meeting of 2 May 2022, in which 103,782 shares in Lehto Group Plc held by the Company were issued to key persons participating in the 2020 incentive scheme. The issued shares represented 0.12% of the Company's total share capital.

Significant events after the reporting period

6 February 2024: subsidiaries Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy filed for bankruptcy.

8 February 2024: subsidiaries Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy went into bankruptcy.

15 February 2024: Lehto Group Plc applied for corporate restructuring.

15 February 2024: Lehto announced changes to the publication date of the financial statements bulletin and the date of the Annual General Meeting, and that it would change over to half-year reporting.

16 February 2024: the corporate restructuring proceedings of Lehto Group Plc were initiated.

27 February 2024: Lehto announced changes in the Group's management structure and the discontinuation of the Group's Executive Board until further notice.

6 March 2024: Lehto announced that Lehto Group Plc's equity had become negative.

19 March 2024: Insinööritoimisto Mäkeläinen Oy was divested.

Outlook for 2024

Lehto Group lacks business continuity, as its former construction-related business has ceased due to the bankruptcies of its subsidiaries. Lehto plans to divest its whole construction business and any holdings related thereto and reviews options to expand to new business areas and acquire new business.

In this situation, Lehto cannot present an estimate of its financial development.

Vantaa, 26 March 2024

*Lehto Group Plc
Board of Directors*

LEHTO

TABLES

Continuity of operations

This financial statement information has not been prepared in accordance with the going concern principle. After the end of the financial period on February 8, 2024, Lehto Group Plc's operational subsidiaries Lehto Asunnot Oy, Lehto Tilat Oy and Lehto Korjausrakentaminen Oy were declared bankrupt, which is also taken into account in the valuation of the balance sheet items in the financial statement information. Lehto Asunnot Oy, Lehto Tilat Oy, and Lehto Korjausrakentaminen Oy cover practically Lehto's whole housing construction and business premises construction businesses and thus they make up most of the net sales of Lehto Group. In addition, on February 16, 2024, Lehto Group Plc was ruled to corporate restructuring by the District Court's decision. As part of the corporate restructuring proceedings Lehto plans to divest its whole construction business and any holdings related thereto and reviews options to expand to new business areas and acquire new business.

The covenant terms of the company's key RCF financing agreement were not met on the closing date. The responsibilities and obligations related to this financing agreement are taken into account in the Company's restructuring programme. The Company has also issued convertible bonds of EUR 15.0 million, which are convertible into new and/or existing shares in Lehto. The Company has not been able to comply with all of the terms and conditions of the convertible bonds. Any changes to the convertible bonds will be dealt with as part of the Company's restructuring proceedings.

The continuity of the Company's operations involves significant uncertainties. The Company will not be able to continue to operate unless it sells assets or acquires new financing and starts new cash-flow generating business. Due to these factors, there are significant grounds for doubting that the Company will be able to continue to operate and make payments over the next 12 months. The future development of the company's cash assets will be influenced particularly by asset sales income, cash income and expenses related to new business and the schedule for the start-up of operations, financing acquired for new business and effects of the decisions made in the corporate restructuring proceedings of the parent company.

Accounting principles for financial statements

Accounting principles requiring management judgement and the main factors of uncertainty affecting the estimates
When preparing the financial statement information, the management's judgment has been particularly related to the assessment of the basis of the continuity of operations and the valuation of assets. The bankrupt subsidiaries have been consolidated to the financial statement information. After the end of the financial year, Lehto has lost control over the bankrupt companies. There is significant uncertainty regarding the group's ability to continue its operations, which is why the financial statement information have not been prepared based on the assumption of continuity of operations. The assets of bankrupt companies have been valued at a maximum of the total amount of their companies' debts, taking into account also the effects of impairment due to the loss of receivables realized in bankruptcy and the goodwill of the group, which in its entirety is directed to the bankrupt businesses written off the balance sheet.

The valuation of the assets remaining with the Group is based on an estimate of the amount of money that can be collected from the assets in situations where it falls below the accounting value formed on the basis of the continuity principle. The restructuring proceedings and restructuring program of the parent company may have a negative effect on the subsequent valuation of the assets remaining in the Group.

At the end of the financial year, the bankrupt companies had 5 unfinished projects in progress, two of which were completed and handed over before the bankruptcy. As a result of the bankruptcy, the

construction sites of the bankrupt companies are no longer under the control of the Group, but the assets and liabilities of the subsidiaries in question are under the control of the bankruptcy estates.

In the financial statement information, the vast majority of current assets consist of the assets of companies that went bankrupt after the end of the financial year. The value of the inventory in question is based on the estimated net realizable value, taking into account the basis for valuing the total assets of bankrupt companies, according to which the assets are valued no more than the amount of the companies' total liabilities.

The Group's total goodwill, EUR 4.3 million, was entirely aimed at the business carried out by the construction business subsidiaries that were placed in bankruptcy. Goodwill has been written off the balance sheet as an impairment loss.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7-12/ 2023	7-12/ 2022	1-12 / 2023	1-12 / 2022
EUR million				
Net sales	57.2	180.9	171.8	344.8
Other operating income	0.6	0.8	3.0	1.1
Changes in inventories	-42.1	-24.5	-78.1	-5.8
Material and services	-41.2	-146.5	-116.1	-312.1
Employee benefit expenses	-9.4	-20.2	-24.0	-48.8
Depreciation and amortisation	-8.0	-3.0	-10.1	-5.9
Other operating expenses	-9.9	-8.1	-17.4	-15.5
Operating result	-52.7	-20.7	-71.0	-42.2
Financial income	0.1	0.0	0.1	0.0
Financial expenses	-3.5	-2.0	-6.1	-3.4
Result before taxes	-56.2	-22.7	-77.0	-45.5
Income taxes	0.0	-12.6	-0.1	-13.3
Result from continuing operations	-56.2	-35.3	-77.1	-58.8
Result from discontinued operations	-0.1	-0.5	-0.1	32.1
Result for the period	-56.2	-35.8	-77.2	-26.7
Result attributable to				
Equity holders of the parent company	-56.2	-35.8	-77.2	-26.7
Non-controlling interest	0.0	0.0	0.0	0.0
	-56.2	-35.8	-77.2	-26.7
Components of other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Translation difference	0.1	0.0	0.1	0.0
	0.1	0.0	0.1	0.0
Comprehensive result, total	-56.1	-35.7	-77.1	-26.6
Comprehensive result attributable to				
Equity holders of the parent company	-56.1	-35.7	-77.1	-26.6
Non-controlling interest	0.0	0.0	0.0	0.0
	-56.1	-35.7	-77.1	-26.6

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	87,165,770	87,311,287	87,257,649	87,276,343
Average number of (issue-adjusted) outstanding shares during the period, diluted	87,217,770	87,458,814	87,332,931	87,433,988
Earnings per share from continuing operations, basic	-0.64	-0.40	-0.88	-0.67
Earnings per share from continuing operations, diluted	-0.64	-0.40	-0.88	-0.67
Earnings per share from discontinued operations, basic	0.00	-0.01	0.00	0.37
Earnings per share from discontinued operations, diluted	0.00	-0.01	0.00	0.37
Earnings per share, basic	-0.65	-0.41	-0.88	-0.31
Earnings per share, diluted	-0.65	-0.41	-0.88	-0.31

CONSOLIDATED BALANCE SHEET

EUR million

2023/12/31 **2022/12/31****Assets***Non-current assets*

Goodwill	0.0	4.6
Other intangible assets	0.6	1.4
Property, plant and equipment	8.1	13.6
Investment properties	0.7	0.7
Investments and receivables	4.2	7.4
Deferred tax assets	0.0	0.0

Non-current assets total 13.6 27.7*Current assets*

Inventories	73.8	172.1
Trade and other receivables	12.1	50.4
Cash and cash equivalents	6.1	13.2

Current assets total 92.0 235.7

Non-current assets held for sale 0.0 3.8

Assets, total **105.6** **267.2****Equity and liabilities***Equity*

Share capital	0.1	0.1
Invested non-restricted equity reserve	88.7	88.7
Translation difference	-0.1	-0.2
Retained earnings	-22.0	4.6
Result for the financial period	-77.2	-26.7

Equity attributable to shareholders of the parent company -10.5 66.6

Non-controlling interest 0.0 0.0

Equity total -10.5 66.6*Non-current liabilities*

Deferred tax liabilities	0.0	0.0
Non-current provisions	7.7	5.9
Financial liabilities	0.0	11.7
Lease liabilities	53.6	68.4
Other non-current liabilities	0.1	0.2

Non-current liabilities total 61.4 86.2*Current liabilities*

Current provisions	2.9	7.6
Financial liabilities	20.6	22.2
Lease liabilities	5.5	9.4
Liabilities to customers for constructing contracts (advances received)	1.7	20.6
Trade and other payables	23.9	54.6

Current liabilities total 54.7 114.5

Liabilities total 116.1 200.7

Equity and liabilities, total **105.6** **267.2****LEHTO**

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
Equity at 1 January 2022	0.1	88.7	-0.3	2.4	90.9	0.0	90.9
<i>Comprehensive income</i>							
Result for the financial period			0.0	-26.7	-26.6	0.0	-26.6
<i>Total comprehensive income</i>			0.0	-26.7	-26.6	0.0	-26.6
<i>Transactions with equity holders</i>							
The equity component separated from the convertible bond				2.2	2.2		2.2
Share-based compensation				0.0	0.0		0.0
<i>Transactions with equity holders, total</i>				2.3	2.3		2.3
Equity at 31 December 2022	0.1	88.7	-0.2	-22.0	66.6	0.0	66.6
Equity at 1 January 2023	0.1	88.7	-0.2	-22.0	66.6	0.0	66.6
<i>Comprehensive income</i>							
Result for the financial period			0.1	-77.2	-77.1	0.0	-77.1
<i>Total comprehensive income</i>			0.1	-77.2	-77.1	0.0	-77.1
<i>Transactions with equity holders</i>							
Share-based compensation				0.0	0.0		0.0
Repurchasing own shares				0.0	0.0		0.0
<i>Transactions with equity holders, total</i>				0.0	0.0		0.0
Equity at 31 December 2023	0.1	88.7	-0.1	-99.2	-10.5	0.0	-10.5

CONSOLIDATED CASH FLOW STATEMENT	1-12 /	1-12 /
EUR million	2023	2022
Cash flow from operating activities		
Result for the financial period	-77.2	-26.7
<i>Adjustments:</i>		
Non-cash items	-2.9	-8.3
Depreciation and amortisation	10.1	5.9
Financial income and expenses	5.9	3.3
Capital gains	-0.4	-31.6
Income taxes	0.1	13.7
<i>Changes in working capital:</i>		
Change in trade and other receivables	42.2	25.6
Change in inventories	83.4	8.9
Change in trade and other payables	-57.5	-19.0
Interest paid and other financial expenses	-6.7	-5.4
Financial income received	0.1	0.1
Income taxes paid	-0.1	-0.3
Net cash from operating activities	-2.9	-33.7
Cash flow from investments		
Investment in property, plant and equipment	0.0	-0.4
Investment in other intangible assets	0.0	-0.4
Sale of discontinued operations (less cash at the time of sale)		28.7
Proceeds from sale of tangible and intangible assets	4.8	0.1
Financial assets at fair value through profit or loss	0.0	-0.2
Acquisition of associated companies	-0.8	
Repayments of loan receivables	0.0	0.0
Net cash from investments	4.0	27.8
Cash flow from financing		
Loans drawn	3.4	28.0
Loans repaid	-10.2	-38.3
Lease liabilities paid	-1.4	-2.2
Costs related to paid share issue	0.0	-1.1
Costs related to repurchasing own shares	0.0	0.0
Net cash used in financing activities	-8.2	-13.6
<i>Change in cash and cash equivalents (+/-)</i>	<i>-7.1</i>	<i>-19.5</i>
Cash and cash equivalents at the beginning of the year	13.2	32.8
Effects of exchange rate change	0.0	-0.1
Cash and cash equivalents at the end of the period	6.1	13.2

KEY FIGURES	7-12/ 2023	7-12/ 2022	1-12 / 2023	1-12 / 2022
Net sales, EUR million	57.2	180.9	171.8	344.8
Net sales, change %	-68.4%	-18.1%	-50.2%	-14.7%
Operating result, EUR million	-52.7	-20.7	-71.0	-42.2
Operating result, as % of net sales	-92.2%	-11.4%	-41.3%	-12.2%
Result for the period, EUR million	-56.2	-35.8	-77.2	-26.7
Result for the period, as % of net sales	-98.3%	-19.8%	-44.9%	-7.7%
Equity ratio, %			-10.1%	27.0%
Net gearing ratio, %			-699.6%	147.9%
Return on equity, ROE, %			-275.4%	-33.8%
Return on investment, ROI, %			-57.3%	-20.8%
Order backlog, EUR million			0.0	205.9
Personnel during the period, average			483	860
Personnel at the end of period			384	664
Gross expenditure on assets, EUR million			0.1	0.8
Equity / share, EUR			-0.12	0.76
Earnings per share, basic	-0.64	-0.41	-0.88	-0.31
Earnings per share, diluted	-0.64	-0.41	-0.88	-0.31
Average number of (issue-adjusted) outstanding shares during the period, basic	87,208,164	87,159,445	87,257,649	87,276,343
Average number of (issue-adjusted) outstanding shares during the period, diluted	87,260,164	87,423,394	87,332,931	87,433,988
Number of (issue-adjusted) outstanding shares at the end of the period	87,135,986	87,159,445	87,135,986	87,311,287
Market value of share at the end of period, EUR million			1.6	15.0
Share prices, EUR				
Highest price, EUR			0.33	0.94
Lowest price, EUR			0.01	0.17
Average price, EUR			0.09	0.51
Price at the end of period, EUR			0.02	0.17
Share turnover, shares			61,872,140	45,210,912
Share turnover out of average number of shares, %			70.9%	51.8%
Price / Earnings			-0.02	-0.56

LIABILITIES AND GUARANTEES

EUR million	2023/12/31	2022/12/31
Loans covered by pledges on assets		
Loans from financial institutions	3.4	13.0
Debts on shares in unsold housing and real estate company shares	2.2	9.2
Instalment debts	0.0	0.0
Total	5.7	22.2
Guarantees		
Company mortgages	135.2	135.2
Real-estate mortgages	102.8	213.5
Pledges	3.7	13.3
Absolute guarantees	0.0	0.2
Total	241.7	362.2
Contract guarantees		
Production guarantees	3.0	27.2
Warranty guarantees	13.7	15.6
RS guarantees	11.4	20.2
Payment guarantees	0.0	2.4
Rent guarantees	0.1	0.0
Total	28.2	65.3
Contract guarantees		
Production guarantees	0.9	1.5

The 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.

The liabilities of bankrupt subsidiaries from contract guarantees amount to EUR 27.7 million, for which the parent company Lehto Group Plc has given a counter guarantee. It is possible that, as a result of the subsidiaries' bankruptcies, claims will be made against the Lehto Group that the group will not be able to meet.

REVENUE ANALYSIS

EUR million	7-12/2023	7-12/2022	1-12/2023	1-12/2022
Revenue recognised over time	36.0	133.2	112.4	270.0
Revenue recognised upon delivery	21.1	47.5	59.2	74.6
Rental income	0.1	0.2	0.3	0.3
Total	57.2	180.9	171.8	344.8

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, or their family members, have influence through ownership or management. Related parties also include associated companies and joint ventures.

Transactions with related parties

EUR million	Sales 1-12/2023	Sales 1-12/2022	Purchases 1-12/2023	Purchases 1-12/2022
Key personnel and their controlled entities	0.4	5.2	3.7	9.1
Total	0.4	5.2	3.7	9.1

EUR million	Receivables 2023/12/31	Receivables 2022/12/31	Liabilities 2023/12/31	Liabilities 2022/12/31
Key personnel and their controlled entities	0.6	0.7	0.3	0.2
Total	0.6	0.7	0.3	0.2

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 have been no transactions with associates.

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