



LASSILA & TIKANOJA INTERIM REPORT Q2/2014

Pekka Ojanpää, President and CEO
6 August 2014



HIGHLIGHTS OF Q2/2014

- Q2/2014 net sales EUR 159.8m (EUR 168.9m) -5.4% (yoy)
 - Economic recession still decreases demand in the industrial sector and material flows in the construction and retail sectors and has a negative impact on the demand for the services in Facility Services division.
 - Comparable net sales decreased in Facility Services and Renewable Energy Sources divisions and remained at the 2013 level in Environmental Services and Industrial Services divisions.
 - The net sales of the comparison period includes EUR 4.1 million of net sales from the divested Latvian business operations.
- Q2/2014 operating profit EUR 12.9m (EUR 8.5m);
operating profit excluding EO items EUR 13.5m (EUR 13.4m)
 - Operating profit excluding non-recurring items was at the 2013 level.
 - There were EUR 0.5 million of non-recurring expenses, mainly related to the restructuring of the customer service function.
 - Comparable operating profit includes EUR 0.3 million of operating profit generated by the divested Latvian operations.

HIGHLIGHTS OF 1-6/2014

- 1-6/2014 net sales EUR 319.2m (EUR 336.6m) -5.2% (yoy)
 - During the first half of the year, comparable net sales decreased in the Facility Services and Renewable Energy Sources divisions and remained at the 2013 level in Environmental Services. Net sales increased in Industrial Services division.
 - The net sales of the comparison period includes EUR 5.4 million of net sales from the Latvian business operations that were divested on 13 March 2014.
- 1-6/2014 operating profit EUR 15.1m (EUR 14.8m);
operating profit excluding EO items EUR 20.9m (EUR 20.2m)
 - The operating profit includes EUR 6.4 million and the financial expenses EUR 16.7 million of non-recurring costs relating to the bankruptcy of EcoStream Oy.
 - A non-recurring capital gain of EUR 1.1 million was recognised on the Latvian business operations.
 - Comparable operating profit includes EUR 0.3 million of operating profit generated by the divested Latvian operations.

FINANCIAL SUMMARY AND KEY FIGURES

	Q2/ 14	Q2/ 13	Change %	1-6/ 14	1-6/ 13	Change %	2013
Net sales, EUR million	159.8	168.9	-5.4	319.2	336.6	-5.2	668.2
Operating profit excl. EO items, EUR million	13.5	13.4	0.8	20.9	20.2	3.8	51.8
Operating margin excl. EO items, %	8.4	7.9		6.5	6.0		7.8
Operating profit, EUR million	12.9	8.5	52.1	15.1	14.8	1.8	33.2
Profit before tax, EUR million	12.9	7.9	63.9	-2.6	13.8	-118.5	30.3
Earnings per share, EUR	0.29	0.14	104.4	-0.13	0.26	-151.5	0.57
EVA, EUR million	7.9	3.4	136.2	4.9	4.3	15.7	12.4

FINANCIAL SUMMARY AND KEY FIGURES

	Q2/ 14	Q2/ 13	Change %	1-6/ 14	1-6/ 13	Change %	2013
Capital expenditure (incl. acquisitions), EUR million	11.3	10.7	5.3	20.3	16.7	21.9	32.7
Depreciation, amortisation and impairment, EUR million	9.9	15.5	-36.2	20.1	26.1	-23.0	54.0
Net cash from operating activities, EUR million				27.3	44.4	-38.4	86.4
Return on equity (ROE), %				-5.1	8.8		10.0
Return on invested capital (ROI), %				9.8	9.4		10.6
Equity ratio, %				43.2	47.3		43.7
Gearing, %				42.9	33.9		30.4
Total number of employees at the end of the period				8,451	9,567		8,847

OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS, M€

	Q2/ 14	Q2/ 13	Change %	1-6/ 14	1-6/ 13	Change %	2013
Environmental Services	9.6	9.1	5.7	16.2	15.3	6.1	35.1
Industrial Services	2.0	1.9	5.5	1.9	1.4	30.8	6.7
Facility Services	2.2	2.9	-23.7	2.8	3.7	-24.8	11.9
Renewable Energy Sources	0.3	-0.1	303.7	1.1	0.9	18.3	1.1
L&T Group	13.5	13.4	0.8	20.9	20.2	3.8	51.8

FINANCIAL TARGETS

Key figure	Target 2016	Actual Q2/2014	Actual Q2/2013
Organic growth	>5%	-3.4%	0.7%
Return on investment (ROI)*	20%	13.4%	12.0%
Operating profit**	9%	8.4%	7.9%
Gearing	30–80%	42.9%	33.9%

* Annualised operative ** Operative

ENVIRONMENTAL SERVICES

- Demand in the recycling business was reduced by the decrease in the volume of recyclable materials, due to market conditions.
- Demand developed favourably in waste management and Russian operations.
- The net sales of the comparison period includes EUR 3.0 million of net sales from the Latvian business operations that were divested during the first quarter of 2014.
- Profitability improved due to operational efficiency measures.



EUR million	Q2/ 14	Q2/ 13	Change %	1-6/ 14	1-6/ 13	Change %	2013
Net sales	64.2	66.6	-3.7	125.1	126.8	-1.4	257.9
Operating profit excl. EO items	9.6	9.1	5.7	16.2	15.3	6.1	35.1
Operating margin excl. EO items	15.0%	13.6%		13.0%	12.1%		13.6%

INDUSTRIAL SERVICES

- Demand for process cleaning was strong.
- In all other service lines the net sales was slightly below the 2013 level.
- Operating profit excluding non-recurring items improved slightly, particularly as a result of the good profitability of hazardous waste services.



EUR million	Q2/ 14	Q2/ 13	Change %	1-6/ 14	1-6/ 13	Change %	2013
Net sales	19.7	20.0	-1.5	35.7	33.7	5.8	75.5
Operating profit excl. EO items	2.0	1.9	5.5	1.9	1.4	30.8	6.7
Operating margin excl. EO items	10.1%	9.5%		5.2%	4.2%		8.9%

FACILITY SERVICES

- Net sales declined year-on-year, due to business downsizing in Sweden and low demand for damage repair services.
- Net sales was also impacted by weaker demand for services in the cleaning and property maintenance businesses.
- Profitability was weakened by lower demand for services in the cleaning and property maintenance businesses and by the weak profitability of damage repair services.
- Property maintenance was able to improve its profitability year-on-year.



EUR million	Q2/ 14	Q2/ 13	Change %	1-6/ 14	1-6/ 13	Change %	2013
Net sales	68.3	73.4	-6.9	137.4	149.2	-7.9	292.5
Operating profit excl. EO items	2.2	2.9	-23.7	2.8	3.7	-24.8	11.9
Operating margin excl. EO items	3.2%	3.9%		2.0%	2.5%		4.1%

RENEWABLE ENERGY SOURCES

- The decrease in net sales could mostly be attributed to the short heating season and the downsizing of operations in Eastern Finland.
- As a result of efficiency improvement measures, profitability improved year-on-year.



EUR million	Q2/ 14	Q2/ 13	Change %	1-6/ 14	1-6/ 13	Change %	2013
Net sales	10.3	13.0	-21.1	26.1	34.8	-24.9	58.0
Operating profit excl. EO items	0.3	-0.1	303.7	1.1	0.9	18.3	1.1
Operating margin excl. EO items	2.5%	-1.0%		4.1%	2.6%		1.9%

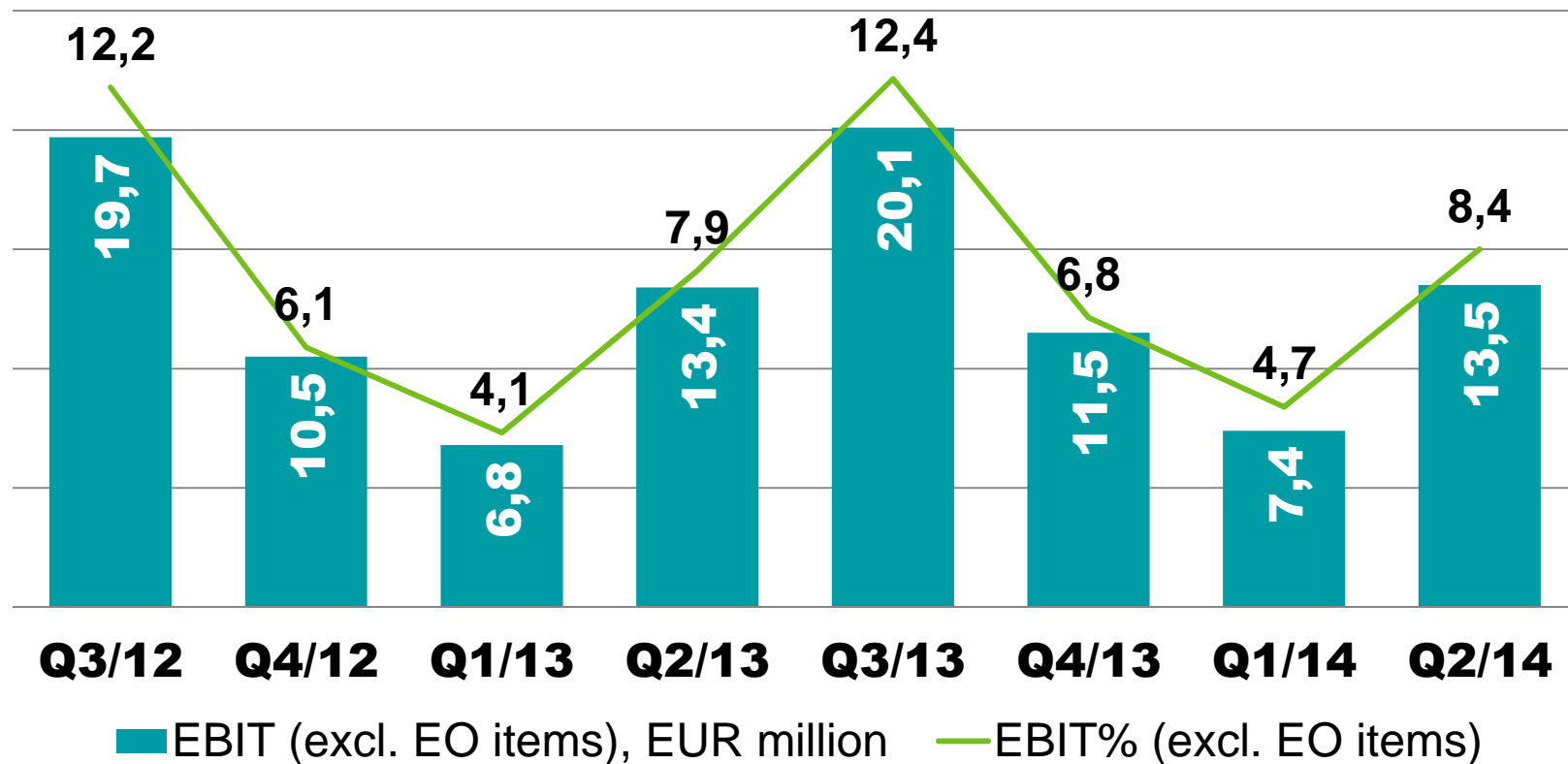
FOCUS ON MARKET POSITION, OPERATIONAL EFFICIENCY AND CASH FLOW

- We are focusing on reinforcing our market position and maintaining operational efficiency and strong cash flow.



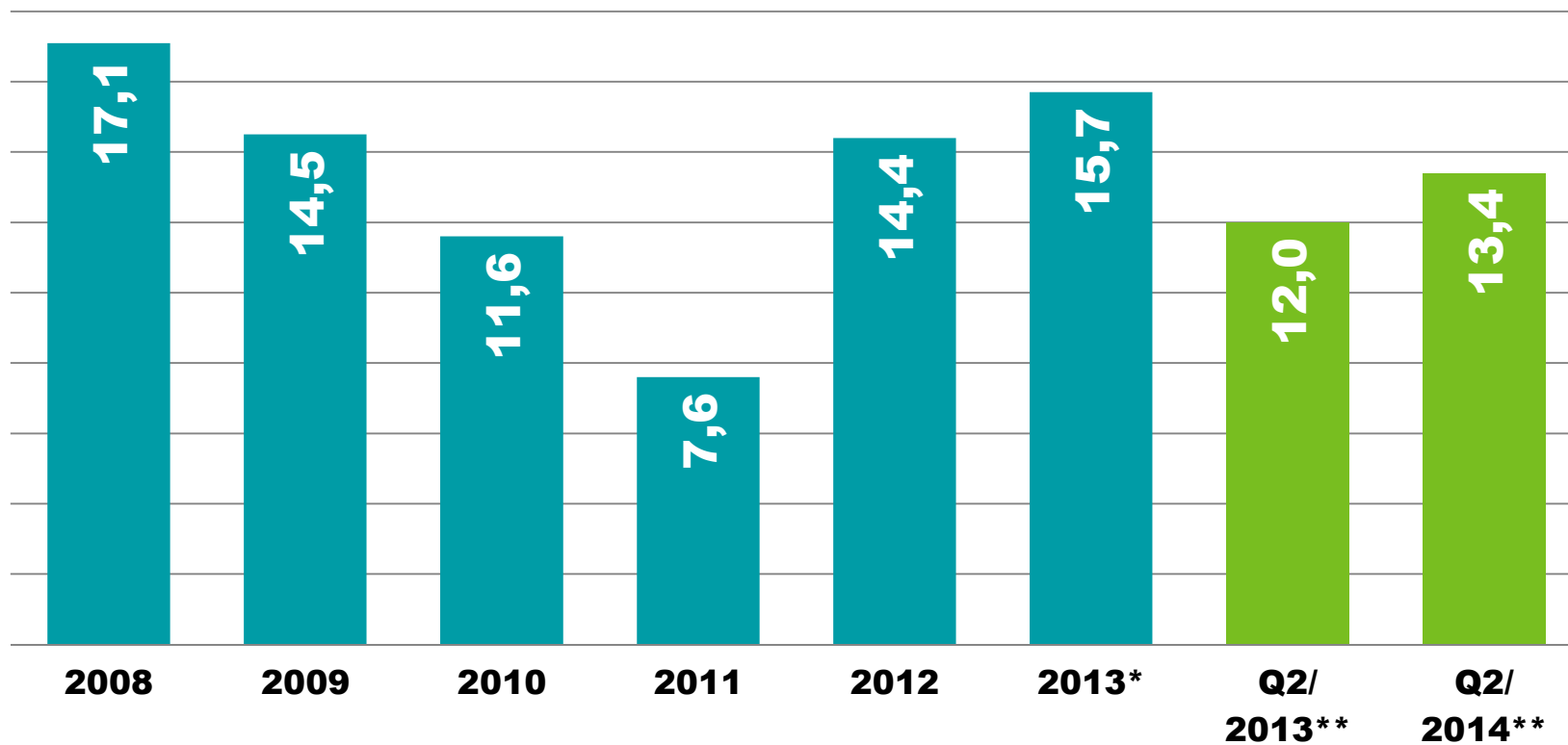
OPERATING PROFIT

- Strategic target: EBIT 9%



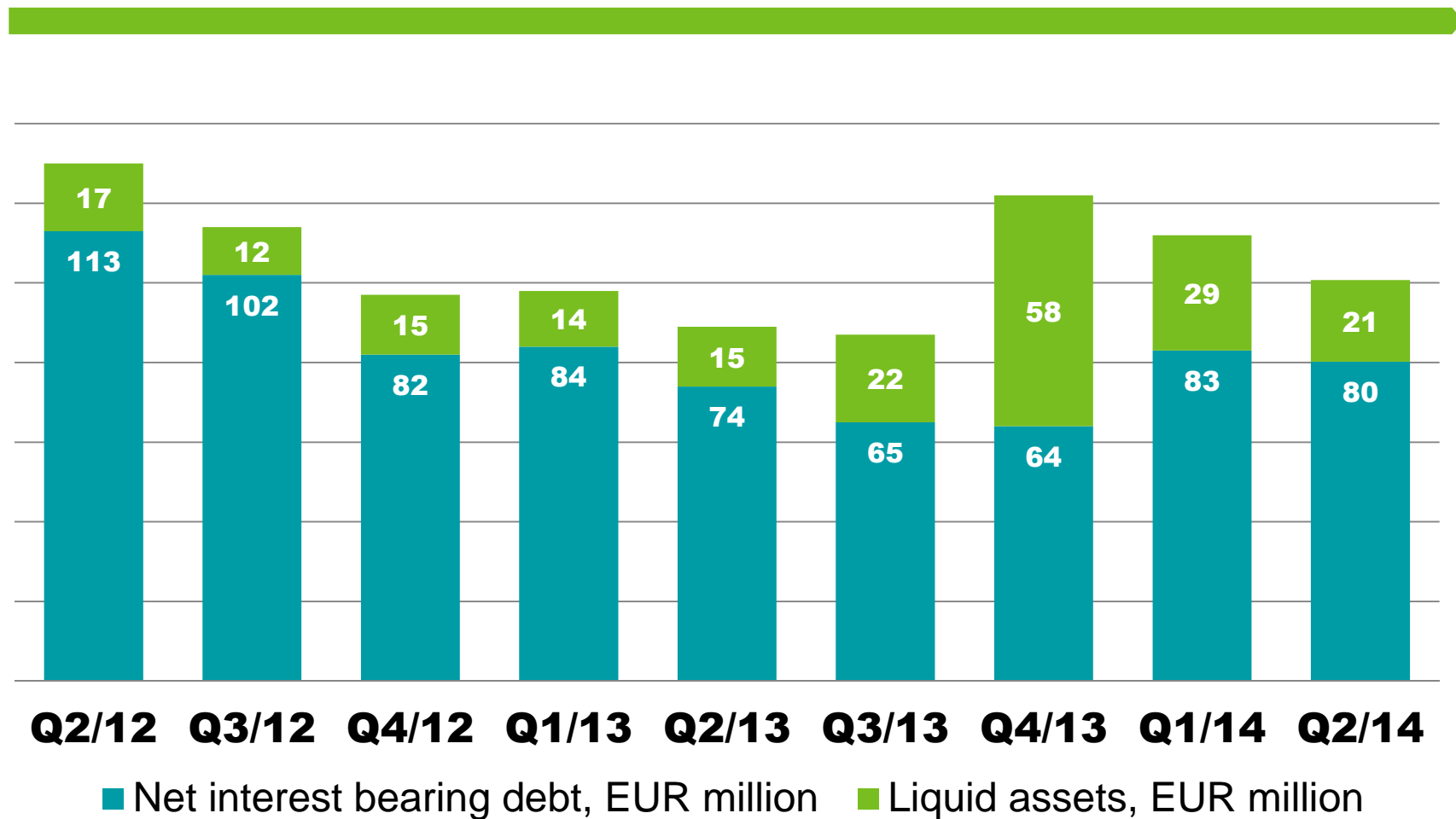
RETURN ON INVESTMENT

- Strategic target: ROI 20%



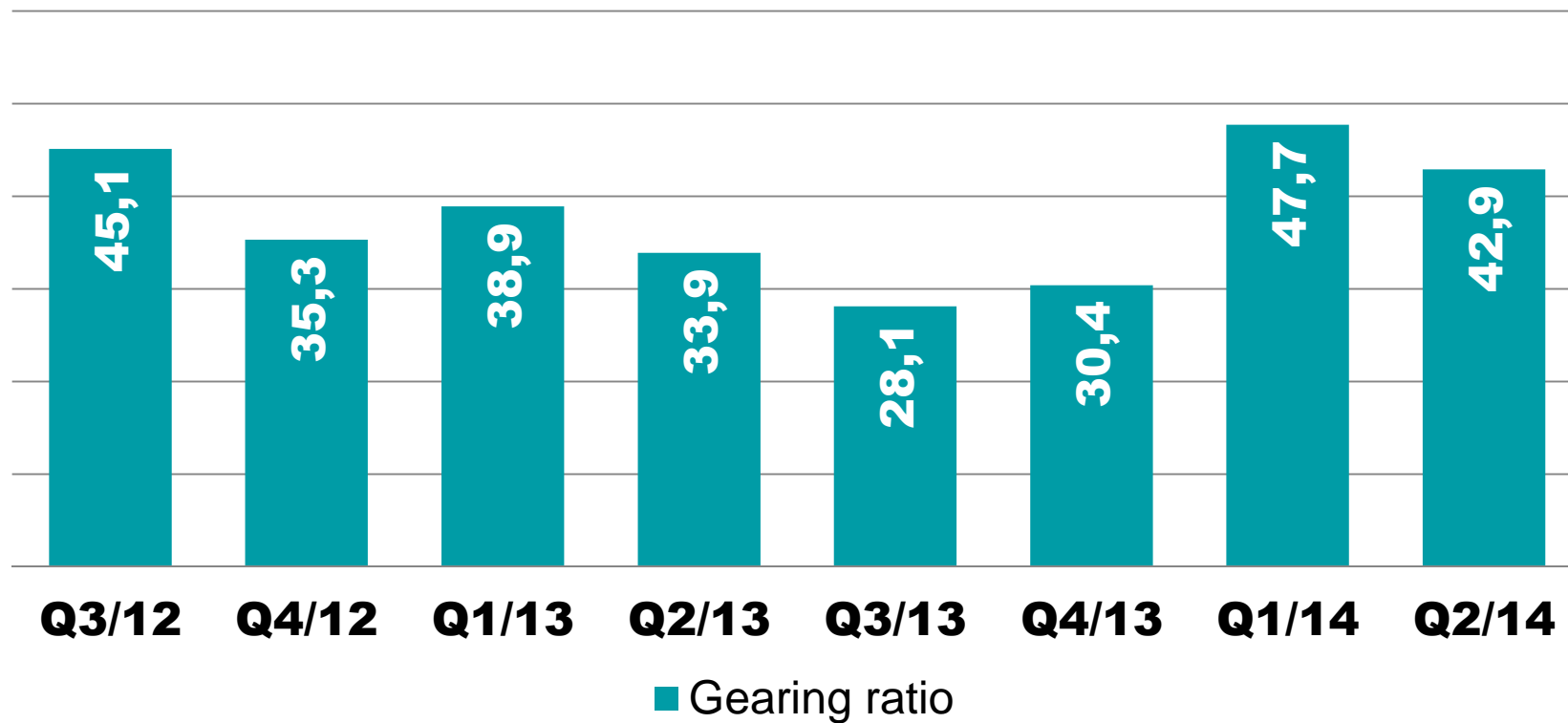
* Operative ** Annualised operative

INTEREST BEARING DEBT

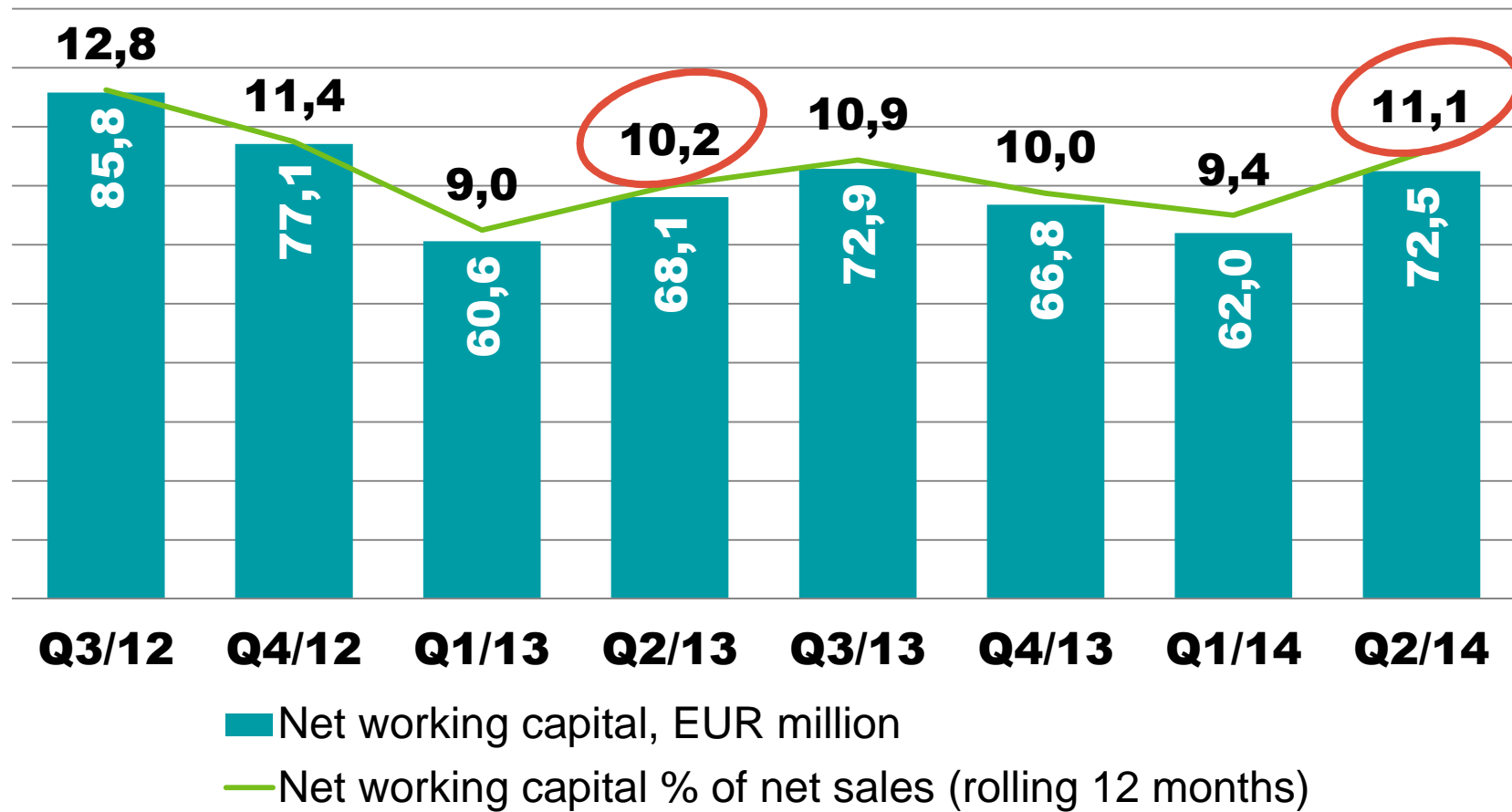


GEARING

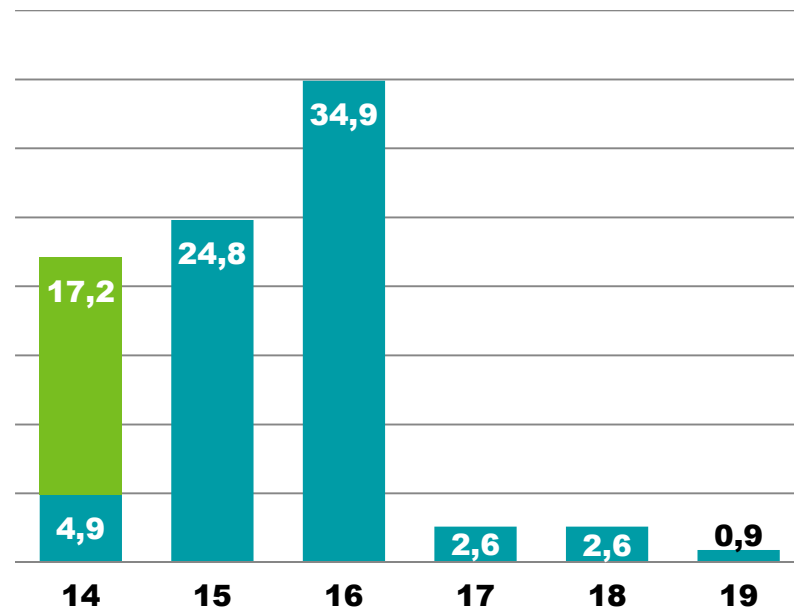
- Strategic target: Gearing 30–80%



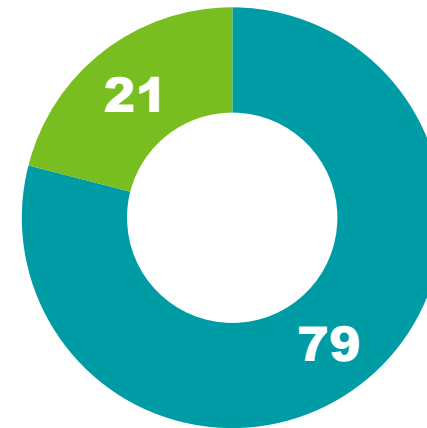
NET WORKING CAPITAL



MATURITY STRUCTURE OF LONG-TERM LOANS



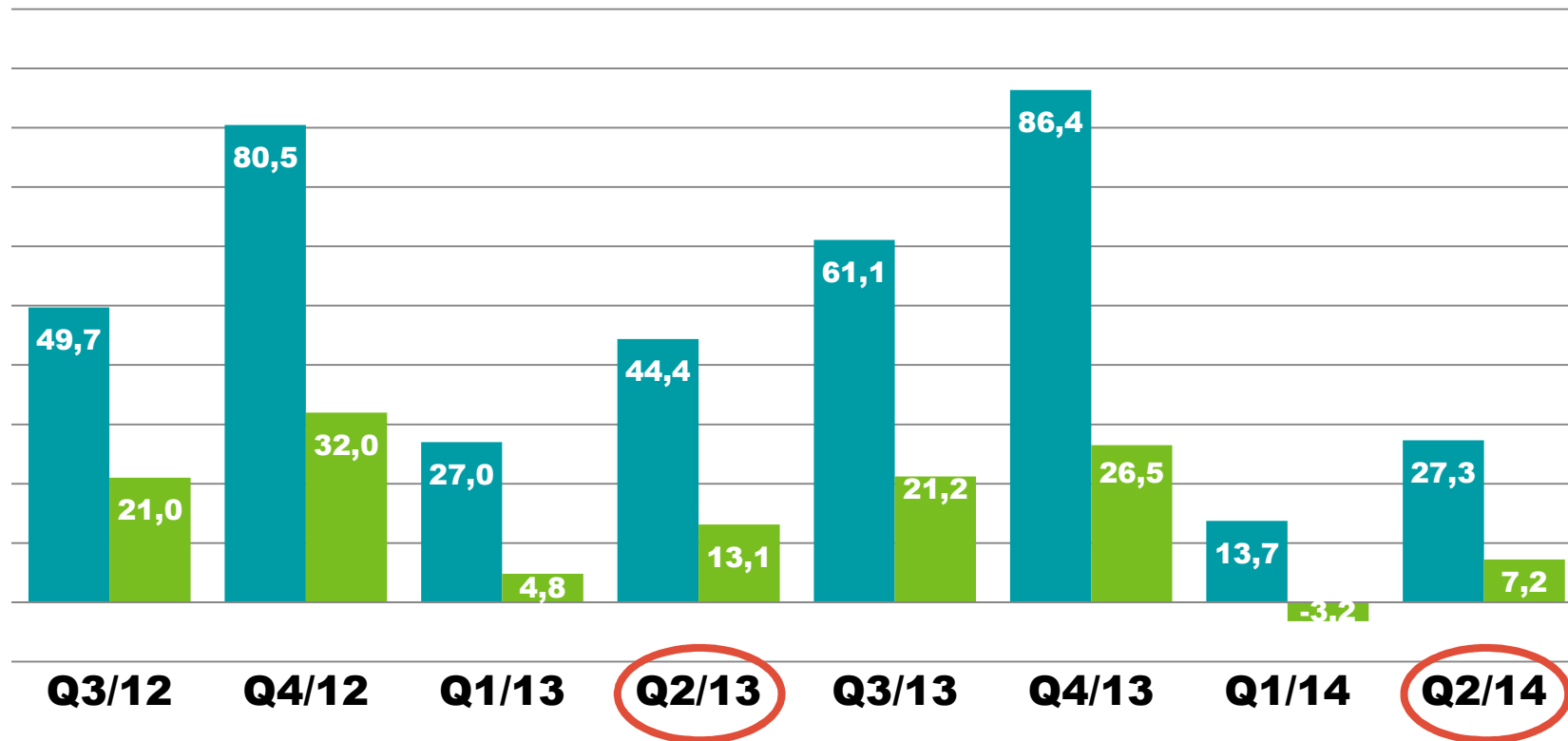
■ Loans, EUR million ■ Repaid, EUR million



■ fixed ■ variable

Weighted average of effective interest rate 1.7%

CASH FLOW AND INVESTMENTS



- Net cash from operating activities, cumulative, EUR million
- Net cash used in investment activities, cumulative, EUR million

OUTLOOK FOR THE REST OF THE YEAR

Net sales in 2014 are expected to remain at the 2013 level or slightly below. Operating profit excluding non-recurring items is expected to remain at the 2013 level or slightly below.

This estimate was included in the Interim Report Q2/2014 released on 6 August 2014.

CURRENT ISSUES

- Capital Markets Day to be held on 30 September 2014.



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**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

