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Lehto Group Plc Business Review
1 January – 30 September 2020

LEHTO

Net sales down, positive trend in profitability, financial position still stable

The company complies with half-yearly reporting according to the Finnish Securities Markets Act and discloses regular business reviews for the first three and nine month periods of the year, in which key information regarding the company's financial situation and development will be presented. Due to the planned rights issue, this business review has been drafted in a more extensive form than usual in accordance with IAS 34.

Summary January–September 2020

GROUP	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Net sales, EUR million	120.4	151.5	374.9	397.8	667.7
Change in net sales, %	-20.5%	-23.5%	-5.8%	-18.8%	-7.5%
Operating result, EUR million	-2.6	-14.4	-7.8	-41.9	-41.8
Operating result, % of net sales	-2.2%	-9.5%	-2.1%	-10.5%	-6.3%
Result for the period, EUR million	-3.2	-13.4	-9.0	-36.1	-35.7
Order backlog at period end, EUR million	512.8	652.5	512.8	652.5	481.8
Earnings per share, EUR million	-0.06	-0.23	-0.16	-0.62	-0.61
Cash and cash equivalents, EUR million[1)]	57.5	31.0	57.5	31.0	59.2
Interest-bearing liabilities, EUR million	161.8	262.8	161.8	262.8	189.2
Lease liabilities in interest-bearing liabilities, EUR million	55.3	80.7	55.3	80.7	46.8
Equity ratio, %	31.3%	24.1%	31.3%	24.1%	29.6%
Net gearing ratio, %	101.3%	206.7%	101.3%	206.7%	115.9%
Equity ratio, excl. IFRS 16 lease liabilities, %	37.7%	29.2%	37.7%	29.2%	33.8%
Net gearing ratio, excl. IFRS 16 lease liabilities, %	47.5%	134.8%	47.5%	134.8%	74.1%

[1)] ***Cash and cash equivalents do not include deposit guarantees (EUR 21.6 million on 30 September 2020) for the RCF credit facility, contractual, warranty or other liabilities. Deposit guarantees are presented in the balance sheet under receivables.***

- Net sales for January–September declined by 5.8% year-on-year to EUR 374.9 (397.8) million. Net sales decreased in both service areas.
- The operating loss was EUR 7.8 million (operating loss of EUR 41.9 million). The completion of the previous

year's loss-making projects had a positive impact on the operating result. The result continued to be burdened by ongoing social care and school projects with low margins, losses in Sweden, and one loss-making complete renovation project.
- The balance sheet position remained stable. At the end of the review period, interest-bearing liabilities excluding lease liabilities under IFRS 16 amounted to EUR 106.5 million (EUR 142.4 million on 31 December 2019) and cash and cash equivalents to EUR 57.5 million (EUR 59.2 million on 31 December 2019). Cash and cash equivalents were reduced by a total of EUR 21.6 million that has been pledged as collateral against the RCF credit facility and contractual, warranty and other liabilities.
- The order backlog rose to EUR 512.8 million (EUR 481.8 million on 31 December 2019). The order backlog increased in the Housing service area but declined in Business Premises service areas.
- The Social Care and Educational Premises service area was integrated operationally into the two other service areas as of 1 May 2020. Care home construction was transferred to Housing and the construction of schools to Business Premises. The figures for the review and comparison periods have been adjusted accordingly.

NET SALES BY SERVICE AREA, EUR MILLION	1-9/2020	1-9/2019	CHANGE	1–12/2019
Business Premises	129.1	150.1	-14.0%	201.8
Housing	245.8	247.7	-0.8%	465.9
Total	**374.9**	**397.8**	**-5.8%**	**667.7**

CEO Hannu Lehto:

"During the current year, we have continued to develop our operating models and have focused particularly on improving the operational management of projects. We have made good progress in this – one example is that our new projects have proceeded in line with plans. Thanks to the corrective actions we have implemented, our earnings trend is closer to our target. However, our work and development efforts with respect to productivity are ongoing. The result for this year is still burdened by the costs associated with completing the low-margin or loss-making projects started in the previous financial period.

The coronavirus pandemic and general weakening of the economic situation have led to uncertainty in the market, but sales have been relatively steady and we have even made large new deals, such as for the construction of a portfolio of 392 housing units for Kojamo and a portfolio of more than 300 housing units for NREP. The order backlog at the end of the period amounted to EUR 513 million, EUR 31 million higher than at the beginning of the year.

Our financial position has developed favourably. With capital released from net working capital, we have repaid interest-bearing liabilities. At the same time, our cash and cash equivalents have remained at a good level. This is reflected in the improvement in the balance sheet key figures. We are preparing a rights issue that we intend to carry out before the end of the year. If implemented, this offering will improve our financial position and strengthen the company's ability to implement its strategy that utilises a modular construction method based on prefabricated elements.

Lehto's strategic cornerstones remain unchanged, but we have updated the focuses of our strategy for 2021–2023. We have assigned a greater strategic priority to wood construction. Demand for wooden apartment buildings seems to be on the rise. They combine the key elements of Lehto's competitiveness: design management, standardisation, industrial manufacture, digital processes, and service chain. Wooden apartment buildings are also an excellent fit for the requirements of ecology and sustainable development.

During the new three-year strategy period, we are primarily seeking to improve profitability and intend to significantly increase the relative share of housing production accounted for by wooden apartment buildings."

Outlook for 2020

In a stock exchange release dated 7 April 2020, Lehto withdrew its guidance on its 2020 financial outlook. The original guidance was withdrawn because the coronavirus pandemic has weakened visibility and created greater uncertainty in Lehto's business environment. Although the coronavirus pandemic has not had any direct significant impacts on Lehto's business to date, its operating environment has been subject to many uncertainties.

Lehto estimates that the significant uncertainties affecting net sales and operating profit in the last quarter of this year are identifiable and Lehto provides financial guidance for the last quarter.

Lehto estimates that its fourth-quarter net sales will amount to about EUR 150-170 million and that the operating result for the quarter will be positive. This outlook is based on the company's current views on the progress of ongoing construction projects and the trend in sales of developer contracted housing units. The main uncertainty factor affecting the net sales and operating profit is the completion schedule of one developer-contracted housing project at the turn of the year. The project is expected to be completed in the last week of the year and the entire turnover and margin of the project will be recognized at the time of its completion.

Lehto's strategy for 2021-2023

Lehto's strategy extends until the end of 2023. The focal points for this strategic period are design and productisation, manufacturing and productive construction site, sustainable construction, active sales, conseptualised products and services, digitalisation, development of customer experience as well as development of the workmanship and positive workplace atmosphere. During the strategy period, Lehto primarily seeks to achieve a strong improvement in profitability and aims to significantly increase the relative share of the company's housing production accounted for by wooden apartment buildings.

During this strategic period, the company will be investigating possibilities for utilising its prefabricated space elements more extensively in areas other than housing construction, leasing out temporary modular premises, and expanding its offering to lifecycle services.

Lehto has set the following long-term financial objectives that extend beyond the current strategic period:

- Average annual net sales growth 10–20%
- Average operating profit approximately 10% of net sales
- Equity ratio at least 35% (excl. IFRS 16 lease liabilities)
- Distribution of dividends approximately 30–50% of the result of the financial year.

Lehto estimates that the company's net sales and operating profit will be lower than the long-term targets during the strategic period ending in 2023, as the company is primarily focusing on developing its core processes and the construction market is expected to decline in the years ahead. In the beginning of the strategic period ending in 2023, the company will not pursue growth in net sales, but will instead concentrate on improving profitability. The company will seek net sales growth and further improvement in profitability in 2022 – 2023.

Business development in the review period

BUSINESS ENVIRONMENT

In 2019, the size of the Finnish construction market totalled EUR 36.2 billion, as compared to EUR 35.0 billion in 2018. This represented a year-on-year growth of 3.4 per cent.[1] The uncertainty caused by the coronavirus pandemic may have a negative impact on the development of the construction market in Finland. According to the report of the ministerial group for economic cycles in the construction industry at the Ministry of Finance, the coronavirus pandemic has had less of an impact to date than expected, and unlike many other sectors, construction saw growth in its output during the entire first half of 2020. However, due to the uncertain outlook, the ministerial group for economic cycles in the construction industry expects that full-year construction output in 2020 will remain close to the same level as last year, and that output will see a further decline in 2021. The forecast for the annual change in output is between -1 to +1 per cent in 2020 and -3 to -5 per cent in 2021. The ministerial group for economic cycles forecasts that the volume of housing construction will see a controlled decline. It is predicted that the construction of 33,000–34,000 new housing units will be started in 2020 and about 30,000 in 2021. According to the estimate of the ministerial group for economic cycles, the number of start-ups in the construction of business premises will begin to decline this year due to the sharp decrease in building permits.[2]

In the Finnish construction market, Lehto is primarily active in new construction, a market valued at EUR 15.4 billion in 2019. This market was divided into the EUR 7.0 billion housing construction market and the EUR 8.4 billion business construction market. The company also carries out pipeline renovations as part of building renovation. Financing has become more difficult to obtain during the review period. This has been particularly evident in the availability of financing for developer-contracted housing projects and customers' difficulties in obtaining financing for their business premises. In the construction sector, the established practice is for external guarantee institutions to arrange guarantees as collateral against contractual and warranty liabilities. Obtaining these guarantees also became more difficult during the review period.

BUSINESS PREMISES

In the Business Premises service area, Lehto builds office premises, retail premises, logistics, warehouse and production facilities, leisure facilities, and large shopping and activity centres. Business premises are designed according to customers' needs and are built using the structural and spatial solutions that have been developed or tried and tested by Lehto. This area serves local, national and international customers.

Business Premises conducts most of its operations using a 'design and implement' model in which Lehto is responsible for both the design and actual construction. Lehto also builds some business premises in the form of developer contracting, which means that Lehto acquires the plot and designs and builds the property either wholly or partly at its own risk.

As of 1 May 2020, Business Premises has included some business from the now-discontinued Social Care and Educational Premises service area, that is, the design and construction of daycare centres and schools for national daycare operators and municipalities.

Business development in the review period

The service area's net sales experienced a year-on-year decrease of 14.0% to EUR 129.1 (150.1) million. The main reason behind the decline in net sales has been the substantial decrease in the volume of complete renovation operations and the large-scale Ideapark project, which increased volume in the comparison period.

[1] Source: The Confederation of Finnish Construction Industries RT (Business Cycle Review May 2020, October 2019).
[2] Ministry of Finance, Ministerial group for economic cycles in the construction industry (Construction 2020–2021, Ministerial group for economic cycles in the construction industry, Autumn 2020).

Fifteen business premises were completed and handed over during the review period (19 in 1-9/2019), the largest of which was a commercial building in Vantaa. At the end of the review period, 14 projects were under construction, most notably three hotel projects in the Greater Helsinki area and an office building for Fennovoima in Pyhäjoki.

New contract agreements valued at EUR 104.6 million were signed during the period and the order backlog decreased to EUR 188.3 million (EUR 210.9 million on 31 December 2019).

Due to the coronavirus crisis, the start-up of a number of projects was delayed, and contract negotiations on some projects were halted. Projects started up before the crisis have progressed in line with plans and there have been no significant disruptions in their implementation.

Lehto has developed the Hippos2020 project with the City of Jyväskylä. Uncertainties related to the project have increased due to the coronavirus crisis, but Lehto and the City of Jyväskylä are still developing the project.

Complete renovation operations
Lehto's Building Renovation service area was discontinued at the beginning of 2019 and its ongoing complete renovation projects were transferred to the Business Premises service area for completion. Its large loss-making projects were completed in late 2019.

The Business Premises service area still has two complete renovation projects to implement based on earlier commitments. The first of these projects is a complete renovation contract valued at about EUR 30 million in which an old office property is being renovated and converted for use as a hotel. The project's margin is at the target level, and work is under way and progressing as planned. The other project is a contract valued at about EUR 15 million in which old teaching facilities will be renovated and converted for use as housing. This project was launched during the review period and is expected to make a loss of EUR 1.0 million, which has been recognised as an expense in the result for the period.

In the future, new complete renovation projects will only be undertaken selectively on condition that the renovation is related to new construction projects or when it is a significant part of a larger commercial entity.

School business
Our school business was operatively transferred to the Business Premises service area on 1 May 2020. Lehto's total volume in school and daycare operations was lower than in the comparison period, as the Botkyrka daycare centre project in Sweden was recognised as income during the comparison period. Three schools (3) and two daycare centres (0) were completed and handed over during the review period. Three schools (5) and one daycare centre (2) were under construction at the end of the period.

On 11 June 2020, the Municipality of Inari and Lehto Group signed an agreement for the construction of a new educational centre in Ivalo. Construction began during the summer. The educational centre will be implemented as a lifecycle project that will include not only construction, but also demolition of the old school building and maintenance and user services for a period of 20 years. Lehto will find a partner to handle the project's lifecycle commitments.

HOUSING

In the Housing service area, Lehto builds new apartment blocks in growth centres and also carries out pipeline renovations, mainly in the Greater Helsinki area. The care home business unit of Lehto's now-discontinued Social Care and Educational Premises service area was transferred to Housing on 1 May 2020. The significant part of Lehto's housing projects are developer-contracted production, in which Lehto designs and builds properties on land areas that it has purchased and then sells the completed apartments to customers. These customers include private persons as well as private and institutional investors. Lehto's apartments are divided into two product families: wooden and concrete buildings.

Most – more than 70% – of Lehto's 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, heating, ventilation and sewerage solutions for the apartment and building. The modules are completely prefabricated at Lehto's own factory and transported to the construction site, where they are lowered into the building through the roof and connected to each other. This building method ensures rapid completion of construction, improves quality and produces cost savings.

A growing share of Lehto's housing production comprises buildings that are constructed using wooden elements. Apartments in this product family are manufactured as space elements in the factory – 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 housing apartment buildings involves significantly more industrial prefabrication than concrete apartment buildings.

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 entity that invests in properties in the sector. The majority of care homes are 1–2-storey concrete or wooden buildings. In the future, care homes and assisted living units will also expand Lehto's offering in larger project centers in the centers and suburbs.

Business development in the review period
Net sales in the Housing service area, including the care home business, decreased by 0.8% on the comparison period to EUR 245.8 (247.7) million. The net sales from housing construction have declined in developer-contracting projects and grown in contract projects. Contract projects include the handover of two housing projects included in the German DWS housing portfolio in March and one in September. Net sales of the care home business and pipeline renovations were down year-on-year.

Housing construction
A total of 1,677 housing units were sold during the review period, most of which were built through contract projects. 322 of the sold units were related to the DWS portfolio. Housing sales to consumers and small investors were as expected in January-February, but the coronavirus crisis led to a clear fall in demand in March–May before returning to the projected level in the summer.

Sold housing units during the review period	1-9/2020	1-9/2019	1-12/2019
Contract	1,311	277	338
Developer contract	366	1,157	1,499
Sold housing units during the review period, total	**1,677**	**1,434**	**1,837**

During the review period, 928 (1,487) housing units were completed and the construction of 1,282 (835) new units was started. More than 65% of startups were in the Greater Helsinki area, about 25% in the Turku and Tampere regions, and the rest in Northern Finland. At the end of the review period, 1,749 units were under construction, which is more than at the turn of the year (1,485), but significantly lower than at the end of the comparison period (2,670).

Housing units under construction	1-9/2020	1-9/2019	1-12/2019
Under construction at the beginning of the period	1,485	3,322	3,322
+ started up during the period	1,282	835	1,035
- postponed project	-90		
- completed during the period	-928	-1,487	-2,872
Housing units under construction, total	**1,749**	**2,670**	**1,485**

At the end of the review period, 361 housing units were either under construction or completed yet unsold. This is noticeably less than during the comparison period (1,056), and slightly less than in the last quarter (461). Of these, 40 were completed and unsold. This is due not only to the good trend in sales, but also the fact that the focus in housing projects has shifted from developer contracting to contract projects. In a contract project, all the housing units are considered to have been sold at the time of signing.

Unsold housing units	30 Sep 2020	30 Sep 2019	31 Dec 2019
Under construction	321	967	518
Completed	40	89	276
Unsold housing units, total	**361**	**1,056**	**794**
including DWS units	80	491	402

The Housing service area's order backlog grew to EUR 324.5 million by the end of the review period (EUR 270.9 million on 31 December 2019). The housing production order backlog includes the proportion of developer contracting projects that have been started but have not yet been recognised as net sales. A construction project is included in the order backlog once the decision to start construction has been made and the contract for a developer contracting project has been signed.

After the review period, a long project development phase was completed when the agreements for a housing complex project in Kalasatama, Helsinki were finalised. Lehto will build a complex of three housing companies in Kalasatama, comprising a total of five blocks of flats with more than 300 apartments as well as commercial premises. The complex will also include a parking facility, which will be built under its yard deck. Two of the housing companies have been sold to institutional investors. Lehto will implement the third housing company as a consumer project.

During the reviw period Lehto made two signoificant portfolio agreements. On June 30 Lehto and Kojamo Oyj signed a cooperation agreement to build 392 Lumo rental apartments in Helsinki and Espoon Nihtisilta. The agreement covers a total of 11 properties, of which three are wooden apartment buildings. Additionally, Lehto and NREP Oy signed a project agreement on September 30 under which Lehto will build severaö wooden apartment buildings for NREP in four differentlocations. As a result of the cooperation, a total of more than 300 wooden apartment buildings for rent will be created in Finland.

Pipeline renovations

Pipeline renovations are carried out by Lehto's Housing service area. The pipeline renovation business has remained stable and eight projects were completed during the review period. Eleven properties were under construction at the end of the review period.

Work on construction sites has continued to go well in spite of the exceptional circumstances resulting from the state of emergency. The required communication with housing companies and their shareholders has been carried out remotely.

Demand from housing companies has also remained good, although some delays were seen in decision-making. In Lehto's opinion, demand for pipeline renovations will remain stable in the future, and all project-related decisions and communications with customers can be handled remotely in an effective manner. After the end of the review period, on 3 November 2020, Lehto announced that it had signed a significant agreement to carry out a pipeline renovation in Siltamäki, Helsinki. The project comprises pipeline renovation of a total of 726 apartments in 36 apartment buildings. Project will be completed by the end of 2022.

Care home construction
The care home unit was operatively transferred to the Housing service area on 1 May 2020. The volume of the care home business was significantly lower than in the comparison period due to the small number of projects. Four (6) care homes were completed during the review period and three (12) were under construction at the end of the period. Although demand for care homes has remained low, Lehto still signed some agreements for the construction of new care homes during the review period. Lehto expects demand for care homes and assisted living to rise in the long term.

SWEDISH OPERATIONS

During the review period, the focus of Swedish operations was on completing an ongoing daycare centre project and starting up the construction of wooden blocks of flats.

Lehto has developed a type of wooden block of flats based on prefabricated space elements that is especially suitable for the Swedish market. Lehto is currently negotiating with customers and financiers on the implementation of the first pilot project. After the pilot project, in the first phase, the intention is to carry out the projects as fixed-price contracts, with the construction phase being implemented with local partners.

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 for its own use. Lehto has production facilities in Oulainen, Hartola, Humppila, Siikajoki and Ii, totalling about 50,000 m². More than 240 people worked in factory operations at the end of the review period (285 on 31 December 2019).

Lehto scaled down its factory capacity during the review period and started measures to transfer the manufacture of large roof elements from Humppila to the Hartola factory, where the company has a large factory unit measuring 20,000 m^2.

Balance sheet and financing

CONSOLIDATED BALANCE SHEET, EUR MILLION	30 Sep 2020	30 Sep 2019	31 Dec 2019
Non-current assets	67.5	55.4	55.8
Current assets			
Inventories, excluding IFRS 16 assets	154.4	329.6	210.3
Inventories, IFRS 16 assets	49.3	73.5	40.1
Current receivables	94.5	117.8	86.3
Cash and cash equivalents	57.5	31.0	59.2
Total assets	**423.2**	**607.3**	**451.8**
Equity	103.0	112.2	112.1
Financial liabilities	106.5	182.1	142.4
Lease liabilities	55.3	80.7	46.8
Advances received	94.3	142.4	73.2
Other payables	64.1	89.9	77.3
Total equity and liabilities	**423.2**	**607.3**	**451.8**

The balance sheet total fell compared with the 2019 closing date. The main changes in the balance sheet were a decrease in inventories and interest-bearing liabilities. Several housing projects were also handed over during the review period, which removed the inventories and liabilities relating to these ongoing projects from the balance sheet. Due to the repayment of debts, interest-bearing net debt (excluding lease liabilities in accordance with IFRS 16) decreased to EUR 49.0 million (EUR 151.1 million on 30 September 2019 and EUR 83.1 million on 31 December 2019).

Non-current assets rose to EUR 67.5 million. In the second quarter, a EUR 10.0 million deposit guarantee for the credit facility agreement increased non-current assets.

Cash and cash equivalents, EUR 57.5 million, were at the same level as at the beginning of the year (EUR 59.2 million on 31 December 2019). Bank loans were reduced by a net total of EUR 24.9 million during the review period, and EUR 21.6 million in deposit guarantees were given for the credit facility and contractual, warranty and other liabilities of projects. Deposit guarantees are not presented under cash and cash equivalents; they are instead included under current and non-current receivables.

At the end of the review period, the equity ratio (taking lease liabilities under IFRS 16 into consideration) stood at 31.3% (29.6% on 31 December 2019) and the net gearing ratio at 101.3% (115.9% on 31 December 2019). The adjusted equity ratio (without the lease liabilities under IFRS 16) stood at 37.7% (33.8% on 31 December 2019) and the net gearing ratio was 47.5% (74.1%).

New financing agreement on 30 June 2020

Lehto Group Plc signed a new credit facility agreement on 30 June 2020. This agreement replaced Lehto's previous syndicated Revolving Credit Facility (RCF) of EUR 75 million with OP Corporate Bank plc, Nordea Bank plc and Swedbank Ab. When the agreement was signed, EUR 54 million of this facility was in use and the original agreement was set to end on 1 November 2021.

The other party in the new credit facility is the same bank syndicate comprising OP Corporate Bank plc, Nordea Bank plc and Swedbank Ab. The new agreement is for EUR 54 million and will remain in force until 31 December 2022. According to the agreement, some of the credit will be paid back before the end of the contractual period and part of the credit will fall due at the end of the agreement. The agreement includes both partial guarantees and financial covenants on EBITDA, interest-bearing net debt and net gearing. These covenants may also impact the distribution of dividends while the credit facility agreement is in force.

Lehto is planning to organise a rights issue, with the aim of raising gross funds of approximately EUR 20–25 million to increase the company's equity and cash assets. The company's largest shareholder, Lehto Invest Ltd, a controlled entity of CEO Hannu Lehto, had committed to voting for the Board of Directors' proposals regarding the planned rights issue at the Extraordinary General Meeting, and also to participate in the planned rights issue in at least a proportion equivalent to its holding on 30 June 2020.

The Extraordinary General Meeting of Lehto Group Plc held on 25 September 2020 authorised the Board of Directors to decide on the issue of a maximum of 60,000,000 new shares in order to execute the rights issue. This share issue seeks to improve the company's ability to realise its strategy and develop a construction method based on modular prefabricated elements. The intention is to carry out the rights issue by the end of 2020, with OP Corporate Bank plc as the lead manager. This financing agreement will not have a direct impact on Lehto's debt-related key indicators.

VAT payment arrangement with the Tax Administration

In July 2020, the Group made a payment arrangement with the Tax Administration for VAT liabilities amounting to 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. The interest rate on the payment arrangement is 2.5%.

Personnel and remuneration

The average number of personnel during the review period was 1,119 (1,547). The number of personnel at period end was 1,058 (1,274 on 31 December 2019). About half of the Group's personnel are salaried employees and about half work at construction sites.

On 20 February 2020, the company initiated employee cooperation negotiations as part of its revitalisation programme. As a result of the negotiations, employees were terminated (69), laid off temporarily and transferred to other positions in the Group (29), with a total impact of 98 person years.

On 25 March 2020, Lehto started employee cooperation negotiations on potential temporary layoffs applying to all personnel. These negotiations were carried out due to the coronavirus pandemic, which is expected to have direct, indirect and possibly also long-term impacts on the business environment. According to the company's estimate, the changes caused by the pandemic might be related to delays in project start-ups and disruptions in the availability of materials and subcontracting resources. As a result of the negotiations, measures were initiated, mainly involving part-time layoffs. According to a preliminary estimate, the temporary layoffs will last until the end of the year.

The company has a long-term share-based incentive plan in place. The aim of the plan is to combine the objectives of the shareholders and the key employees in order to increase the value of the company in the long term and to commit key employees to the company. The plan is directed at a maximum of 70 key employees and the rewards are paid after a restriction period of two years, partly in the company's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward.

On 26 March 2020, Lehto carried out a targeted bonus issue related to the payment of the incentive for the 2017 earnings period of the share-based incentive plan. In the share issue, Lehto Group Plc granted 50,341 treasury shares to 29 key employees of the Lehto Group in accordance with the terms of the incentive plan.

On 29 April 2020, Lehto announced that the Board of Directors will, at its own initiative, reduce its remuneration by 20 per cent from the amounts decided on by the AGM for a five-month period. The reduction in remuneration concerned both the cash and share components. By reducing its remuneration, the Board of Directors supported the profitability of the company and participated in the same savings actions as the company’s management and operative personnel.

In addition, the CEO of Lehto Group Plc, the members of the Executive Board and the members of the management teams of the service areas committed to lowering their earnings by 20 per cent for a five-month period. A substantial share of Lehto’s salaried employees have been either partly or entirely laid off in May-September.

Buyback and conveyance of treasury shares

On 23 March 2020, the company commenced repurchasing the company’s own shares to meet its obligations under the share-based incentive plans or for other purposes authorised by the Annual General Meeting. The buyback programme ended on 2 April 2020 and the number of shares repurchased totalled 356,743, representing about 0.61% of Lehto’s shares outstanding. A total of around EUR 500,000 was spent on the buyback of own shares.

On 26 March 2020, the company conveyed 50,341 Lehto Group Plc treasury shares to key employees included in the incentive plan in accordance with its terms and conditions. Information on the launch of the plan, including its key terms and conditions, was announced in a stock exchange release dated 20 December 2016.

On 4 May 2020, the company conveyed a total of 56,893 of its own shares to members of the Board of Directors in accordance with the decision taken by the Annual General Meeting and the voluntary reduction of Board remuneration announced on 29 April 2020.

The number of company shares is 58,309,443. After the share buyback and conveyance of shares as part of the incentive plan and to reward Board members, the number of shares held by the company is 249,509.

Decisions by the Annual General Meeting

In accordance with the proposal of the Board of Directors, the Annual General Meeting of 14 April 2020 decided that no dividend will be paid for the financial year ending on 31 December 2019.

The AGM confirmed the number of Board members to be five. Pursuant to the proposal made by the shareholders' nomination committee, Seppo Laine, Mikko Räsänen and Anne Korkiakoski were reelected as members of the Board of Directors, and Helena Säteri and Raimo Lehtiö were elected as new members. Martti Karppinen and Pertti Korhonen left the Board of Directors. The Board members' term of office will expire at the next Annual General Meeting.

At its organisation meeting, the Board of Directors decided to elect Seppo Laine as its Chairman and also decided to establish an Audit Committee. Anne Korkiakoski was elected as the Chairman and Mikko Räsänen and Seppo Laine as the members of this committee.

The above-mentioned and other decisions of the Annual General Meeting were disclosed in the stock exchange release of 14 April 2020.

Resolutions of the Extraordinary General Meeting

Lehto Group Plc held an Extraordinary General Meeting in Kempele on 25 September 2020. The General Meeting took the following decisions.

The Extraordinary General Meeting authorised the Board of Directors to decide on the issue of a maximum of 60,000,000 new shares in order to execute a rights issue. This share issue seeks to improve the company's ability to realise its strategy and develop a construction method based on modular prefabricated elements. These shares will be offered to the company's shareholders for subscription in proportion to their holding of company shares as at the record date of the rights issue. The authorisation further authorises the Board of Directors to secondarily offer any shares that remain unsubscribed to other shareholders or to third parties for subscription. The authorisation may only be exercised for the execution of one rights issue. The Board of Directors is authorised to make decisions on all other conditions and circumstances pertaining to the rights issue.

The authorisation shall remain in force until the end of the next Annual General Meeting, though no further than 30 June 2021. The authorisation shall not overturn any previously granted share issue authorisations.

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, we seek to attract new business opportunities and partners, as well as to further improve the profitability and predictability of our operations. Further improvement of risk management and responding to the challenges of a growing business are Lehto's top operational priorities.

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.

Key risks during the current financial year

The coronavirus pandemic coupled with a potential deterioration in Finland's general economic situation may result in a slower-than-expected trend in housing sales and the need to lower prices to promote sales.

It is possible that the coronavirus pandemic or other unforeseen external reasons will cause disruptions to ongoing projects and slow down their progress. As a result, the degree of completion of projects might be lower than expected.

Shares and shareholdings

Lehto is listed on the official list of Nasdaq Helsinki Ltd. The number of shares at the end of June was 58,309,443 and the company had 18,557 shareholders. The company holds 249,509 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 September 2020 was EUR 1.32. The highest rate of the share during the review period was EUR 2.63 and the lowest rate was EUR 1.19. A total of 27,378,495 shares in the company were traded during the period. The value of the trading was approximately EUR 48 million.

Lehto's Annual General Meeting of 14 April 2020 authorised the Board to decide on the purchase of the company's own shares in one or several instalments using assets belonging to the unrestricted equity of the company. An authorisation to acquire a maximum of 5,320,000 shares will be valid until 30 June 2021 and an authorisation to acquire 480,000 shares will be valid until 30 June 2023.

The AGM also decided to authorise the Board of Directors to decide on the issue of a maximum of 5,800,000 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. Among other things, the authorisation can be used to develop capital structure, to expand the ownership base, to implement incentive systems, and as a consideration in transactions when the company purchases assets linked to its operations. An authorisation to acquire 5,320,000 shares is valid until 30 June 2021, and an authorisation for 480,000 shares is valid until 30 June 2023. Both authorisations replace any previous authorisations issued by the company relating to share issues and options.

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

As announced in a stock exchange release published on 30 June 2020, Lehto is planning to organise a rights issue, with the aim of raising gross funds of approximately EUR 20–25 million to increase the company's equity and cash assets. The company's largest shareholder, Lehto Invest Ltd, a controlled entity of CEO Hannu Lehto, had committed to voting for the Board of Directors' proposals regarding the planned rights issue at the Extraordinary General Meeting, and also to participate in the planned rights issue in at least a proportion equivalent to its holding on 30 June 2020.

Lehto Group Plc held an Extraordinary General Meeting in Kempele on 25 September 2020. The Extraordinary General Meeting authorised the Board of Directors to decide on the issue of a maximum of 60,000,000 new shares in order to execute a rights issue. This share issue seeks to improve the company's ability to realise its strategy and develop a construction method based on modular prefabricated elements. These shares will be offered to the company's shareholders for subscription in proportion to their holding of company shares as at the record date of the rights issue. The authorisation further authorises the Board of Directors to secondarily offer any shares that remain unsubscribed to other shareholders or to third parties for subscription. The authorisation may only be exercised for the execution of one rights issue. The Board of Directors is authorised to make decisions on all other conditions and circumstances pertaining to the rights issue. The authorisation shall remain in force until the end of the next Annual General Meeting, though no further than 30 June 2021. The authorisation shall not overturn any previously granted share issue authorisations.

Events after the review period

No such events have occurred after the end of the reporting period that would have a significant or exceptional effect on the company's result, financial position or business development.

Vantaa, 11 November 2020

Lehto Group Plc
Board of Directors

Further information:

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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	**7–9/ 2020**	**7–9/ 2019**	**1–9/ 2020**	**1–9/ 2019**	**1–12/ 2019**
Net sales	**120.4**	**151.5**	**374.9**	**397.8**	**667.7**
Other operating income	0.3	0.1	0.8	1.9	1.5
Changes in inventories	-25.2	-6.0	-55.7	84.7	-35.7
Capitalised production	0.0	0.0	0.0	0.0	0.0
Raw materials and consumables used	-33.4	-44.3	-121.8	-184.4	-225.0
External services	-46.0	-90.6	-140.2	-255.5	-335.6
Employee benefit expenses	-12.8	-17.6	-46.7	-62.5	-82.2
Depreciation and amortisation	-1.9	-2.1	-5.7	-6.2	-8.2
Other operating expenses	-4.1	-5.4	-13.4	-17.6	-24.3
Operating result	**-2.6**	**-14.4**	**-7.8**	**-41.9**	**-41.8**
Financial income	0.0	0.1	0.1	0.3	0.3
Financial expenses	-1.3	-1.5	-3.5	-2.6	-4.0
Share of associated company profits	0.0	0.0	0.0	0.0	0.0
Result before taxes	**-4.0**	**-15.8**	**-11.2**	**-44.2**	**-45.5**
Income taxes	0.7	2.4	2.2	8.1	9.8
Result for the period	**-3.2**	**-13.4**	**-9.0**	**-36.1**	**-35.7**
Result attributable to					
Equity holders of the parent company	-3.2	-13.4	-9.0	-36.1	-35.8
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
	-3.2	**-13.4**	**-9.0**	**-36.1**	**-35.7**
Components of other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Translation difference	0.0	0.0	-0.1	0.0	-0.1
	0.0		-0.1	0.0	-0.1
Comprehensive result, total	**-3.3**	**-13.4**	**-9.1**	**-36.2**	**-35.9**
Comprehensive result attributable to					
Equity holders of the parent company	-3.3	-13.4	-9.1	-36.2	-35.9
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
	-3.3	**-13.4**	**-9.1**	**-36.2**	**-35.9**

Earnings per share calculated from the result attributable to shareholders of the parent company, EUR per share

Average number of outstanding shares during the period, basic	58,059,934	58,292,459	58,124,994	58,292,459	58,296,740
Earnings per share, basic	-0.06	-0.23	-0.16	-0.62	-0.61
Average number of outstanding shares during the period, diluted	58,156,074	58,368,595	58,221,134	58,369,212	58,424,817
Earnings per share, diluted	-0.06	-0.23	-0.15	-0.62	-0.61

CONSOLIDATED BALANCE SHEET EUR million	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
Assets			
Non-current assets			
Goodwill	4.6	4.6	4.6
Other intangible assets	4.8	3.2	4.7
Property, plant and equipment	23.8	27.9	26.6
Investment properties	0.7	0.7	0.7
Investments and receivables	14.8	1.5	2.7
Deferred tax assets	18.7	17.4	16.5
Non-current assets total	67.5	55.4	55.8
Current assets			
Inventories	203.7	403.1	250.4
Trade and other receivables	94.5	117.8	86.3
Cash and cash equivalents	57.5	31.0	59.2
Current assets total	355.7	551.9	396.0
Assets total	**423.2**	**607.3**	**451.8**
Equity and liabilities			
Equity			
Share capital	0.1	0.1	0.1
Invested non-restricted equity reserve	69.2	69.2	69.2
Translation difference	-0.4	-0.2	-0.3
Retained earnings	43.1	79.2	78.9
Profit for the financial period	-9.0	-36.1	-35.8
Equity attributable to shareholders of the parent company	103.0	112.2	112.1
Non-controlling interest	0.0	0.0	0.0
Equity total	103.0	112.2	112.1
Non-current liabilities			
Deferred tax liabilities	0.5	0.7	0.6
Provisions	10.1	6.6	9.4
Financial liabilities	13.1	6.1	5.9
Lease liabilities	53.0	76.3	44.7
Other non-current liabilities	0.1	4.7	0.1
Non-current liabilities total	76.8	94.5	60.6
Current liabilities			
Financial liabilities	93.4	176.0	136.4
Lease liabilities	2.3	4.4	2.1
Advances received	94.3	142.4	73.2
Trade and other payables	53.4	77.8	67.2
Current liabilities total	243.3	400.6	279.0
Liabilities total	320.2	495.1	339.6
Equity and liabilities total	**423.2**	**607.3**	**451.8**

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	Equity att-ributable to shareholders of the parent company	Non-controlling interest	Equity, total
Equity at 1 Jan 2019	**0.1**	**69.2**	**-0.2**	**93.0**	**162.1**	**0.3**	**162.4**
Comprehensive income							
Result for the financial period			0.0	-36.1	**-36.2**		**-36.2**
Total comprehensive income			***0.0***	***-36.1***	***-36.2***		***-36.2***
Transactions with equity holders							
Distribution of dividends				-14.0	-14.0		-14.0
Share-based compensation				0.2	0.2		0.2
Transactions with equity holders, total				***-13.8***	***-13.8***		***-13.8***
Changes in holdings in subsidiaries Acquisitions of non-controlling interest						-0.3	**-0.3**
Equity at 30 Sep 2019	**0.1**	**69.2**	**-0.2**	**43.1**	**112.2**	**0.0**	**112,2**
Equity at 1 Jan 2020	**0.1**	**69.2**	**-0.3**	**43.2**	**112.1**	**0.0**	**112.1**
Comprehensive income							
Result for the financial period			-0.1	-9.0	**-9.1**		**-9.1**
Total comprehensive income			***-0.1***	***-9.0***	***-9.1***		***-9.1***
Transactions with equity holders							
Distribution of dividends				0.0	**0.0**		**0.0**
Share-based compensation				0.5	**0.5**		**0.5**
Repurchasing own shares				-0.5	**-0.5**		**-0.5**
Transactions with equity holders, total				***0.0***	***0.0***		***0.0***
Equity at 30 Sep 2020	**0.1**	**69.2**	**-0.4**	**34.1**	**103.0**	**0.0**	**103.0**

CONSOLIDATED CASH FLOW STATEMENT EUR million	1–9/2020	1–9/2019	1–12/2019
Cash flow from operating activities			
Profit for the financial period	-9.0	-36.1	-35.7
Adjustments:			
Non-cash items	1.1	0.2	3.2
Depreciation and amortisation	5.7	6.2	8.2
Financial income and expenses	3.4	2.3	3.7
Capital gains	0.0	-0.8	-0.8
Income taxes	-2.2	-8.1	-9.8
Changes in working capital:			
Change in trade and other receivables	-20.3	27.9	48.9
Change in inventories	57.0	-91.4	27.9
Change in trade and other payables	-3.6	50.9	-53.6
Interest paid and other financial expenses	-5.1	-2.2	-3.3
Financial income received	0.1	0.3	0.3
Income taxes paid	0.0	-11.8	0.0
Net cash from operating activities	**27.1**	**-62.6**	**-11.1**
Cash flow from investments			
Investment in property, plant and equipment	-0.2	-3.1	-4.1
Investment in other intangible assets	-1.3	-1.8	-3.6
Sales of associates	0.0	1.6	1.6
Proceeds from sale of tangible and intangible assets	0.0	0.1	0.1
Financial assets at fair value through profit or loss	0.0	-0.8	-0.6
Loans granted	-0.5	-0.6	0.0
Repayments of loan receivables	0.5	0.0	0.0
Net cash from investments	**-1.5**	**-4.6**	**-6.6**
Cash flow from financing			
Loans drawn	40.2	124.3	132.6
Loans repaid	-65.1	-61.4	-90.1
Lease liabilities paid	-1.9	-3.8	-4.7
Acquisition of non-controlling interest	-	-0.3	-0.3
Dividends paid	0.0	-14.0	-14.0
Costs related to repurchasing own shares	-0.5	-	-
Net cash used in financing activities	**-27.3**	**44.9**	**23.5**
Change in cash and cash equivalents (+/-)	*-1.7*	*-22.3*	*5.9*
Cash and cash equivalents at the beginning of the year	59.2	53.4	53.4
Effects of exchange rate change	0.0	-0.1	0.0
Cash and cash equivalents at the end of the period	57.5	31.0	59.2

KEY FIGURES	7–9/2020	7–9/2019	1–9/2020	1–9/2020	1–12/2019
Net sales, EUR million	120.4	151.5	374.9	397.8	667.7
Net sales, change %	-20.5%	-23.5%	-5.8%	-18.8%	-7.5%
Operating result, EUR million	-2.6	-14.4	-7.8	-41.9	-41.8
Operating result, as % of net sales	-2.2%	-9.5%	-2.1%	-10.5%	-6.3%
Profit for the period, EUR million	-3.2	-13.4	-9.0	-36.1	-35.7
Profit for the period, as % of net sales	-2.7%	-8.8%	-2.4%	-9.1%	-5.4%
Equity ratio, %			31.3%	24.1%	29.6%
Gearing, %			68.0%	79.6%	49.9%
Net gearing ratio, %			101.3%	206.7%	115.9%
Return on equity, ROE, %			-8.4%	-28.1%	-26.0%
Return on investment, ROI, %			-2.4%	-14.4%	-14.3%
Order backlog, EUR million			512.8	652.5	481.8
Personnel during the period, average			1,119	1,547	1,454
Personnel at the end of period			1,058	1,502	1,274
Gross expenditure on assets, EUR million			1.5	4.9	7.7
Equity / share, EUR			1.77	1.92	1.92
Earnings per share, EUR, basic	-0.06	-0.23	-0.16	-0.62	-0.61
Earnings per share, EUR, diluted	-0.06	-0.23	-0.15	-0.62	-0.61
Average number of outstanding shares during the period, basic	58,059,934	58,292,459	58,124,994	58,292,459	58,296,740
Average number of outstanding shares during the period, diluted	58,156,074	58,368,595	58,221,134	58,369,212	58,424,817
Number of outstanding shares at the end of the period	58,059,934	58,309,443	58,059,934	58,309,443	58,309,443
Market value of share at the end of period, EUR million			76.6	126.1	137.0
Share prices, EUR					
Highest price, EUR			2.63	5.33	5.33
Lowest price, EUR			1.19	1.80	1.48
Average price, EUR			1.74	3.00	2.66
Price at the end of period, EUR			1.32	2.16	2.35
Share turnover, shares			27,378,795	29,761,269	45,281,956
Share turnover out of average number of shares, %			47.1 %	51.1 %	77.7 %

LIABILITIES AND GUARANTEES
EUR million

	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
Loans covered by pledges on assets			
Loans from financial institutions	63.5	56.3	54.7
Debts on shares in unsold housing and real estate company shares	21.8	52.2	32.8
Instalment debts	0.3	0.6	0.6
Total	**85.7**	**109.1**	**88.1**
Guarantees			
Real-estate mortgages	9.4	9.4	9.4
Pledges	36.9	61.9	60.5
Absolute guarantees	0.3	0.3	0.3
Total	**46.5**	**71.6**	**70.2**
Contract guarantees			
Production guarantees	45.4	39.2	41.2
Warranty guarantees	20.9	13.6	17.6
RS guarantees	22.5	32.2	35.0
Payment guarantees	2.0	3.9	4.1
Total	**90.8**	**88.8**	**97.9**
Contract guarantees			
Production guarantees	2.6	3.2	2.6

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.

REVENUE ANALYSIS
EUR million

	7–9/ 2020	7–9/ 2019	1–9/ 2020	1–9/ 2019	1–12/ 2019
Revenue recognised over time	94.1	88.5	274.8	256.5	349.1
Revenue recognised upon delivery	26.2	62.8	99.3	140.9	318.0
Rental income	0.2	0.2	0.8	0.4	0.6
Total	**120.4**	**151.5**	**374.9**	**397.8**	**667.7**

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 1–6/2020	Sales 1–6/2019	Purchases 1–6/2020	Purchases 1–6/2019	Sales 1–12/2019	Purchases 1–12/2019
Key personnel and their controlled entities	75.4	19.1	4.5	3.9	30.9	4.6
Total	**75.4**	**19.1**	**4.5**	**3.9**	**30.9**	**4.6**

EUR million	Receivables June 30, 2020	Receivables June 30, 2019	Liabilities June 30, 2020	Liabilities June 30, 2019	Receivables Dec 31, 2019	Liabilities Dec 31, 2019
Key personnel and their controlled entities	5.9	2.5	0.2	0.0	4.5	0.0
Total	**5.9**	**2.5**	**0.2**	**0.0**	**4.5**	**0.0**

There has been no transactions with associates. 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.