



LASSILA & TIKANOJA INTERIM REPORT Q2/2013

Pekka Ojanpää, President and CEO

6 August 2013



HIGHLIGHTS OF Q2/2013

- Q2/2013 net sales EUR 168.9m (EUR 169.7m) -0.5% (yoy)
 - Comparable net sales includes EUR 3.3 million worth of net sales generated by L&T Recoil and the divested parts of eco-product business.
- Q2/2013 operating profit EUR 8.5m (EUR 14.1m); operating profit excluding EO items EUR 13.4m (EUR 12.1m)
 - Gain from the sale of L&T Recoil shares boosted operating profit by EUR 4.2 million in the comparison period while the non-recurring write-down of EUR 5.0 million on EcoStream Oy shares reduced it in the review period.

HIGHLIGHTS OF 1-6/2013

- 1-6/2013 net sales EUR 336.6m (EUR 341.0m) -1.3% (yoy)
 - The current economic uncertainty is reflecting on demand in the industrial sector and on the material flows in retail trade, which in turn is halting our net sales growth.
 - Comparable net sales includes EUR 7.3 million worth of net sales generated by L&T Recoil and the divested parts of eco-product business.
- 1-6/2013 operating profit EUR 14.8m (EUR 19.1m); operating profit excluding EO items EUR 20.2m (EUR 17.2m)
 - All businesses except for Facility Services, which remained on the same level, were able to improve their profitability.
- Strong cash flow during 1-6/2013.

FINANCIAL SUMMARY AND KEY FIGURES

	Q2/ 13	Q2/ 12	Change %	1-6/ 13	1-6/ 12	Change %	2012
Net sales, EUR million	168.9	169.7	-0.5	336.6	341.0	-1.3	674.0
Operating profit excl. EO items, EUR million	13.4	12.1	10.0	20.2	17.2	17.1	47.4
Operating margin excl. EO items, %	7.9	7.2		6.0	5.0		7.0
Operating profit, EUR million	8.5	14.1	-40.0	14.8	19.1	-22.5	48.4
Profit before tax, EUR million	7.9	10.8	-26.9	13.8	14.8	-6.6	43.0
Earnings per share, EUR	0.14	0.24	-41.7	0.26	0.31	-16.1	0.89
EVA, EUR million	3.4	7.9	-57.0	4.3	6.4	-32.8	24.1

FINANCIAL SUMMARY AND KEY FIGURES

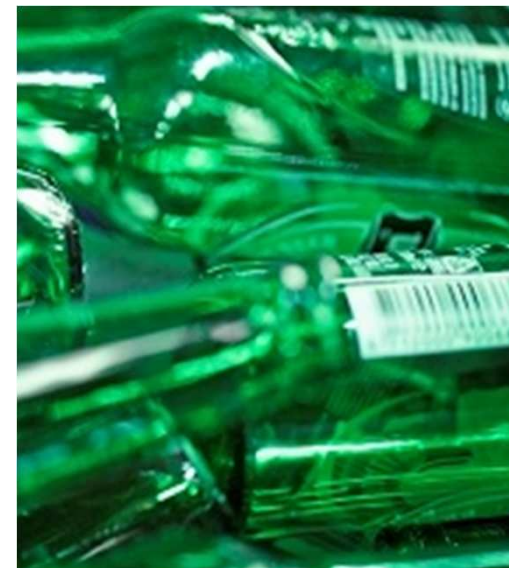
	Q2/ 13	Q2/ 12	Change %	1-6/ 13	1-6/ 12	Change %	2012
Capital expenditure, EUR million	10.7	16.4	-34.4	16.7	27.8	-40.2	49.4
Depreciation, amortisation and impairment, EUR million	15.5	11.3	37.6	26.1	22.1	18.1	43.6
Net cash from operating activities, EUR million				44.4	31.6	40.6	80.5
Return on equity (ROE), %				8.8	11.3		15.3
Return on invested capital (ROI), %				9.4	11.3		14.4
Equity ratio, %				47.3	43.3		49.4
Gearing, %				33.9	53.8		35.3
Total number of employees at the end of the period				9,567	9,817	-2.5	8,962

OPERATING MARGIN EXCLUDING NON-RECURRING ITEMS, %

	Q2/2013	Q2/2012	1-6/2013	1-6/2012	2012
Environmental Services	13.6	12.6	12.1	9.6	11.5
Industrial Services	9.5	12.5	4.2	3.8	6.3
Facility Services	3.9	2.9	2.5	2.5	4.9
Renewable Energy Sources	-1.0	-5.1	2.6	0.6	0.1
L&T Group	7.9	7.2	6.0	5.0	7.0

ENVIRONMENTAL SERVICES

- Despite the decrease in material flows in the recycling, building and retail sectors, the division was able to improve its profitability.
- Efficiency enhancement measures and effective cost control contributed to the increase in operating profit.
- Comparable net sales includes EUR 3.3 million worth of net sales generated by L&T Recoil and the divested parts of eco-product business.



EUR million	Q2/ 13	Q2/ 12	Change %	1-6/ 13	1-6/ 12	Change %	2012
Net sales	66.6	69.1	-3.7	126.8	134.6	-5.8%	265.7
Operating profit excl. EO items	9.1	8.7	4.5	15.3	13.0	18.1	30.6
Operating margin excl. EO items	13.6%	12.6%		12.1%	9.6%		11.5%

INDUSTRIAL SERVICES

- Demand for industrial services perked up in the second quarter.
- Good profitability in hazardous waste services.
- The demand for environmental construction and sewer maintenance services remained weak at the beginning of the second quarter, which had a negative effect on both net sales and operating profit.



EUR million	Q2/ 13	Q2/ 12	Change %	1-6/ 13	1-6/ 12	Change %	2012
Net sales	20.0	20.2	-0.8	33.7	33.1	2.0	70.0
Operating profit excl. EO items	1.9	2.5	-25.0	1.4	1.3	11.5	4.4
Operating margin excl. EO items	9.5%	12.5%		4.2%	3.8%		6.3%

FACILITY SERVICES

- The demand for damage repair services returned to normal, which improved the divisions profitability.
- The profitability of cleaning business, especially in Sweden, improved year-on-year, affecting the second quarter's operating profit.



EUR million	Q2/ 13	Q2/ 12	Change %	1-6/ 13	1-6/ 12	Change %	2012
Net sales	73.4	72.4	1.4	149.2	152.0	-1.8	299.5
Operating profit excl. EO items	2.9	2.1	36.7	3.7	3.8	-3.7	14.7
Operating margin excl. EO items	3.9%	2.9%		2.5%	2.5%		4.9%

RENEWABLE ENERGY SOURCES

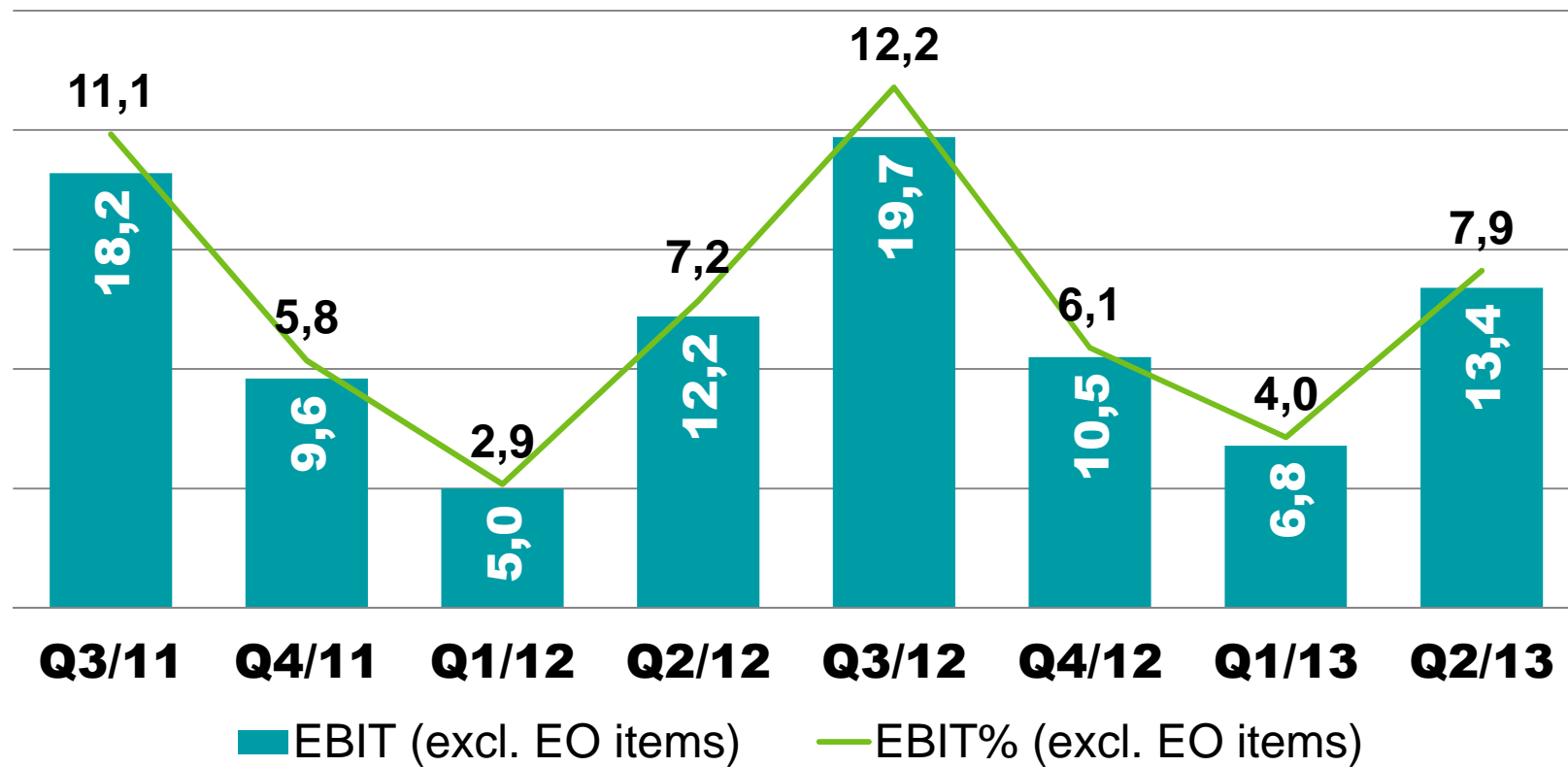
- The demand for wood-based fuels remained brisk in the second quarter.
- Efficiency enhancement measures had a positive impact on the division's profitability.



EUR million	Q2/ 13	Q2/ 12	Change %	1-6/ 13	1-6/ 12	Change %	2012
Net sales	13.0	12.1	7.4	34.8	29.7	17.1	55.9
Operating profit excl. EO items	-0.1	-0.6		0.9	0.2		0.1
Operating margin excl. EO items	-1.0%	-5.1%		2.6%	0.6%		0.1%

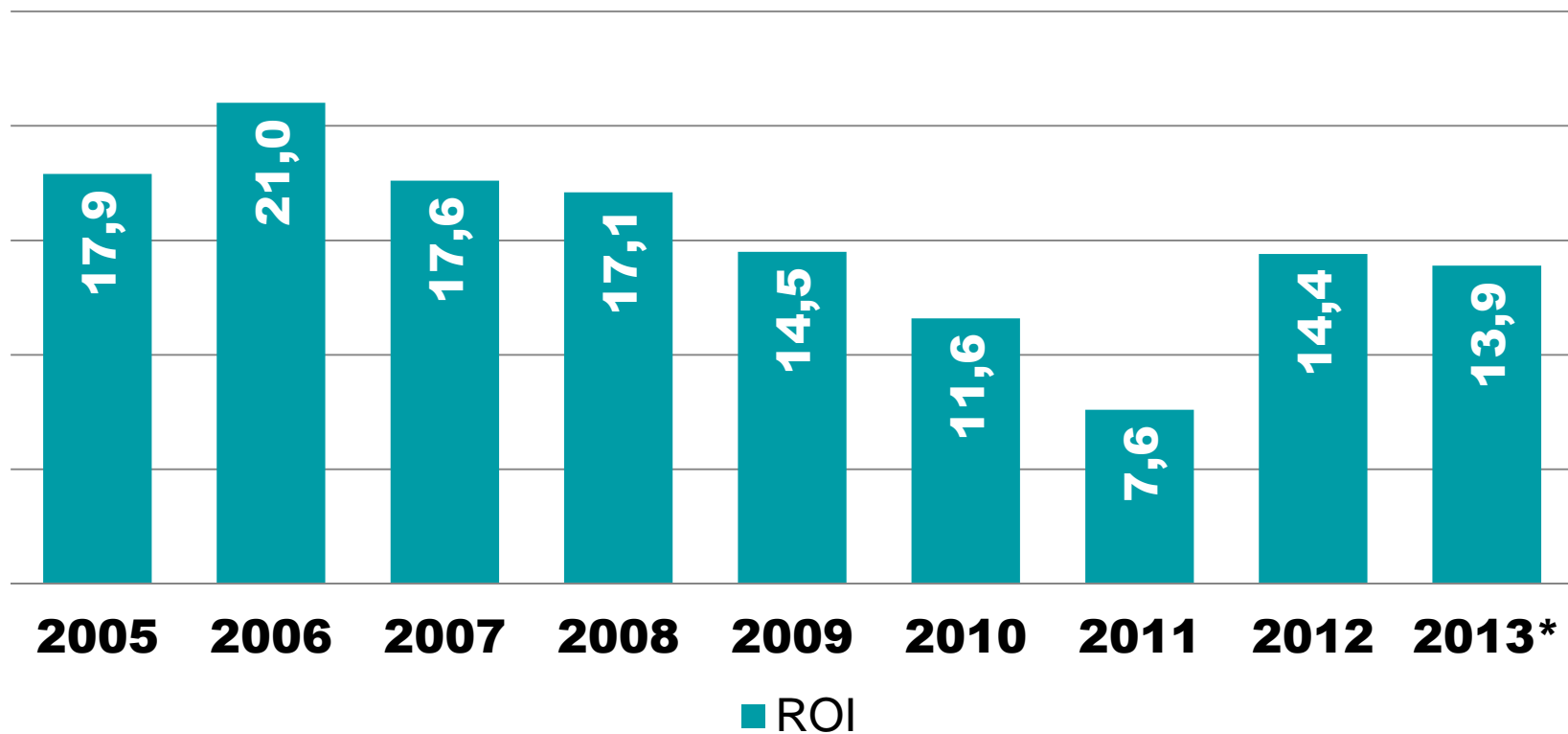
OPERATING PROFIT

- Strategic target: EBIT 9%



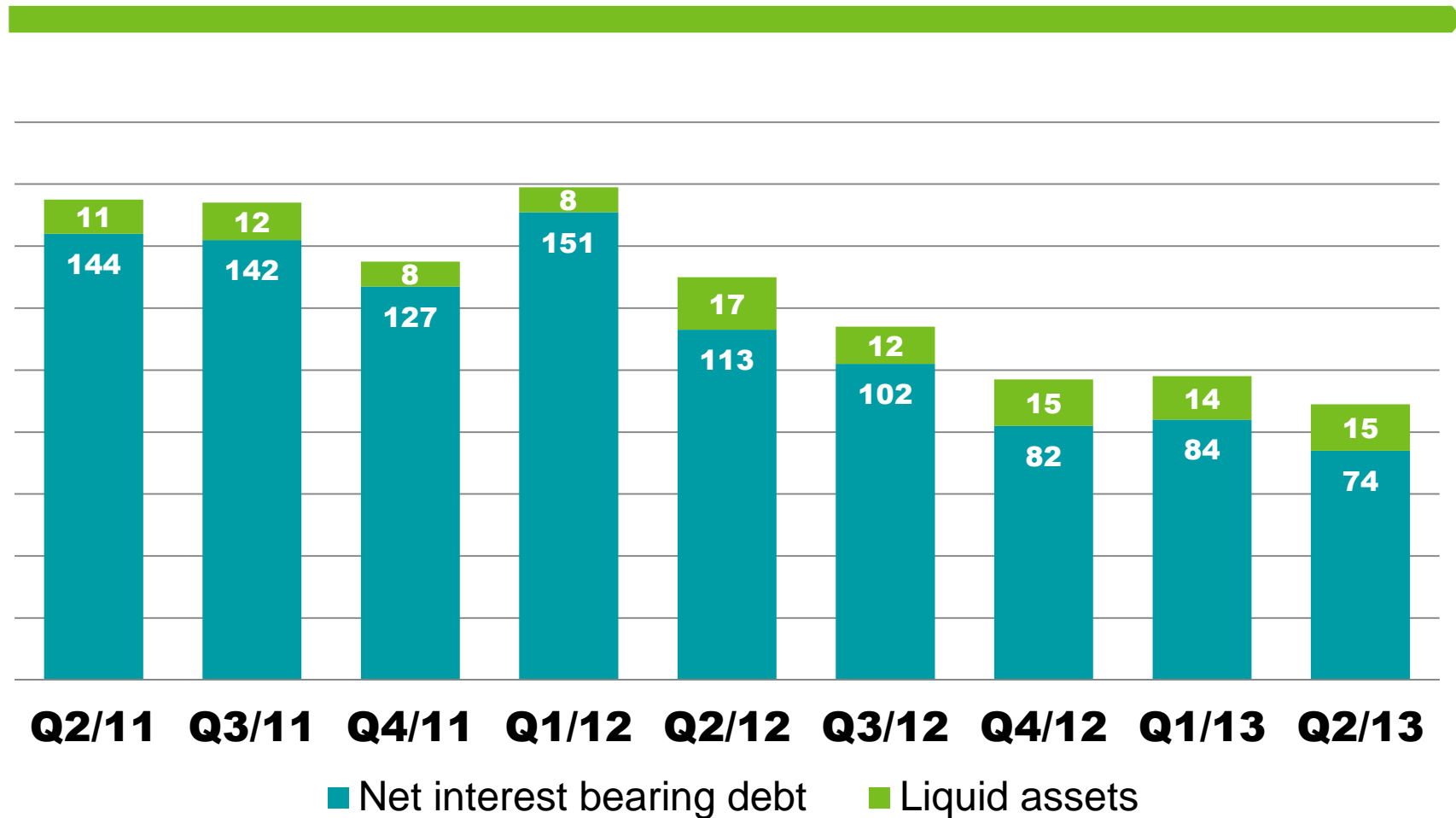
RETURN ON INVESTMENT

- Strategic target: ROI 20%



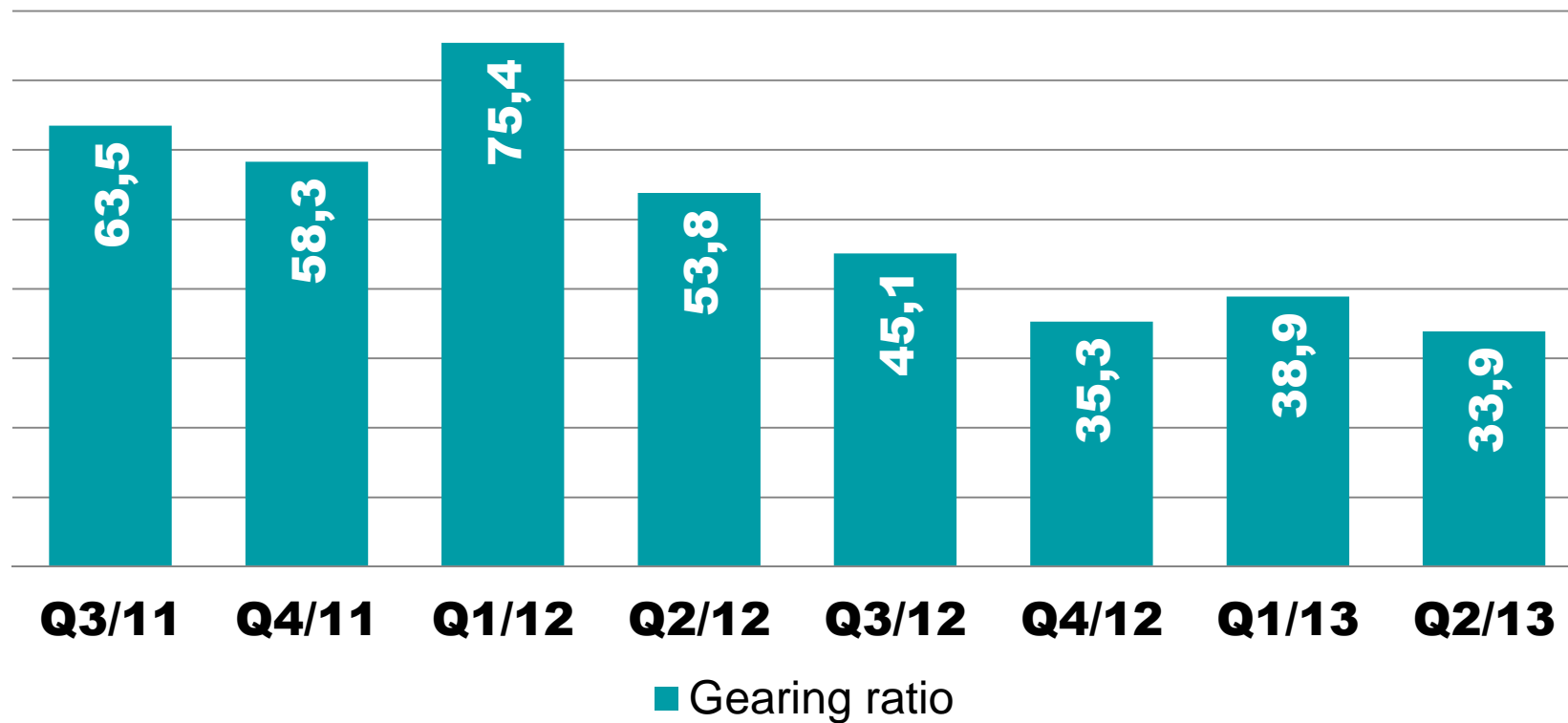
* Annualised operative

INTEREST BEARING DEBT

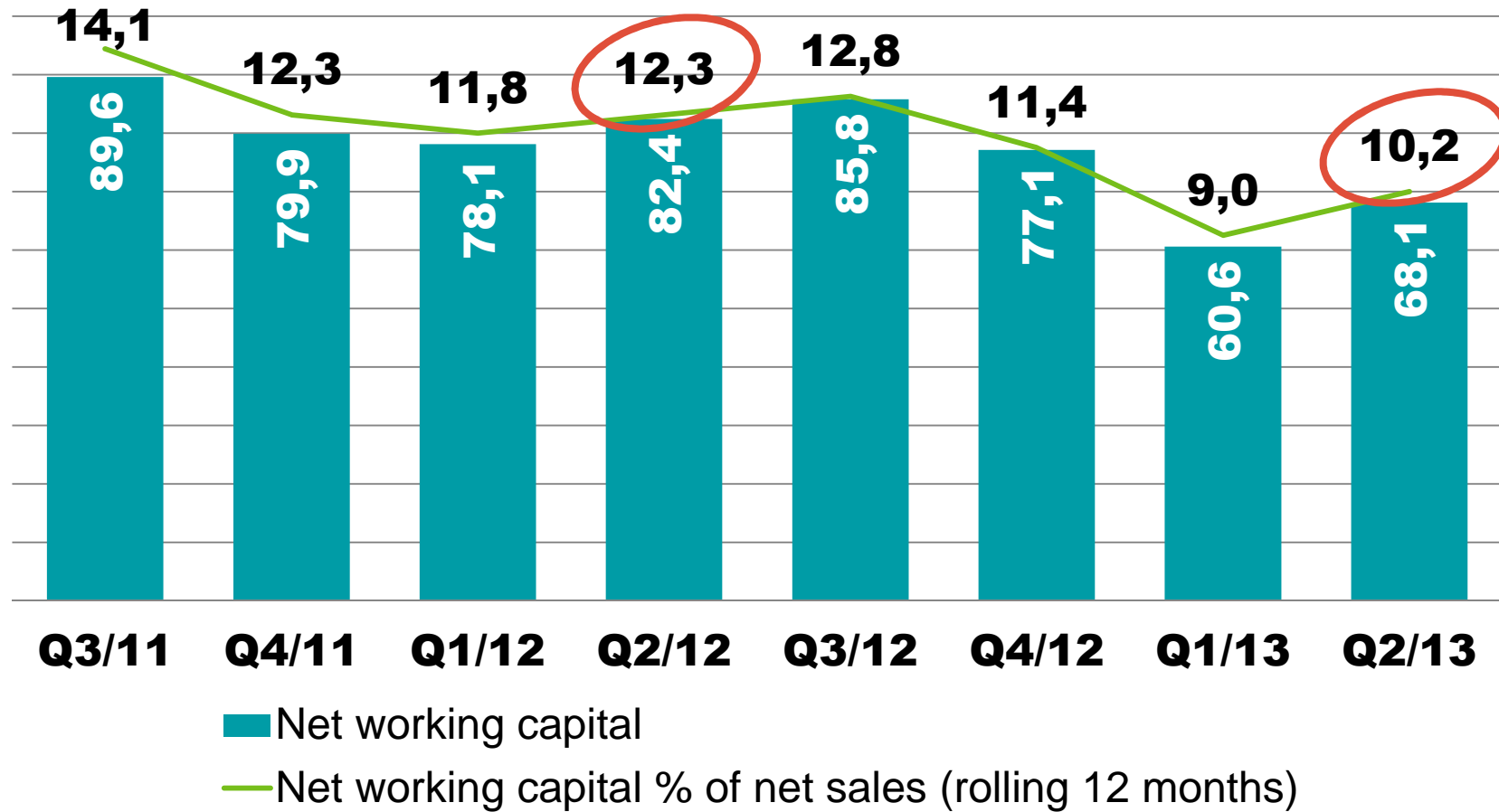


GEARING

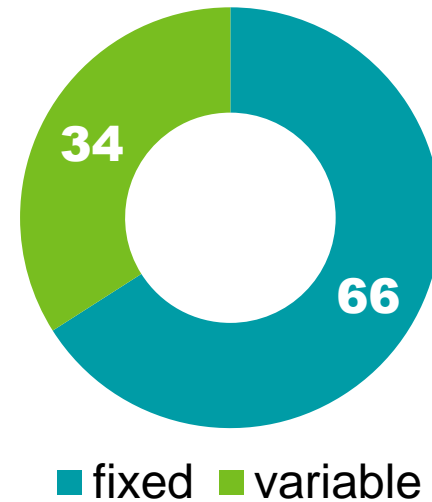
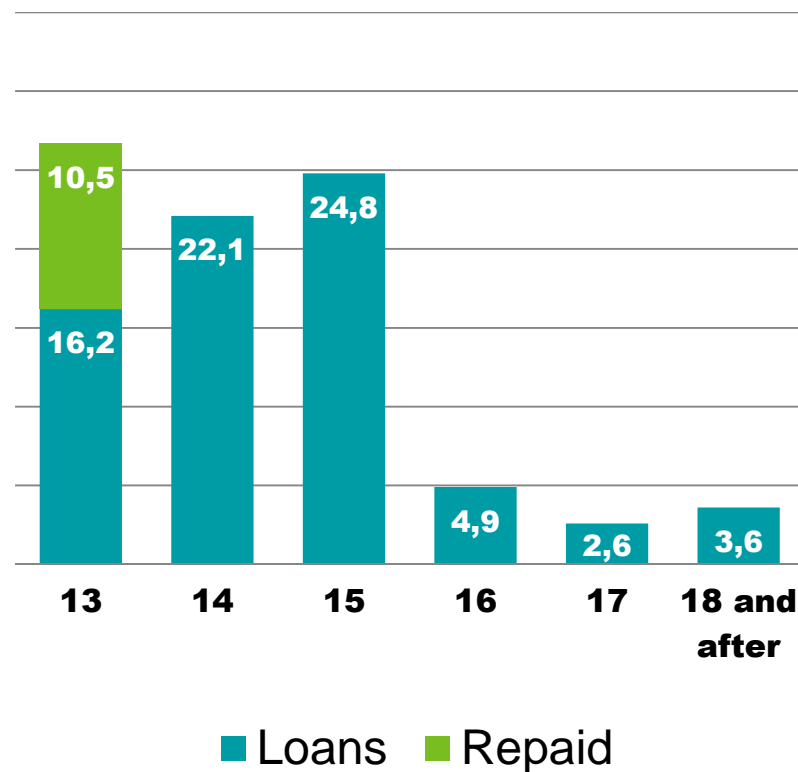
- Strategic target: Gearing 30–80%



NET WORKING CAPITAL

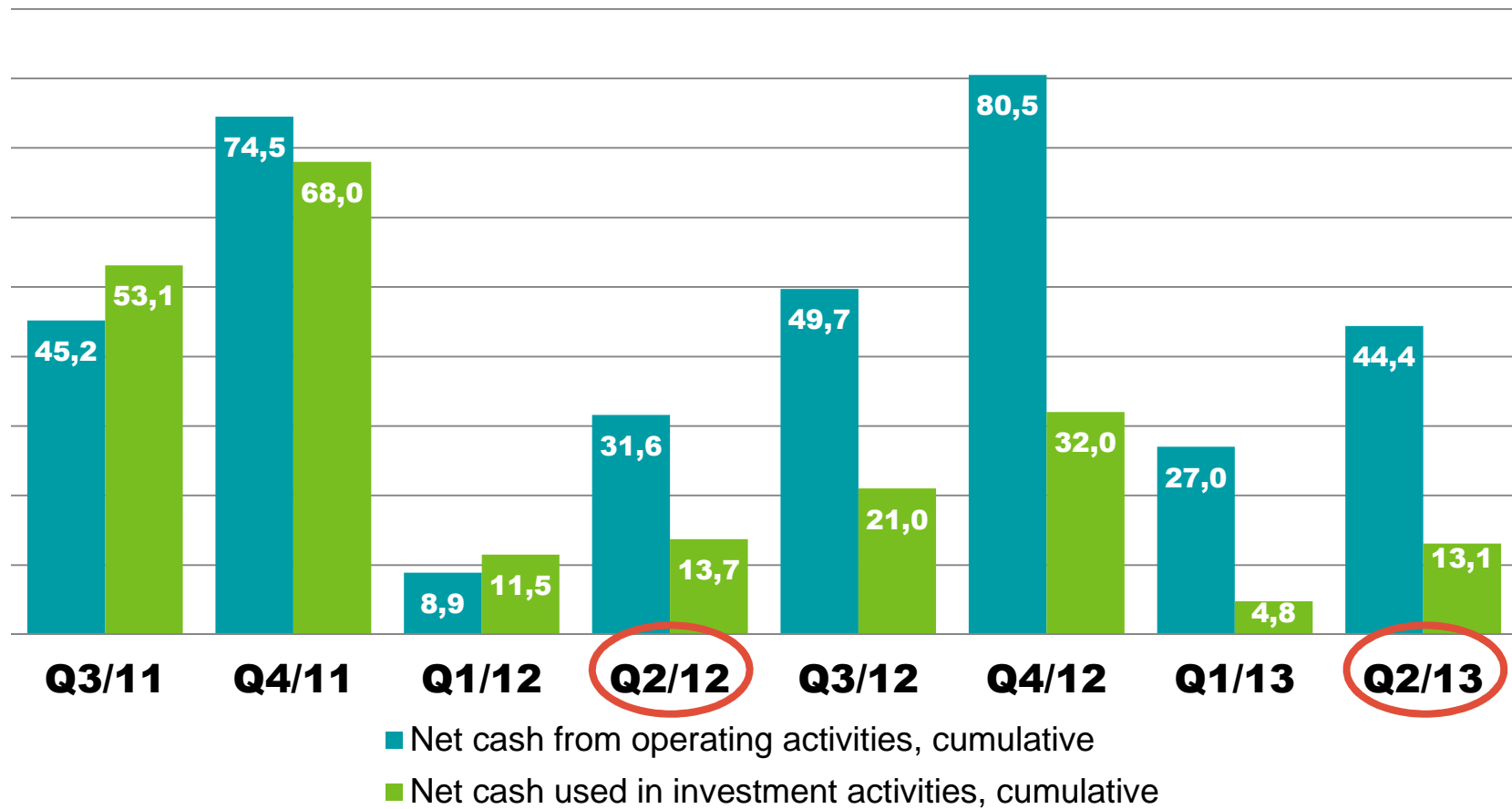


MATURITY STRUCTURE OF LONG-TERM LOANS



Weighted average of effective interest rate 2.2%

CASH FLOW AND INVESTMENTS



CURRENT ISSUES

- Capital Markets Day will be held on 23 September 2013.



OUTLOOK FOR THE REST OF THE YEAR

Full-year net sales in 2013 are expected to remain at the 2012 level. Operating profit, excluding non-recurring items, is expected to remain at the 2012 level or improve slightly.

This estimate was included in the Interim Report Q2/2013 released on 6 August 2013.

CONTACT INFORMATION



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APPENDIX



MANY PEOPLE
— ONE L&T

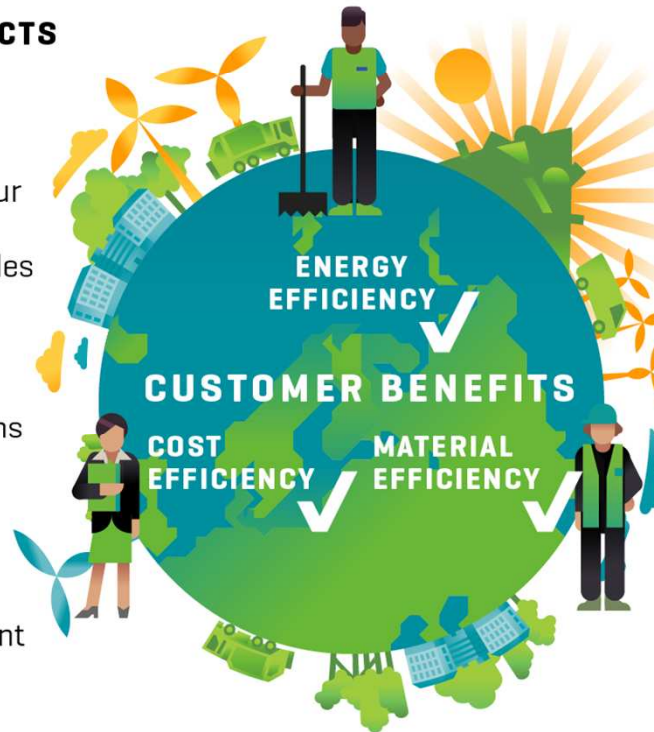


OUR VISION

We are our customers' preferred partner in environmental, industrial and facility services

STRATEGIC PROJECTS 2013

- Development of leadership skills
- Resource and labour cost management
- Development of sales operations and more extensive service packages
- Business-driven information systems
- Development of procurement and logistics
- Enhancement of working capital management



KEY SUCCESS FACTORS

- Focus on service business
- Customer-oriented operating model
- Skilled and sufficient human resources
- Profitability through cost-efficiency
- Uniform corporate and positive safety culture

FROM A CONSUMER SOCIETY
TO A RECYCLING SOCIETY

X DEPLETION OF
KEY RAW MATERIALS

X FINLAND AND EUROPE
LOSING THEIR
COMPETITIVE STRENGTH

X GLOBAL
WARMING

L&T'S VISION AND MISSION

OUR VISION:

We are the customer's preferred partner in environmental, industrial and facility services.

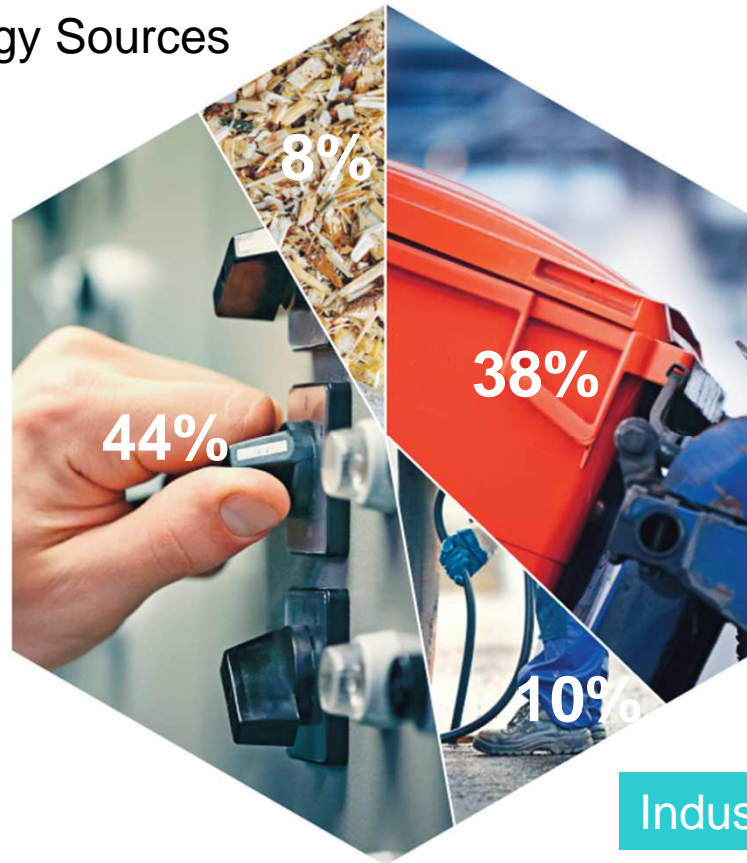
OUR MISSION:

We will make your environment a better place to live and work.



DIVISIONS IN BRIEF

Renewable Energy Sources



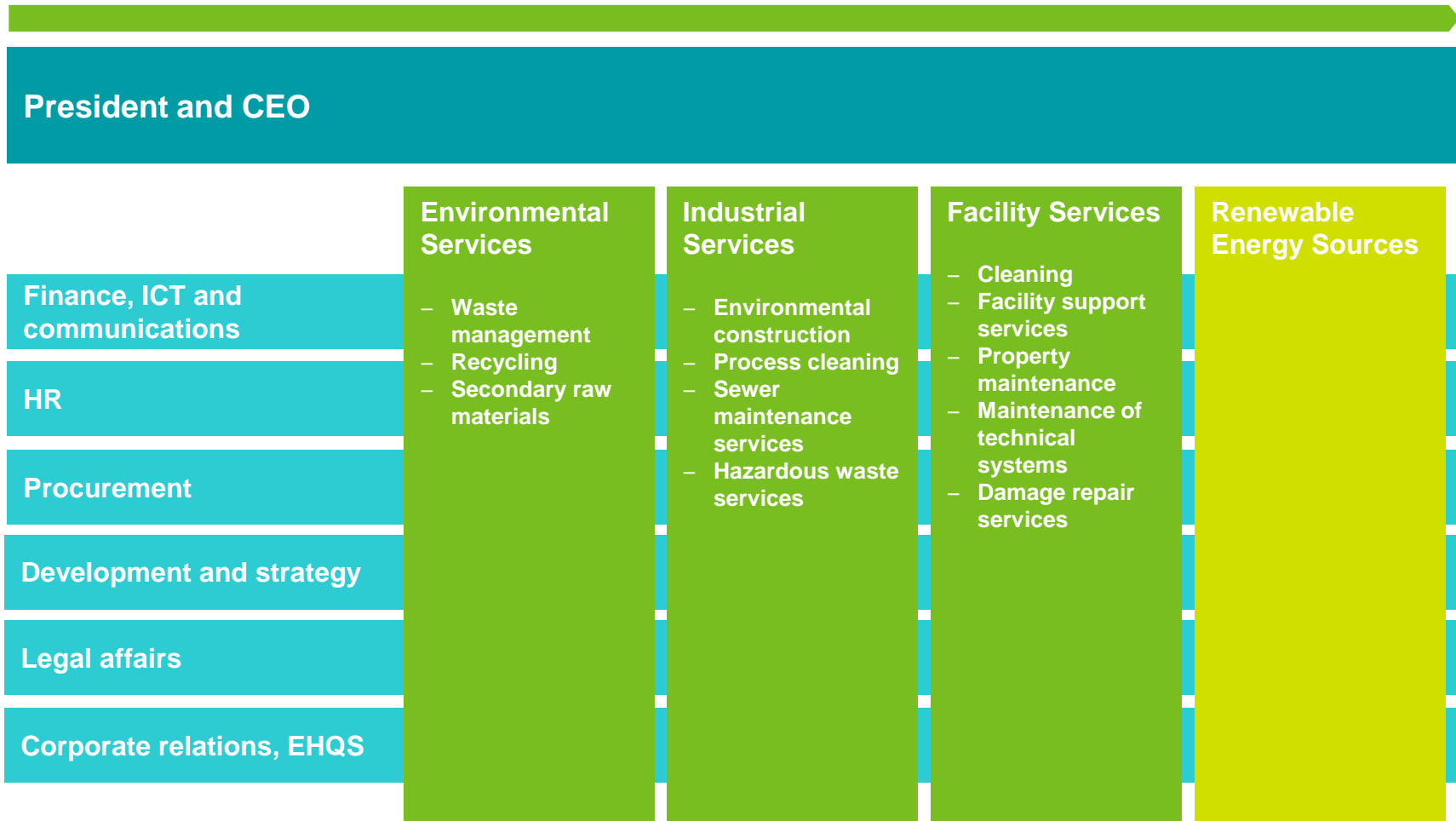
Environmental Services

Facility Services

Industrial Services

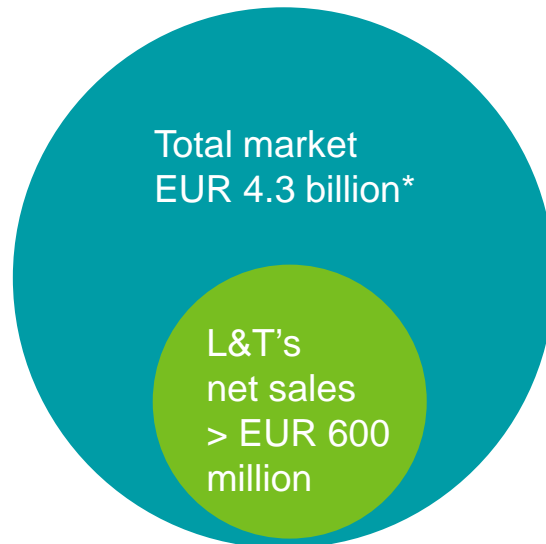
Core business

L&T'S ORGANISATION



EXCELLENT GROWTH POTENTIAL IN DOMESTIC CORE BUSINESS

2012



The total market is growing at an annual rate of 4%
L&T's Environmental Services is a market leader
L&T's Industrial and Facility Services are among the three biggest players

*Based on L&T's estimate and research data on the size of potential markets in Finland

OPERATING ENVIRONMENT AND CUSTOMER BEHAVIOUR

Operating environment

Municipalisation of household waste management

Increased mass incineration of waste

Tighter competition especially in facility services

Decline in available workforce

Customer behaviour

More professional procurement functions

Expectations for wider service offerings

More technical property maintenance

Increasing outsourcing

FINANCIAL TARGETS

Key figure	Target 2016
Organic growth	>5%
Return on investment (ROI)	20%
Operating profit	9%
Gearing	30–80%

CYCLICALITY OF L&T'S CORE BUSINESS



ENVIRONMENTAL SERVICES: STRONG MARKET DRIVERS

Market drivers

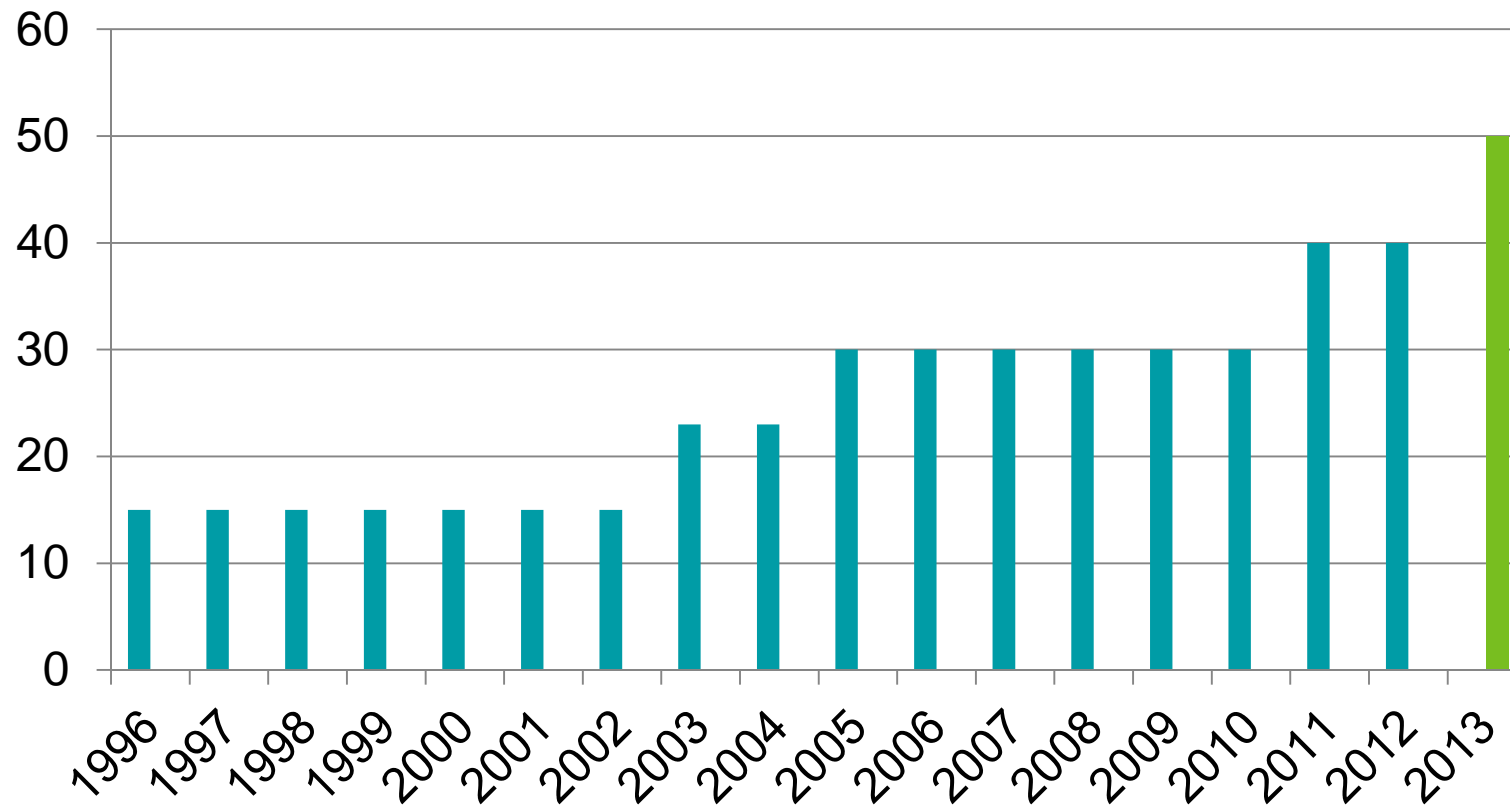
- Tightening environmental legislation
- Stronger demand on material efficiency

Focus areas in 2013–2016

- Strengthening of market leader position in waste management and recycling services
- Focus particularly on commercial waste streams
- Value chain optimisation

CHANGE IN WASTE TAX ACT PROMOTES RECYCLING

Development of waste tax in Finland in 1996–2013



INDUSTRIAL SERVICES: NEW REPORTING SEGMENT

Market drivers

- Tightening environmental legislation: opening new business in industrial waste streams
- Centralizing procurement: outsourcing non-core operations to central service providers

Focus areas in 2013–2016

- Services and material utilisation solutions for the industry and the municipal sector
- Expansion of services into new industrial customer segments

FACILITY SERVICES: GROWTH FROM EXPANDING NETWORK

Market drivers

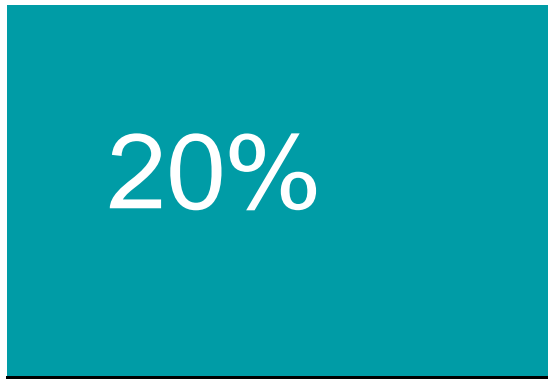
- Outsourcing rate of public sector increasing
- Concentration of services: outsourcing non-core operations to central service providers
- Higher energy efficiency requirements of facilities

Focus areas in 2013–2016

- Ensuring current market position in cleaning and property maintenance services
- Widening of facility support services portfolio
- Expanding service network in Damage repair services and in Maintenance of technical systems

OUTSOURCING RATE OF FACILITY SERVICES IN PUBLIC SECTOR

2012



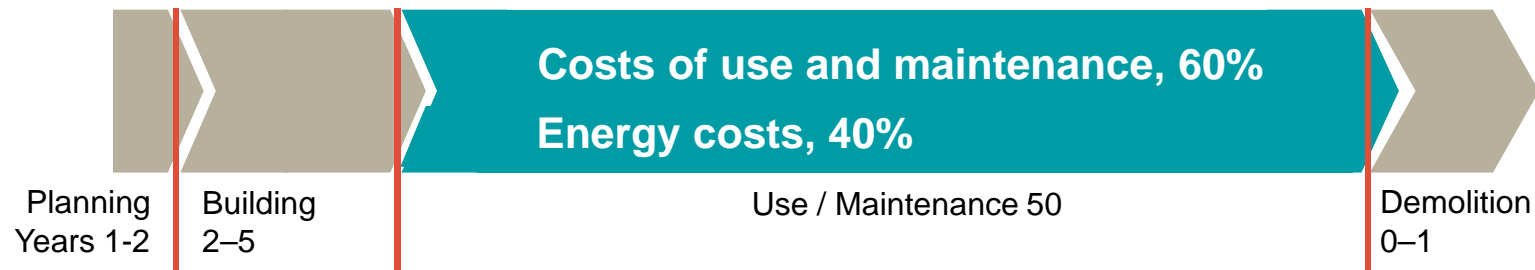
2016



BETTER ENERGY EFFICIENCY IN FACILITIES

Energy costs amount to 40% of the life-cycle costs of properties...

Source: ROTI 2011 report (*State of the built environment*)

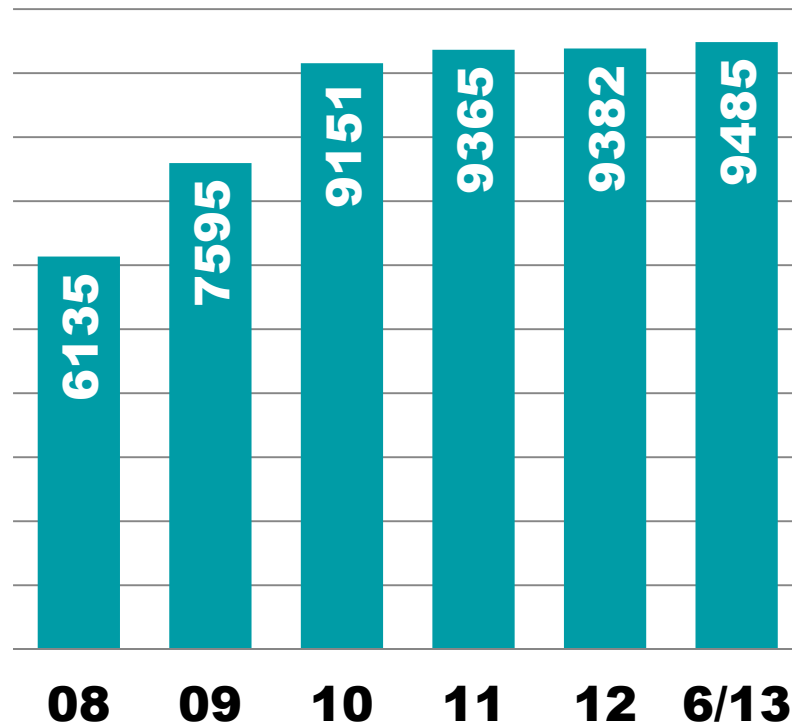


...and facilities consume 40% of all the energy production

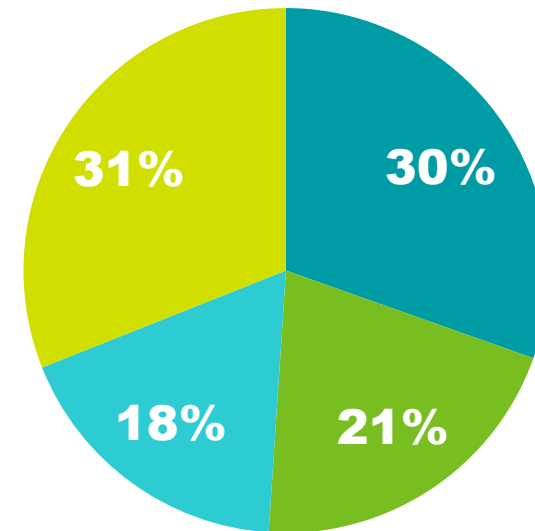


SHAREHOLDER STRUCTURE

Number of shareholders



Shareholder structure



- Households
- Financial and insurance corp.
- Foreign and nominee registered
- Others

MAJOR SHAREHOLDERS AT 30 JUNE 2013

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2 413 584	6.22
Mandatum Life Insurance Company Limited	2 231 238	5.75
Nordea Investment Funds	1 830 665	4.72
Ilmarinen Mutual Pension Insurance Company	1 547 803	3.99
Maijala Juhani	1 529 994	3.94
Danske Investment Funds	1 070 225	2.76
LähiTapiola Group	1 049 280	2.70
Bergholm Heikki	796 247	2.05
Maijala Mikko	720 000	1.86
Varma Mutual Pension Insurance Company	600 690	1.55
Nominee-registered shares	6 927 699	17.86
Number of shares	38 798 874	100.00
Number of shareholders	9 485	

**IT'S EASY TO TRANSFORM A
KETCHUP BOTTLE INTO FUEL
OR A TUNA CAN INTO A FORK.
IT'S MUCH HARDER TO CHANGE**

HOW PEOPLE THINK.



WORKING SUSTAINABLY

