



## Financial statements January-December 2020

Net sales EUR 545 million,  
positive turnaround in profitability,  
financial position improved significantly

# Focus areas and success 2020

**1**

**Profitability**

**Positive turnaround in profitability**

**Financial position improved significantly**

**2**

**Stabilising  
processes and  
operating methods**

**Project margins stabilised**



# January - December 2020 in brief

**Net sales** 544.7 million euros

- declined 18.4% year-on-year.

**The operating result** was -2.9 million euros and improved clearly year-on-year (-41.8).

**Financial position** improved significantly. A rights issue of EUR 20.3 million was carried out in November-December.

**Solvency** developed and indebtedness decreased.

- Equity ratio 38.7% (43.2% without IFRS 16 liabilities)

# Figures 2020

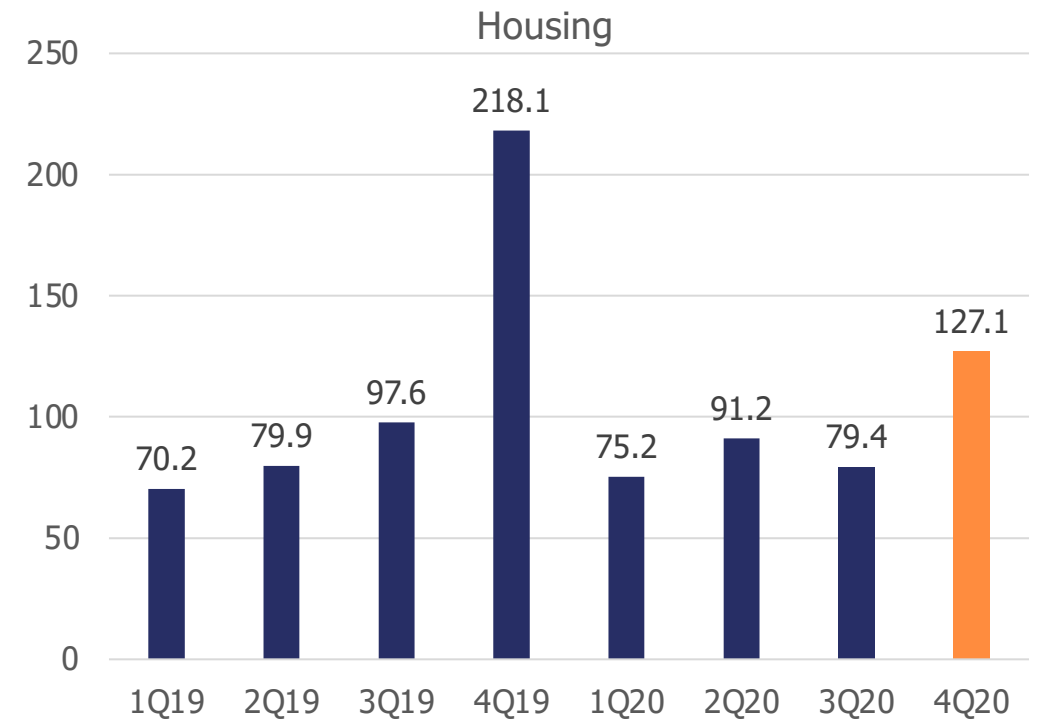
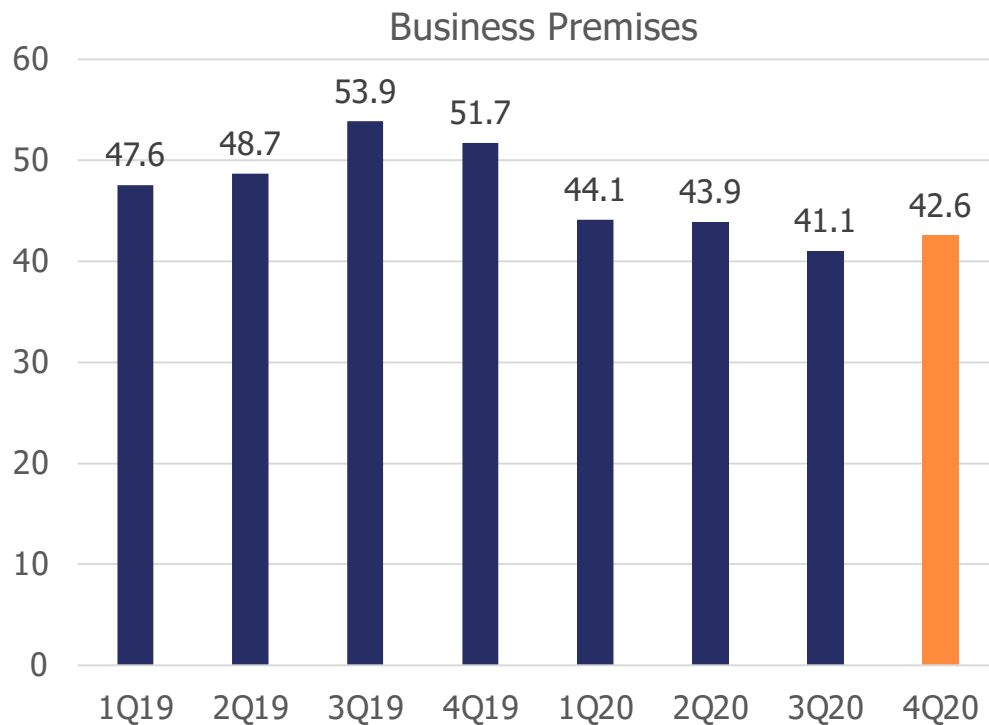


# Net sales by service area, EUR million

Service area	1-12/2020	1-12/2019	Change
Business Premises	171.1	201.8	-14.9%
Housing	372.9	465.9	-20.0%
<b>TOTAL</b>	<b>544.7</b>	<b>667.7</b>	<b>-18.4%</b>

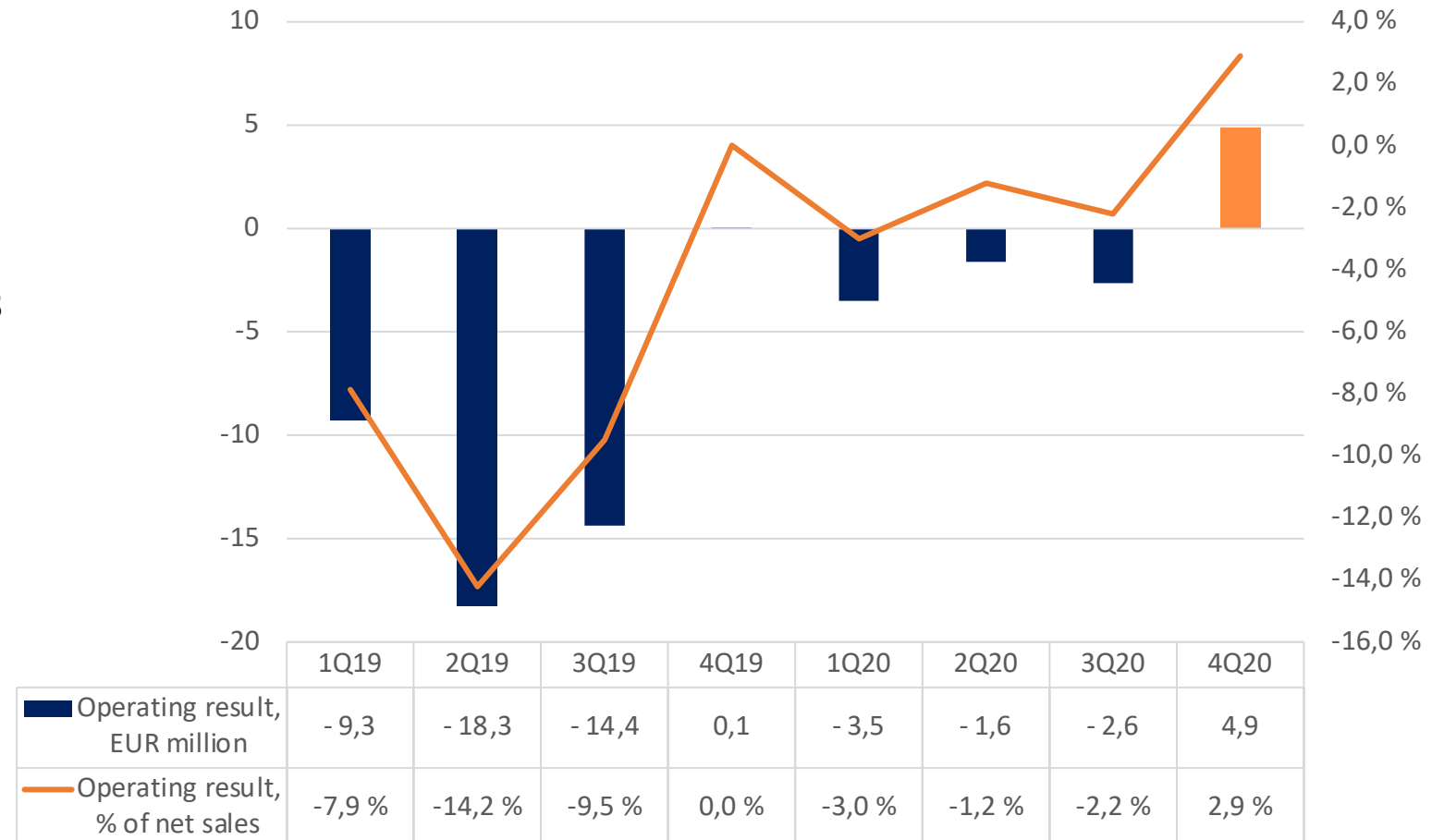


# Net sales by quarter and service area, EUR million



# Operating result improved from previous year

- The operating result in Q4 was 4.9 MEUR (4Q19 0.1 MEUR)
- The full year operating loss was -2.9 MEUR (-41.8 MEUR 1-12/2019)
- The completion of the previous year's loss-making projects had a positive impact on the operating result.
- The result continued to be burdened especially by ongoing school projects with low margins and losses in Sweden.



# Balance sheet strengthened

- Solvency and liquidity improved significantly when funds were released from net working capital and the company carried out a rights issue.
- Inventories decreased as the focus in housing projects has shifted from developer contracting to contract projects.
- Cash and cash equivalents grew to EUR 105.1 million (EUR 59.2 million) during financial year
- Financial liabilities decreased to EUR 80.4 (142.4) million.
- Cash and cash equivalents exceed financial liabilities by EUR 24.7 million.

Consolidated balance sheet, EUR million	31 Dec 2020	31 Dec 2019
<b>Non-current assets</b>	63.4	55.8
<b>Current assets</b>		
Inventories, excluding IFRS 16 assets	107.7	210.3
Inventories, IFRS 16 assets	28.0	40.1
Current receivables	79.7	86.3
Cash and cash equivalents	105.1	59.2
<b>Total assets</b>	<b>383.8</b>	<b>451.8</b>
<b>Equity</b>	123.6	112.1
<b>Financial liabilities</b>	80.4	142.4
<b>Lease liabilities</b>	33.3	46.8
<b>Advances received</b>	64.4	73.2
<b>Other payables</b>	82.1	77.3
<b>Total equity and liabilities</b>	<b>383.8</b>	<b>451.8</b>

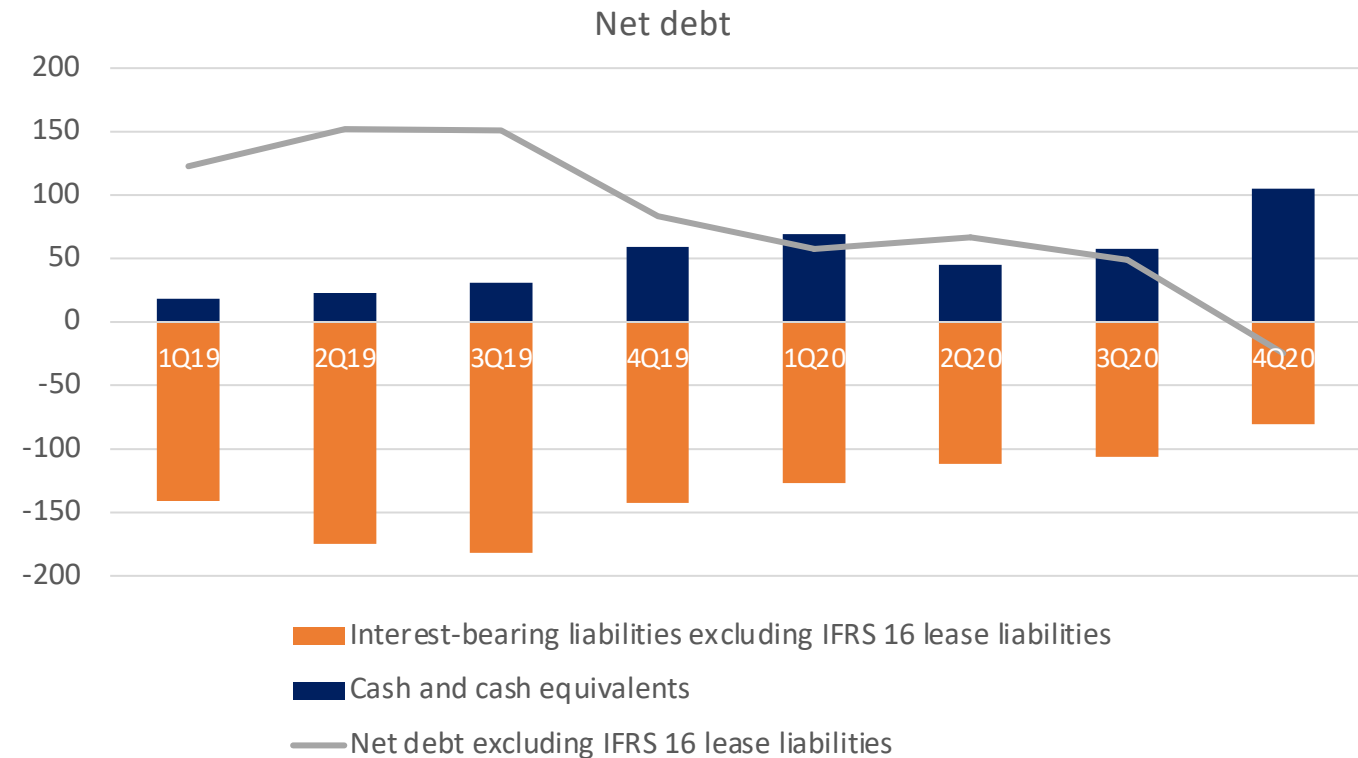
# Cash flow statement

- Cash flow from operating activities was EUR 73.6 million positive (EUR -11.1 million)
  - The most important factor the decrease in net working capital
- Cash flow from investments decreased compared to previous year.
  - In the previous year, more was invested in production capacity and prefabricated products
- Cash flow from financing was EUR -26.0 (+23.5) million which includes e.g.:
  - Repayment of the loans
  - Net proceeds of EUR 19.3 million in from the share issue.

Cash flow statement, EUR million	1-12/2020	1-12/2019
<b>Cash flow from operating activities</b>		
Result for the period + adjustments to accrual-based items	2.4	-34.3
Change in net working capital	71.1	23.2
<b>Total cash flow from operating activities</b>	<b>73.6</b>	<b>-11.1</b>
<b>Cash flow from investing activities</b>	<b>-1.7</b>	<b>-6.6</b>
<b>Cash flow from financing activities</b>	<b>-26.0</b>	<b>23.5</b>
<b>Change in cash and cash equivalents</b>	<b>45.8</b>	<b>5.9</b>
Cash and cash equivalents at the beginning of the period	59.2	53.4
<b>Cash and cash equivalents at the end of the period</b>	<b>105.1</b>	<b>59.2</b>

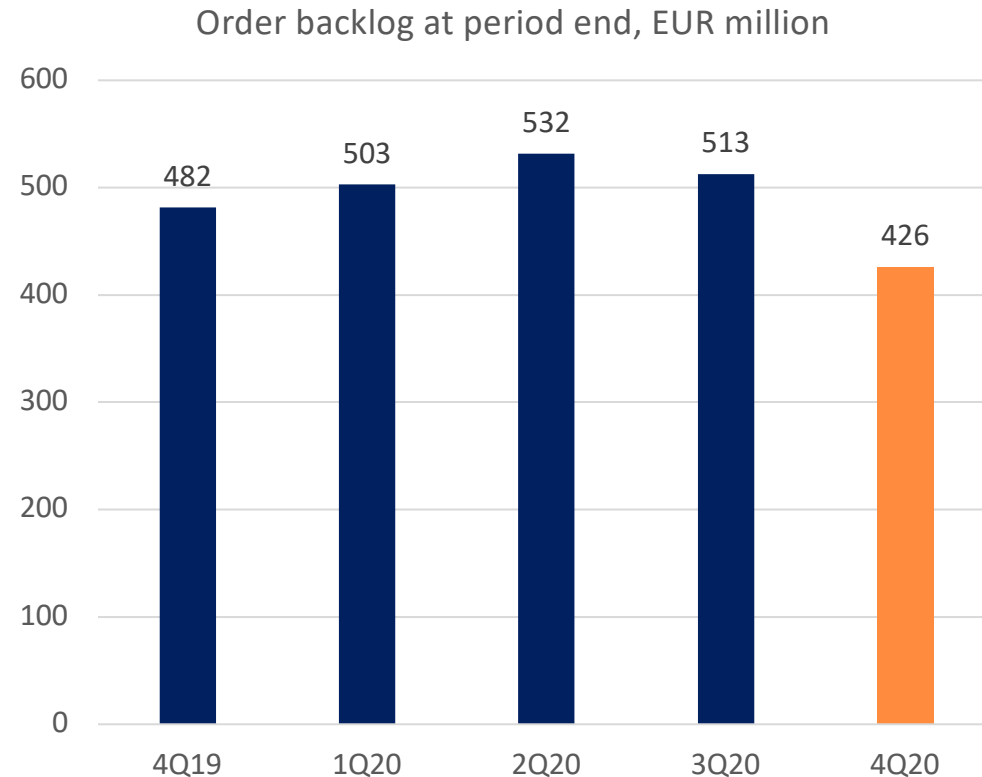
# Financial position improved significantly

- The financial position developed excellently
- Cash and cash equivalents grew to EUR 105.1 million (EUR 59.2 million)
- Financial liabilities (excluding IFRS 16 lease liabilities) decreased to EUR 80.4 million (EUR 142.4 million)
- Equity ratio:
  - excluding IFRS 16 lease liabilities 43.2% (33.8%)
  - including IFRS 16 lease liabilities 38.7% (29.6%)
- Net gearing ratio:
  - excluding IFRS 16 lease liabilities -19.9% (74.1%)
  - including IFRS 16 lease liabilities 7.0% (115.9%)



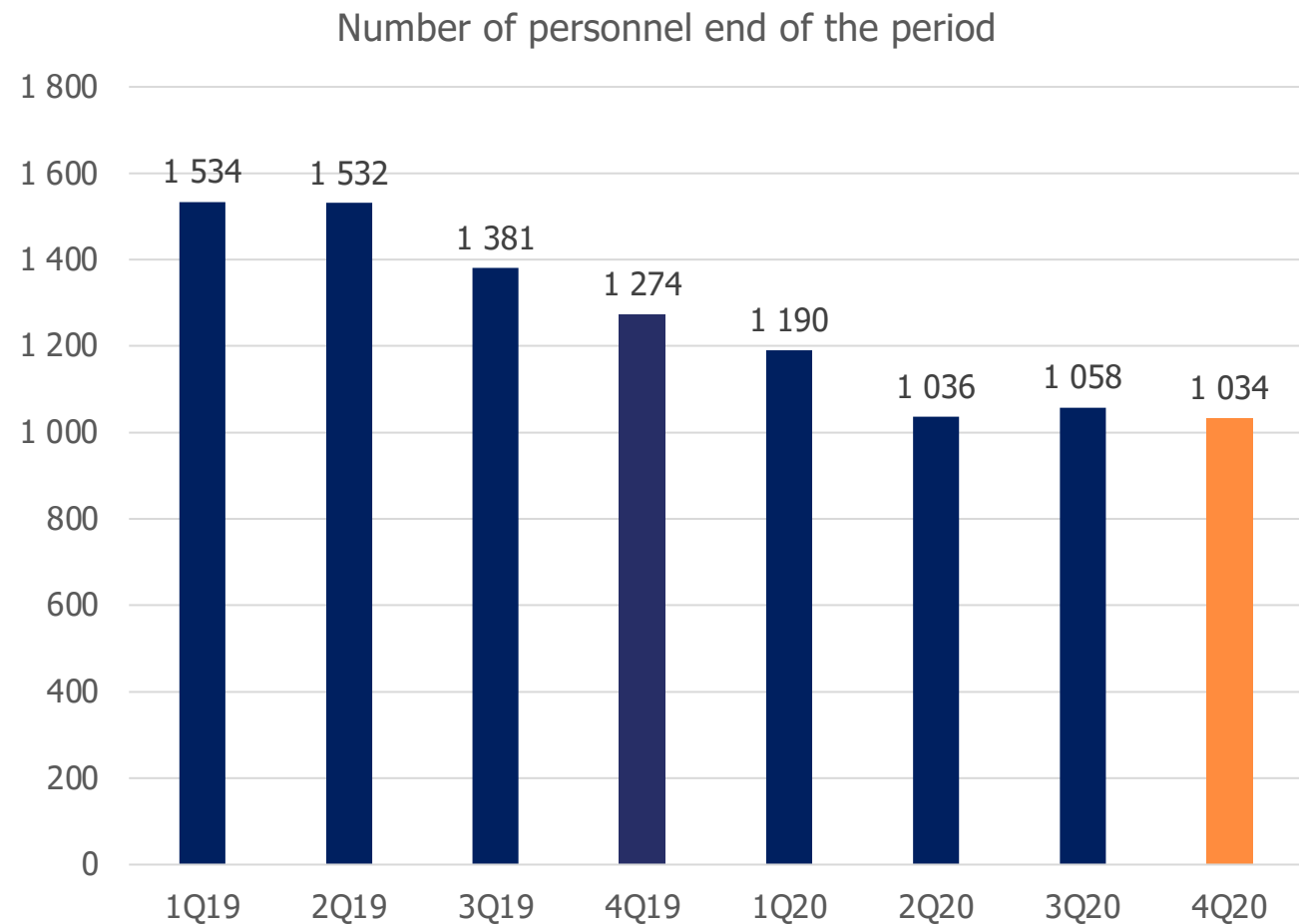
# The order backlog 426 M€

- The order backlog declined to EUR 426.3 (481.8) million.
- Focus was on strategic projects and fewer developer contracted housing projects were started up.
- Many developer contracted projects were finished on the fourth quarter.
- Coronavirus pandemic somewhat slowed down the sales.



# Headcount

- Headcount was decreased by 19% during 2020. There were reductions in all functions.
- At the end of the year headcount was 1,034.
- Lehto held employee cooperation negotiations due to the uncertainty created by the coronavirus pandemic.
- As a result of the negotiations, measures were initiated, mainly involving part-time layoffs, and implemented in the second half of the year.



# Business Premises

Net sales declined by 14.9% year-on-year to EUR 171.7 (201.8) million.

During the review period, 21 business premises were completed and handed over, of which the most significant were a logistics centre in Kerava and the Prisma in Varkaus. At the end of the review period, 13 (20) projects were under construction, most notably three hotel projects in the Greater Helsinki area and an office building for Fennovoima in Pyhäjoki.

Order backlog decreased to EUR 194.2 million (EUR 210.9 million on 31 December 2019).

School business was operatively transferred to the Business Premises service area on 1 May 2020. Six schools (3) and two daycare centres (0) were completed and handed over during the review period. One school (6) and one daycare centre (3) were under construction at the end of the period.





# Housing

Net sales including the care home business decreased by 20.0% on the comparison period to EUR 372.9 (465.9) million.

A total of 2,110 housing units were sold during the review period, 1,582 in contract project and 528 in developer contracting projects. 322 of the sold units were related to the DWS portfolio.

1,459 (2,872) housing units were completed and the construction of 1,508 (1,035) new units was started.

Lehto made two portfolio agreements: Lehto and Kojamo Oyj signed a cooperation agreement to build 392 Lumo rental apartments, and Lehto and NREP Oy signed a project agreement under which a total of more than 300 wooden apartment buildings for rent will be created in Finland.

The pipeline renovation business has remained stable and eight projects were completed during the review period. 28 properties were under construction at the end of the review period.

Four (14) care homes were completed during the review period and three (4) were under construction at the end of the period.

# Swedish operations

During the review period, the focus of Swedish operations was on starting up the wooden apartment house business and completing an ongoing daycare centre project.

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.



# Factory production

Factory production is at the heart of Lehto's strategy. Transferring work phases to factories streamlines production and supports ecology.

At the end of the review period, 236 people worked in factory operations (285 on 31 December 2019).

Factory capacity was optimized during the review period and manufacturing of large roof elements was transferred from Humppila to Hartola, where the company has a large factory unit measuring 20,000 sqm.

In 2020, Lehto manufactured in factories a total of 230 room elements, about 1,300 kitchen-bathroom modules, around 60,000 m<sup>2</sup> of roof elements and approximately 26,000 sqm of external wall elements.

# The most important effects of the corona pandemic on Lehto's business

- Although the coronavirus pandemic has not had significant effects on Lehto's operations thus far, it is expected that the pandemic will continue to create uncertainty in the market and impact on Finland's general economic development.
- **Impact on sales in 2020:**
  - The start-ups of some business premises projects were postponed and contract negotiations for projects that were in the negotiation phase in the spring were discontinued.
  - Customers' uncertainty has increased and financing has become more difficult, resulting in a slowdown in sales.
  - Housing sales slowed markedly after the start of corona pandemic but recovered to stabilised level during the summer.
- **Operational impacts:**
  - So far there have been larger coronavirus clusters at two Lehto's construction sites in the Helsinki Metropolitan Area in 2020 and by 2021. In addition some individual cases.
  - The operations in one site have been discontinued due to coronavirus infections in early 2021.
  - In spite of the preventive actions, it is possible that there will be further infections on construction sites and their operations need to be discontinued.
  - Interruptions at construction sites can lead to delays in the execution of the projects and postpone accrual of Net Sales and Operating Profit.

## Outlook for 2021

**Lehto estimates that net sales in 2021 will be lower than in previous year and that the operating result will be positive. The accrual of the operating result is expected to be concentrated in the second half of the year.**

The outlook is based on the current assessment by the company's management of progress on ongoing construction projects, the trend in sales of housing and business premises, and the start-up schedules of new projects.

Although the coronavirus pandemic has not had significant effects on Lehto's operations thus far, it is expected that the pandemic will continue to create uncertainty in the market and impact on Finland's general economic development. Lehto predicts that customers' difficulties in obtaining financing may delay or even cancel the launch of new construction projects. Due to the general economic situation and uncertainty, consumers and private investors may be more cautious in making purchase decisions on housing, which could delay the recognition of net sales and operating profit. As employees work closely together on Lehto's construction sites, coronavirus cases may arise in spite of the preventive measures in place, and this could also slow down progress. Coronavirus cases among subcontractors and goods suppliers could also cause delays to projects.



# Strategy

# Lehto's strategy responds to the megatrends in construction



**Industrial prefabrication**



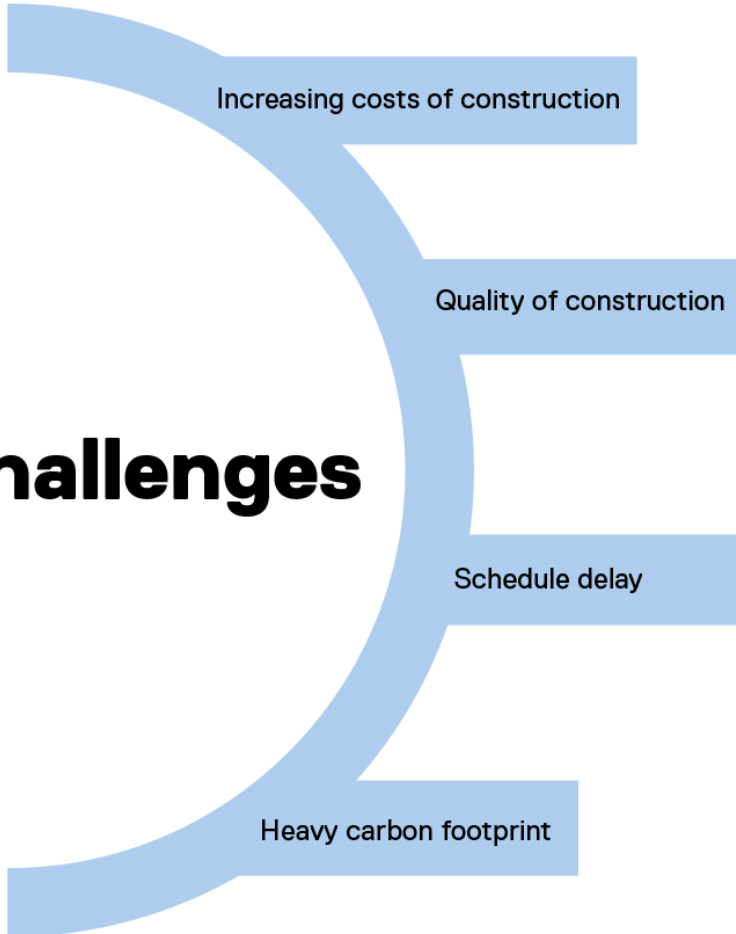
**Digitalisation**



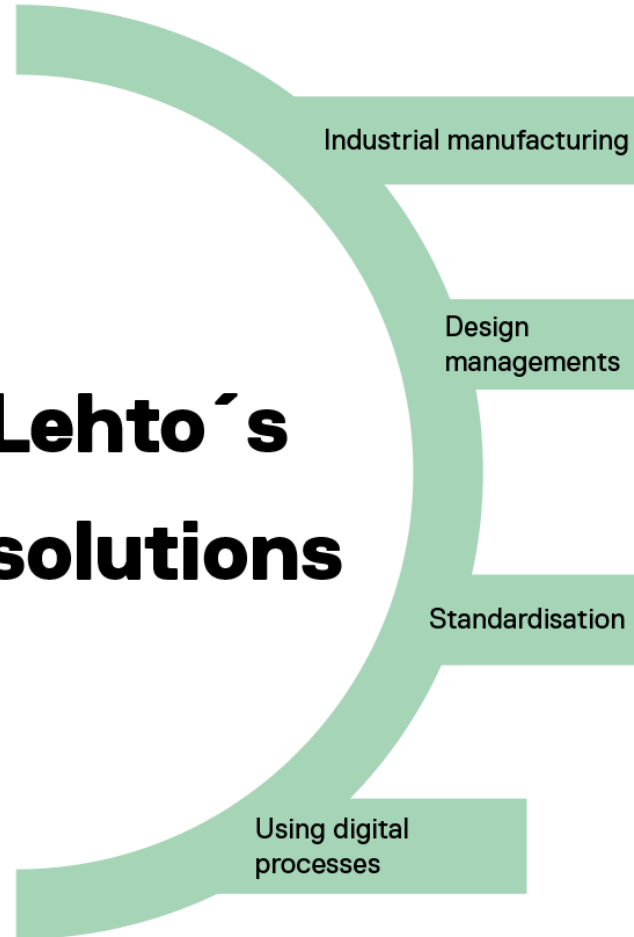
**Ecology**

# From challenges of construction industry to the solutions

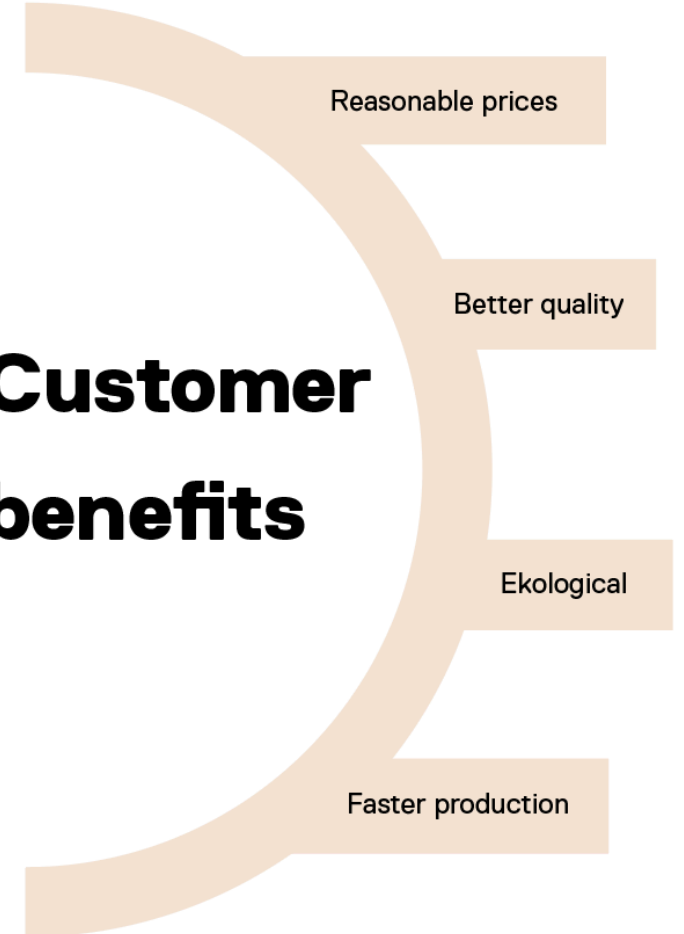
## Challenges



## Lehto's solutions



## Customer benefits





# Strategy 2021 – 2023

## Cornerstones of our strategy

**DESIGN  
MANAGEMENT**

**STANDARDI-  
SATION**

**INDUSTRIAL  
MANU-  
FACTURING**

**DIGITAL  
PROCESSES AND  
SERVICE CHAIN**

### **Focus areas during the strategy period 2021 – 2023:**

sustainable construction, active sales, development of the customer experience and development of the personnel working atmosphere.

**LEHTO**

**Wooden apartment  
building combines  
Lehto's strengths**





## Reforming the construction is a part of Lehto's dna

- Lehto wants to be reforming construction and its productivity.
- The result of the development work is reflected in the benefits for our customers: reasonable prices, quality products, faster production and environmental friendliness.



**Thank you**