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Q1
23

Business Review
January-March 2023

Net sales down, but operating result improved from the previous year

January-March 2023 in brief

- In 2023, **the market situation has remained as uncertain and exceptional** as in 2022.
- In our 2022 financial statement bulletin, we stated that **our goal is to ensure steady cash flow and keep the number of unsold apartments low**. We have succeeded in this.
- The company's **net sales decreased** during the review period, but the **operating result improved** on the comparison period.
- Lehto has also continued to carry out various **efficiency-improving measures** in response to the market.
    - Fixed costs have declined by a relatively large amount in 2022 and 2023 thanks to adjustment measures.
    - In the first quarter of 2023, fixed personnel and other costs were around 37 per cent lower than a year earlier.
    - We have enhanced the efficiency of factory operations.

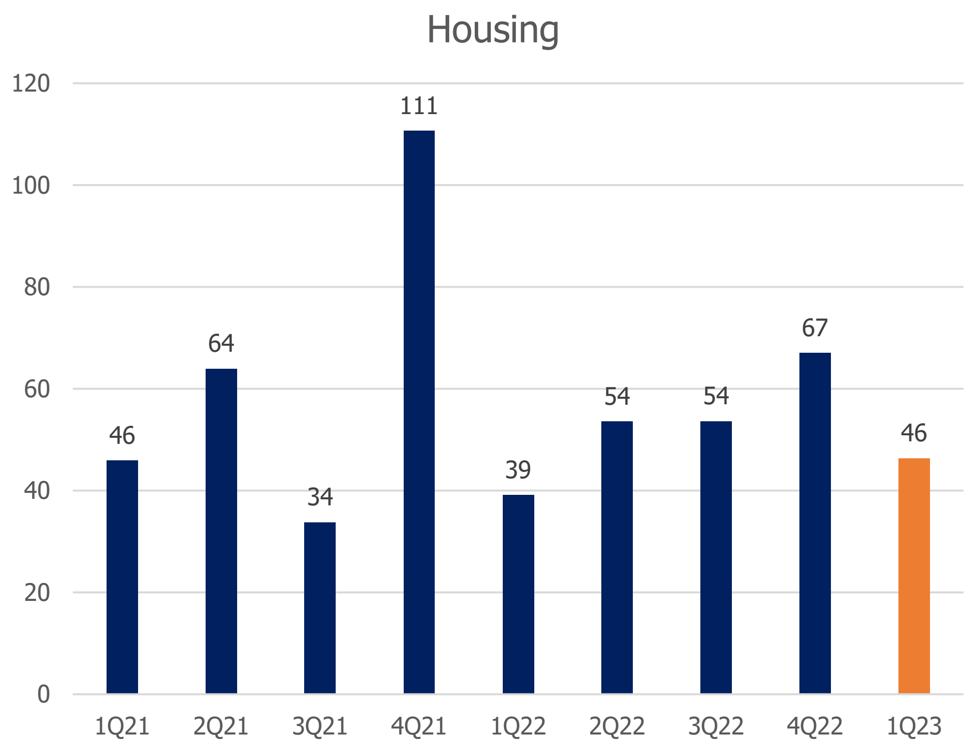
January-March in brief in figures

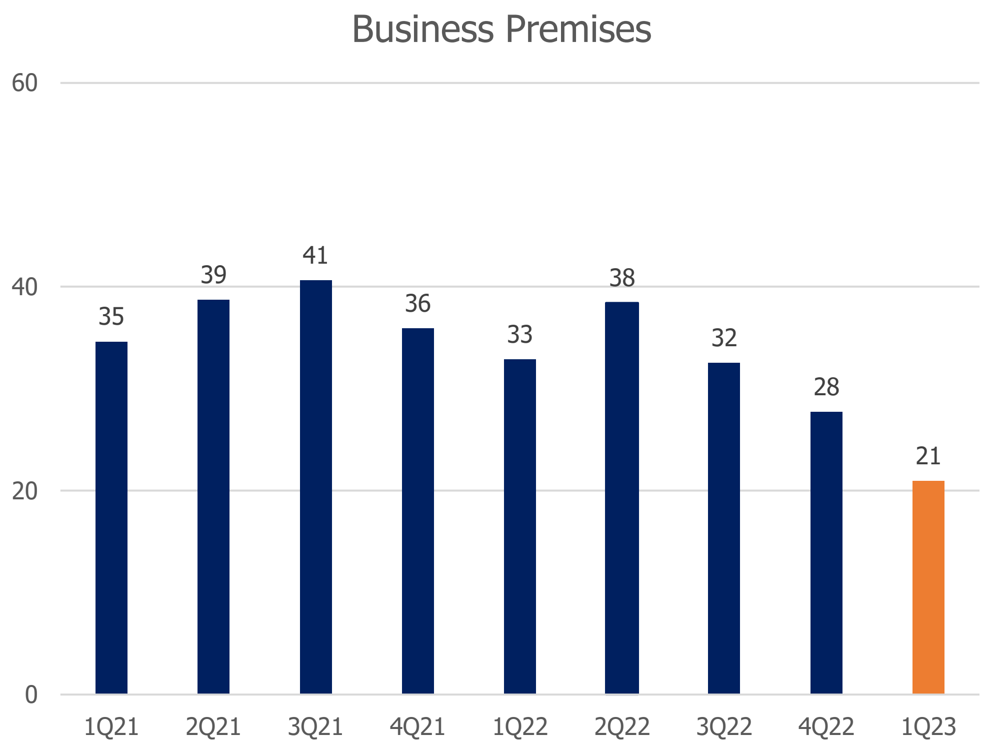
- In January-March, **net sales** from continuing operations were down 6.5% on the previous year and amounted to EUR 67.3 (72.0) million. Net sales fell in the Business Premises service area, but rose slightly in the Housing service area.
- **The operating result** from continuing operations was EUR -7.6 (-11.3) million. The operating result was improved by the implementation of cost savings and a decrease in loss-making projects. The operating result is still burdened by some zero-margin and loss-making projects.
- **The balance sheet total** declined.
- **The Group's order backlog** declined to EUR 141.2 million (EUR 205.9 million on 31 December 2022).

Net sales by service area, EUR million

Service area	1-3/2023	1-3/2022	1-12/2022
Housing	46.4	39.1	213.3
Business Premises	21.0	32.8	131.5
TOTAL	**67.3**	**72.0**	**344.8**

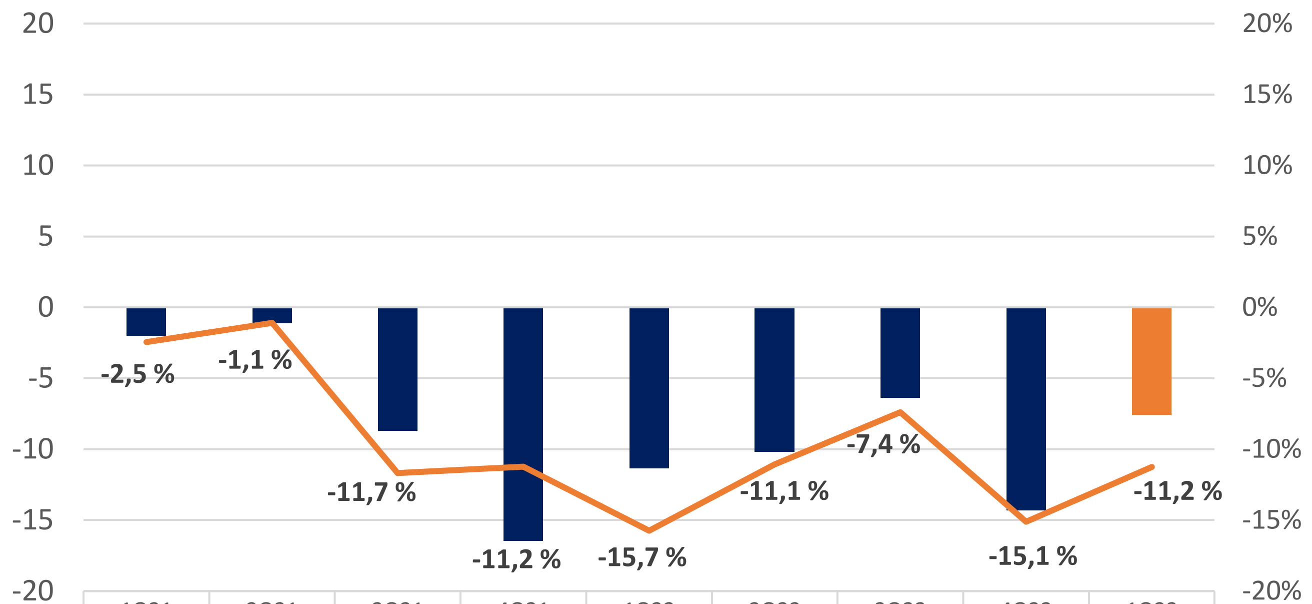
Net sales by quarter and service area, EUR million





1Q operating result

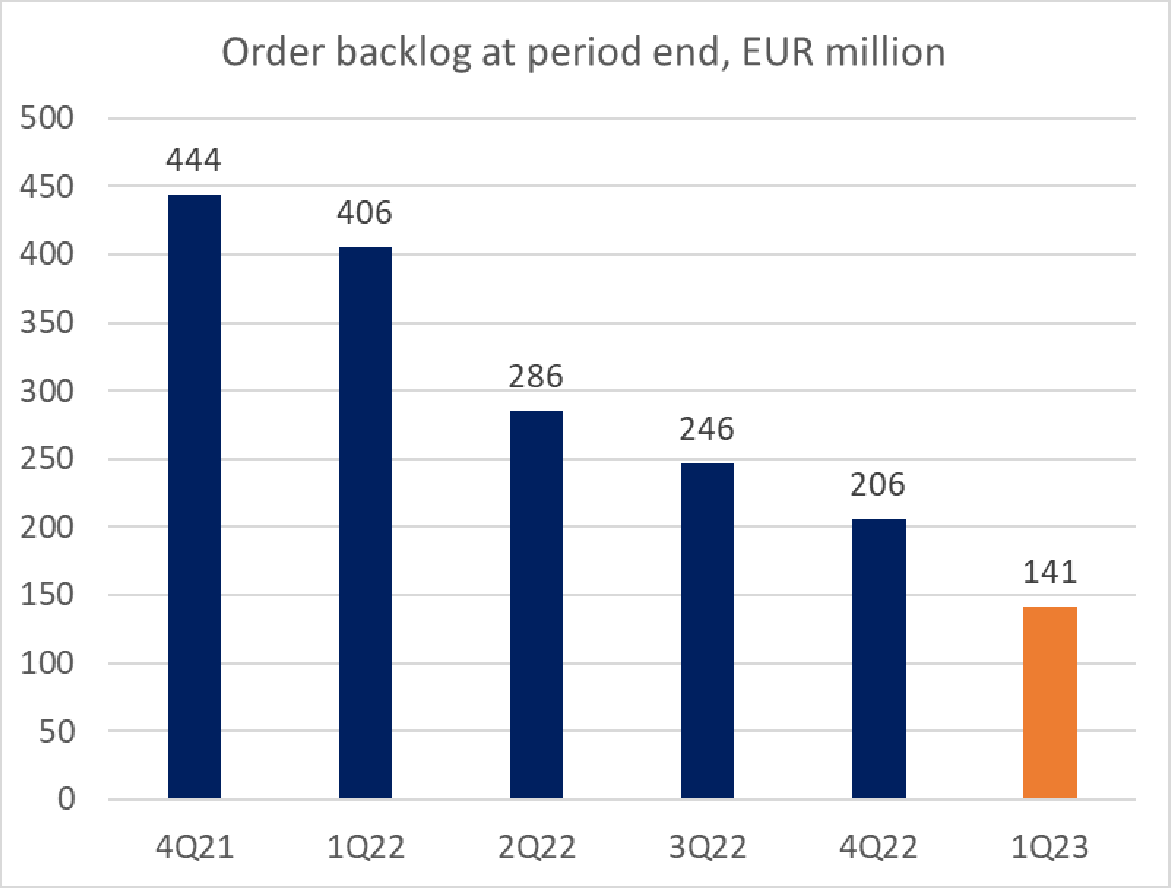
- The operating result from continuing operations was EUR -7.6 (-11.3) million.
- The operating result was improved by the implementation of cost savings and a decrease in loss-making projects.
- The operating result is still burdened by some zero-margin and loss-making projects.



	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Operating result, EUR million	- 2,0	- 1,1	- 8,7	- 16,5	- 11,3	- 10,2	- 6,4	-14,3	-7,6
Operating result, % of net sales	-2,5 %	-1,1 %	-11,7 %	-11,2 %	-15,7 %	-11,1 %	-7,4 %	-15,1 %	-11,2 %

Order backlog

- The Group's order backlog declined to EUR 141.2 million (EUR 205.9 million on 31 December 2022).
- The order backlog for the Business Premises service area decreased by 38 per cent to EUR 31.0 million.
- The order backlog for the Housing service area decreased by 29 per cent to EUR 110.2 million.
- The main reason for the decrease in the order backlog is that no new project agreements were made.
- The start-up of housing projects was slowed down by weak demand and challenges in the availability of project financing



Balance sheet

- The balance sheet total declined to EUR 229.6 million (EUR 267.2 million on 31 December 2022).
- The key figures for financial standing and indebtedness weakened, as shareholders' equity and cash and cash equivalents decreased slightly due to the loss-making result.
- The equity ratio (taking lease liabilities into consideration) stood at 26.2% (27.0% on 31 December 2022) and the net gearing ratio was 167.6% (147.9% on 31 December 2022).
- The equity ratio without the lease liabilities under IFRS 16 stood at 36.1% (38.7%) and the net gearing ratio was 43.5% (31.0%).

Consolidated balance sheet, EUR million	31 Mar 2023	31 Mar 2022	31 Dec 2022
Non-current assets	24.3	48.1	27.7
Current assets			
Inventories, excluding IFRS 16 assets	85.7	125.5	101.2
Inventories, IFRS 16 assets	64.9	86.5	70.9
Current receivables	47.3	74.7	50.4
Cash and cash equivalents	7.4	9.5	13.2
Non-current assets held for sale	0.0	0.0	3.8
Total assets	**229.6**	**344.2**	**267.2**
Equity	57.8	80.1	66.6
Financial liabilities	32.6	46.2	33.9
Lease liabilities	71.7	90.0	77.8
Liabilities based on customer contracts (advances received)	8.6	32.4	20.6
Other payables	58.9	95.4	68.4
Total equity and liabilities	**229.6**	**344.2**	**267.2**

Housing

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- The Housing service area's net sales experienced a year-on-year increase of 18.5 per cent to EUR 46.4 (39.1) million.
- The main factor behind growth in net sales was that two housing projects were handed over and recognised as income during the review period. The volume of housing sales to consumers grew slightly, but no project agreements were signed with large investor clients.
- During the review period, 118 (83) housing units in consumer projects were sold, including the sale of 80 units in a consumer project to an investor.
- During the period, 656 (258) housing units were completed, but no new housing projects were started up (106 units started up in 1-3/2022). There were 540 housing units under construction at the end of the review period (1,850 on 31 March 2022).
- At the end of the review period, 144 (375) housing units were either under construction or completed yet unsold. Of these, 91 (21) were completed, unsold apartments.

Business Premises

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- The service area’s net sales experienced a year-on-year decrease of 36.2 per cent to EUR 21.0 (32.8) million. Net sales decreased in Business Premises due to the cancellation of the pre-contract or project contract for six projects in 2022 following the lower number of construction projects.
- Three business premises projects were completed and handed over during the review period (1 in 1-3/2022). At period-end, three (15) projects were under construction, most notably a local service centre in Kivistö, Vantaa and production facility in Vantaa.
- Lehto has implemented operational changes to improve project risk management in the Business Premises service area, and mobilised them in practice under the leadership of the service area’s new EVP from the beginning of 2022.
- When evaluating prospective projects, the company pays particular attention to their suitability with respect to the company’s resources and strategy.

Outlook for 2023

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Lehto's previously published outlook for 2023 remains unchanged.

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

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

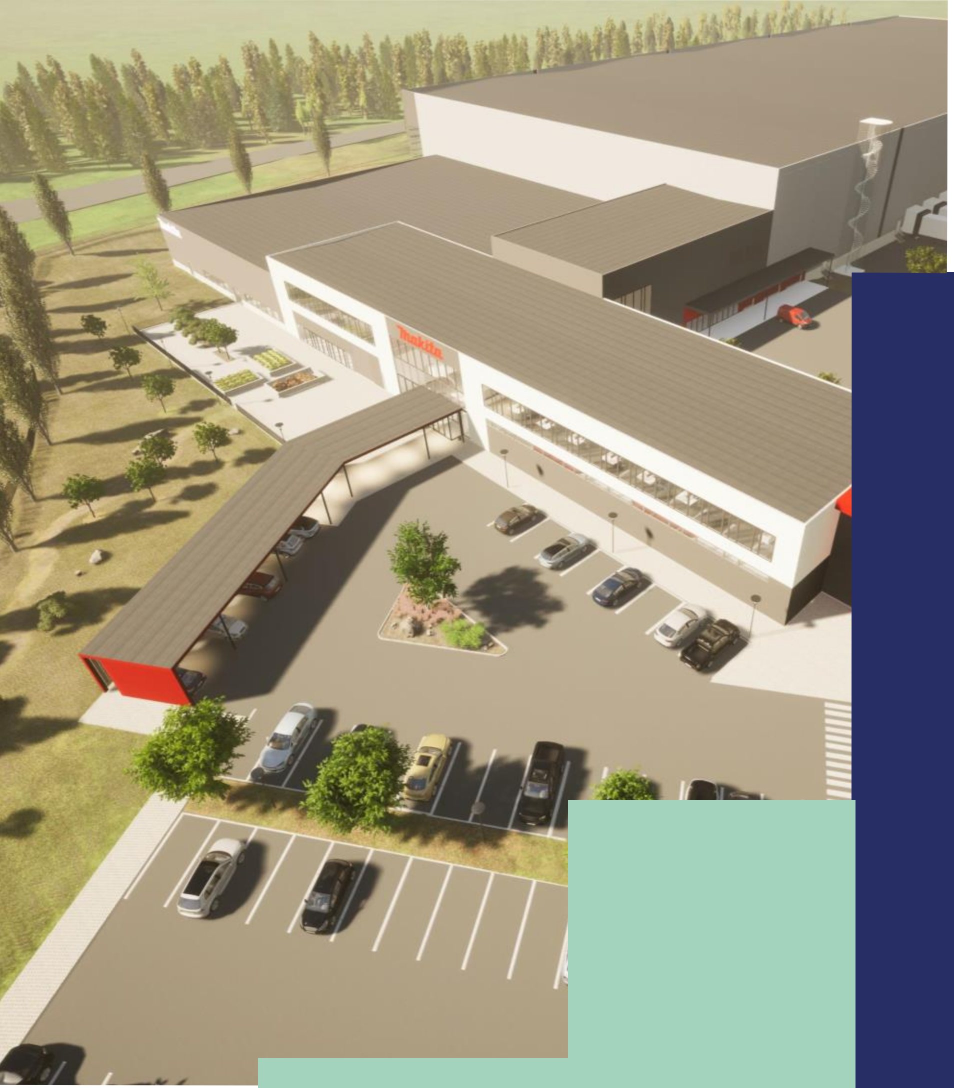
The most significant risks related to net sales and operating result are the development of sales of apartments and business premises and the availability of financing and quarantees for the construction projects.

Negotiations ongoing about industrial or ownership partners

- In January 2023, Lehto announced that it has started a process to seek industrial or ownership partners for the company.
- During the review period, the company has negotiated on different alternatives with both industrial parties and investors.
- On the publication date of this business review, the negotiations are still ongoing and the company will report on the progress of the process as soon as it is time.

News after the review period:

Lehto to sell its rights and ownership of the Hippos project in Jyväskylä



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News after the review period:

Lehto to build Makita's Finnish headquarters and large warehouse facilities in Tuusula

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