



LASSILA & TIKANOJA

HALF-YEAR REPORT Q2 2019

Eero Hautaniemi, President and CEO

Juha Jaatinen, Acting CFO

26 July 2019



H1 2019

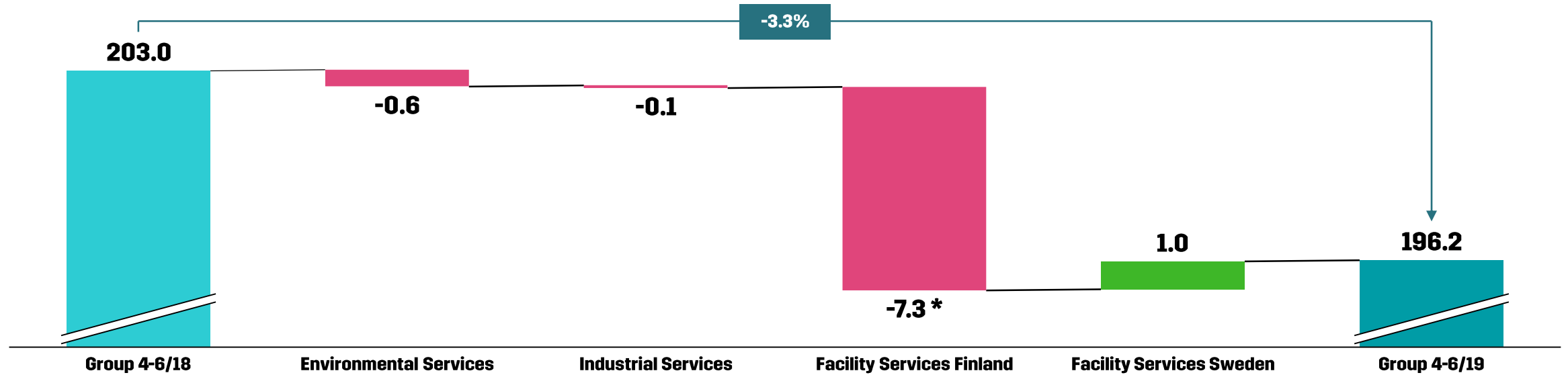
HIGHLIGHTS

- Net sales of Lassila & Tikanoja's continuing operations were on par with the comparison period in January–June, but operating profit decreased year-on-year.
- Operating profit of Facility Services Finland was weighed down by a decrease in the contract base and costs related to the implementation of a new operating model in the technical services.
- In Environmental Services, operating profit grew thanks to good demand, particularly in the retail and industrial segments.
- In the second half of the year, we will focus on establishing the new operating model in Facility Services Finland.



Q2 2019

NET SALES



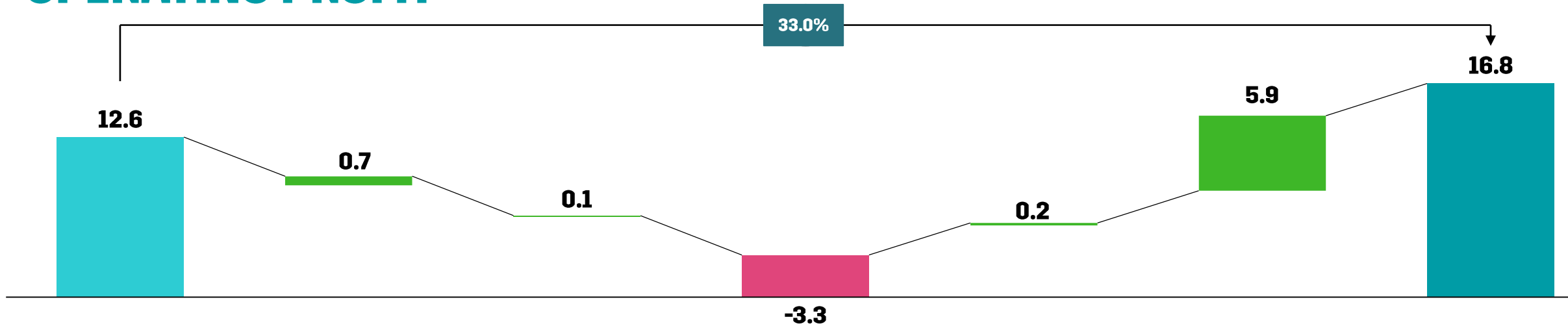
EUR million	Q2/19	Q2/18	Change%	1-6/19	1-6/18	Change%	2018
Environmental Services	76.8	77.4	-0.8	156.4	154.4	1.3	309.4
Industrial Services	26.2	26.3	-0.2	45.2	45.4	-0.5	96.5
Facility Services Finland	61.3	68.7	-10.7	130.8	137.3	-4.7	269.6
Facility Services Sweden	33.4	32.4	3.0	65.5	65.7	-0.3	134.0
L&T Group	196.2	203.0	-3.3	394.9	399.4	-1.1	802.2

*Decline in net sales is mainly due to the sale of L&T Korjausrakentaminen Oy



Q2 2019

OPERATING PROFIT



Group 4-6/18	Environmental Services	Industrial Services	Facility Services Finland	Facility Services Sweden	Gain on sale (L&T Korjausrakentaminen)	Group 4-6/19
	0.7	0.1	-3.3	0.2	5.9	16.8
						33.0%
						12.6

EUR million	Q2/19	Q2/18	Change%	1-6/19	1-6/18	Change%	2018
Environmental Services	8.8	8.1	8.1	13.4	12.6	6.4	31.6
Industrial Services	3.3	3.3	1.8	3.7	3.7	-0.6	10.0
Facility Services Finland	-2.0	1.4	-242.9	-5.5	0.8	-774.2	5.2
Facility Services Sweden	0.8	0.6	29.9	1.5	1.4	10.2	4.2
Gain on sale (L&T Korjausrakentaminen Oy)	5.9	-	-	5.9	-	-	-
L&T Group	16.8	12.6	33.0	17.6	16.4	7.3	47.6

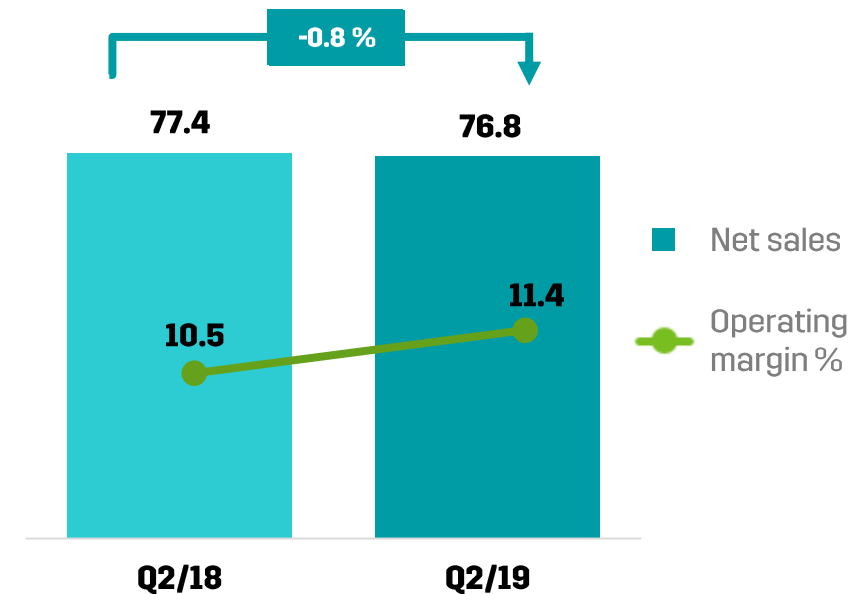


ENVIRONMENTAL SERVICES



- ◆ Demand remained good particularly in the retail and industrial segments.
- ◆ Labour and subcontracting costs increased by shortage of drivers and challenging weather conditions during the first quarter, and fuel costs were higher than in the comparison period.
- ◆ Operating profit increased year-on-year in the second quarter particularly in renewable energy sources and in Russia.

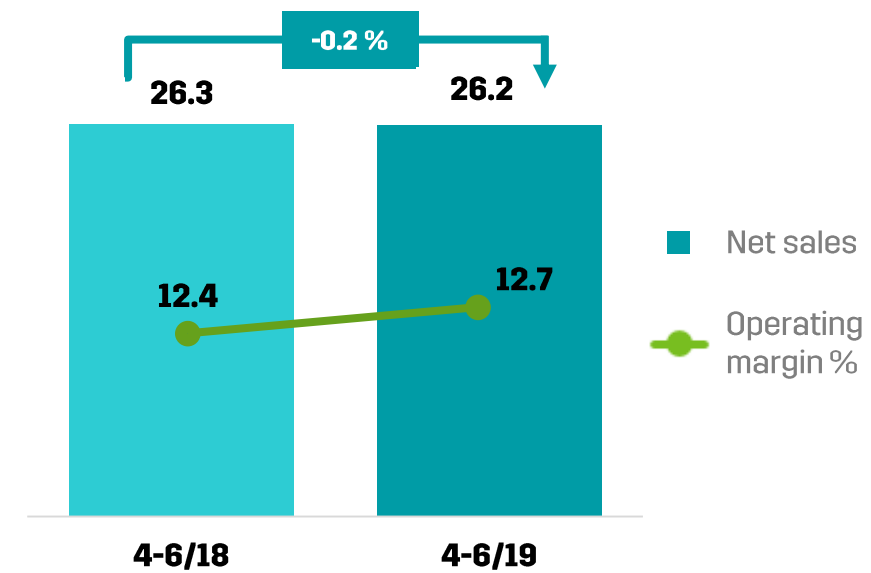
EUR million	Q2/19	Q2/18	Change %	1-6/19	1-6/18	Change %	2018
Net sales	76.8	77.4	-0.8	156.4	154.4	1.3	309.4
EBITDA	15.0	13.3	13.5	25.8	22.8	13.0	52.1
Operating profit	8.8	8.1	8.1	13.4	12.6	6.4	31.6
Operating margin, %	11.4	10.5		8.6	8.2		10.2



INDUSTRIAL SERVICES

- The slow down of the construction sector was compensated by new customer accounts in industrial sites and project business, which saw good demand in January-June.
- Challenging weather conditions during late winter and early spring meant that the profit for the period remained largely unchanged from the previous year.
- The second quarter was strong particularly with respect to industrial sites and sewer maintenance services thanks to new customer accounts.

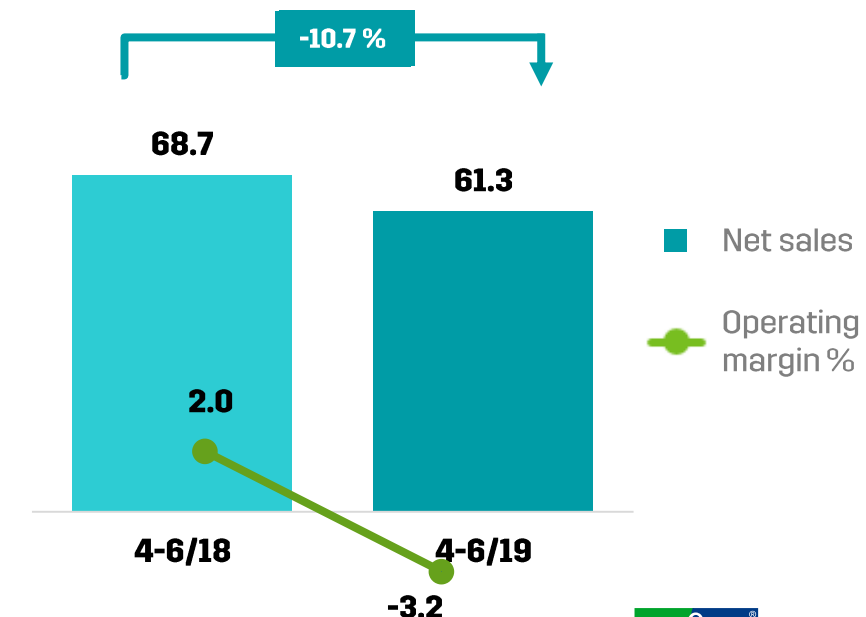
EUR million	Q2/19	Q2/18	Change %	1-6/19	1-6/18	Change %	2018
Net sales	26.2	26.3	-0.2	45.2	45.4	-0.5	96.5
EBITDA	5.6	5.1	9.6	8.2	7.4	11.2	17.5
Operating profit	3.3	3.3	1.8	3.7	3.7	-0.6	10.0
Operating margin, %	12.7	12.4		8.1	8.1		10.4



FACILITY SERVICES FINLAND

- The operating profit being substantially lower than in the comparison period was mainly due to costs related to the implementation of a new operating model in the technical services business.
- In the property maintenance business, the high snowfall increased net sales but reduced operating profit in the first quarter.
- In the cleaning business and in property maintenance, the contract portfolio was lower than in the comparison period, which had a negative impact on net sales as well as operating profit.

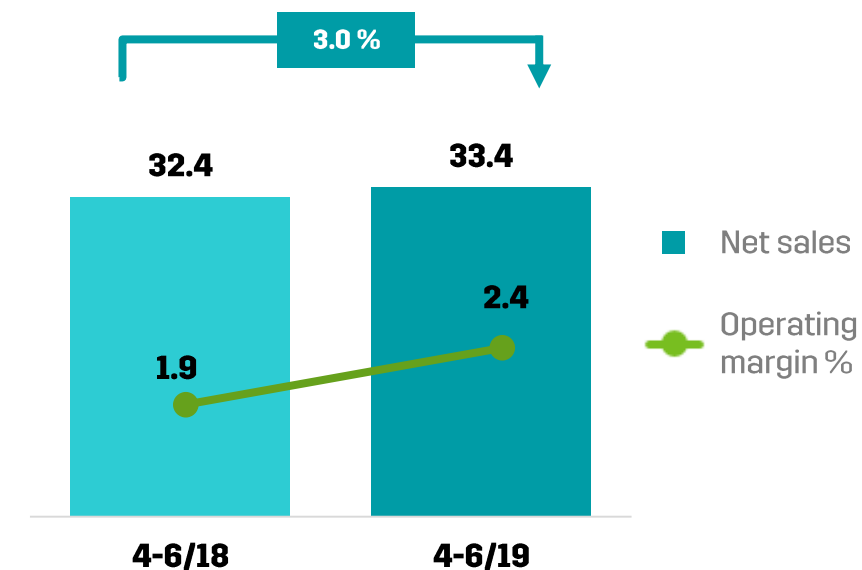
EUR million	Q2/19	Q2/18	Change %	1-6/19	1-6/18	Change %	2018
Net sales	61.3	68.7	-10.7	130.8	137.3	-4.7	269.6
EBITDA	1.4	4.4	-68.6	1.5	6.8	-78.0	17.2
Operating profit	-2.0	1.4	-242.9	-5.5	0.8	-774.2	5.2
Operating margin, %	-3.2	2.0		-4.2	0.6		1.9



FACILITY SERVICES SWEDEN

- The demand for technical services increased in the municipal sector in Sweden, but sales growth was slowed by problems related to the availability of labour in January-June.
- The demand for technical services remained strong in the second quarter, particularly in municipal and hospital sectors.

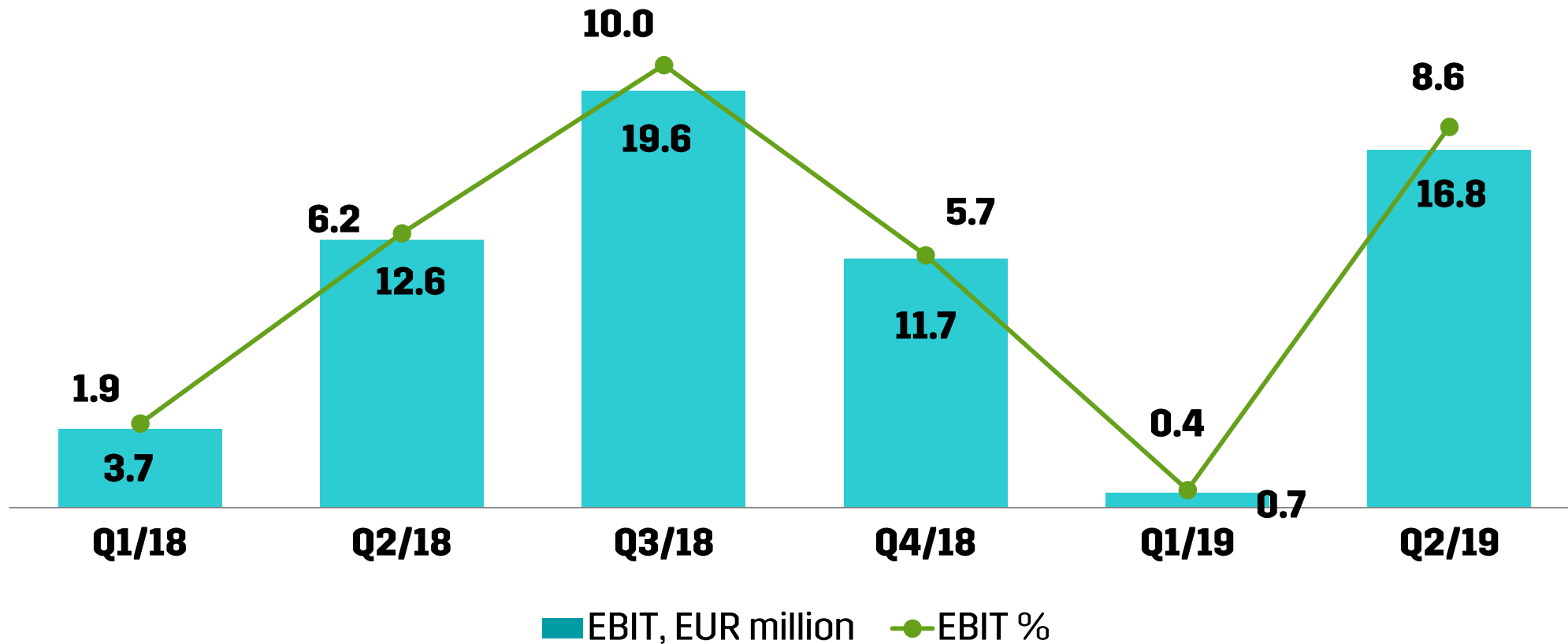
EUR million	Q2/19	Q2/18	Change %	1-6/19	1-6/18	Change %	2018
Net sales	33.4	32.4	3.0	65.5	65.7	-0.3	134.0
EBITDA	2.2	1.2	79.7	4.4	2.6	67.3	6.8
Operating profit	0.8	0.6	29.9	1.5	1.4	10.2	4.2
Operating margin, %	2.4	1.9		2.3	2.1		3.1



OPERATING PROFIT



The sale of L&T Korjausrakentaminen Oy had an EUR 5.9 million impact on the Group's operating profit in Q2 2019.

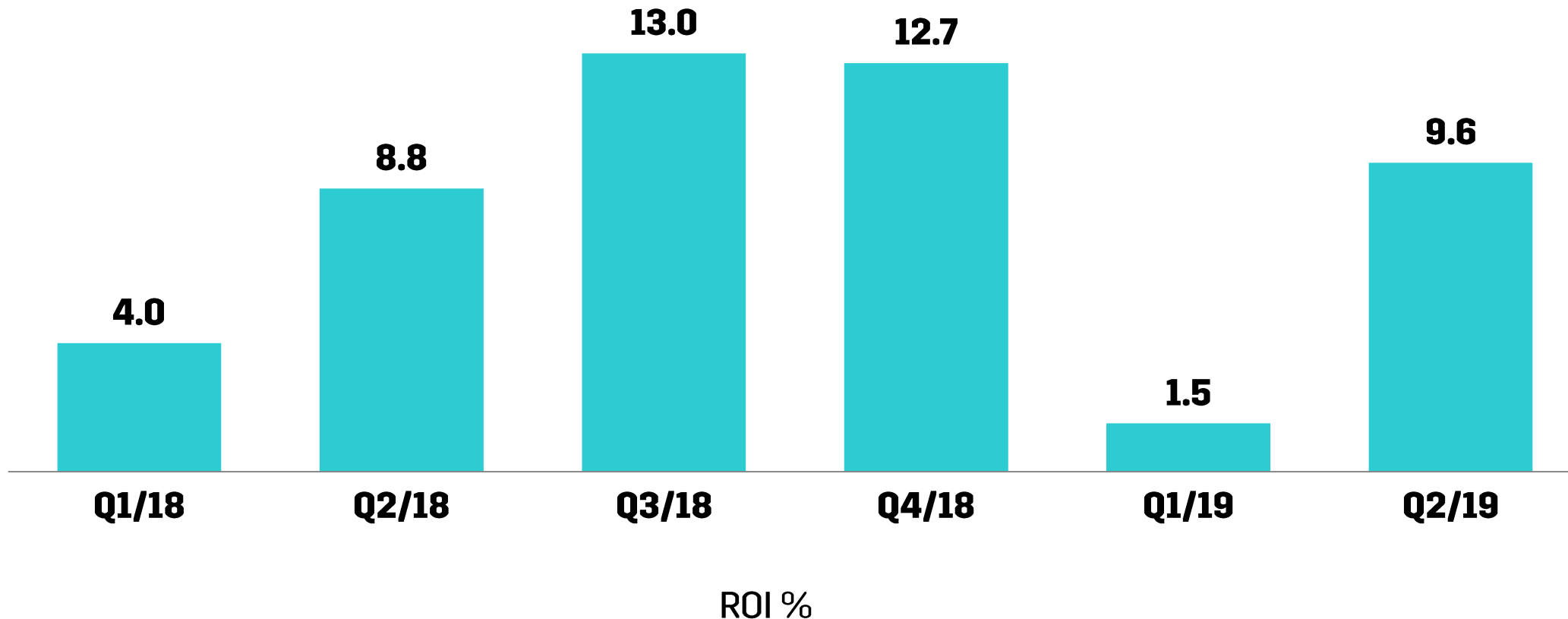


H1 2019

RETURN ON INVESTMENT



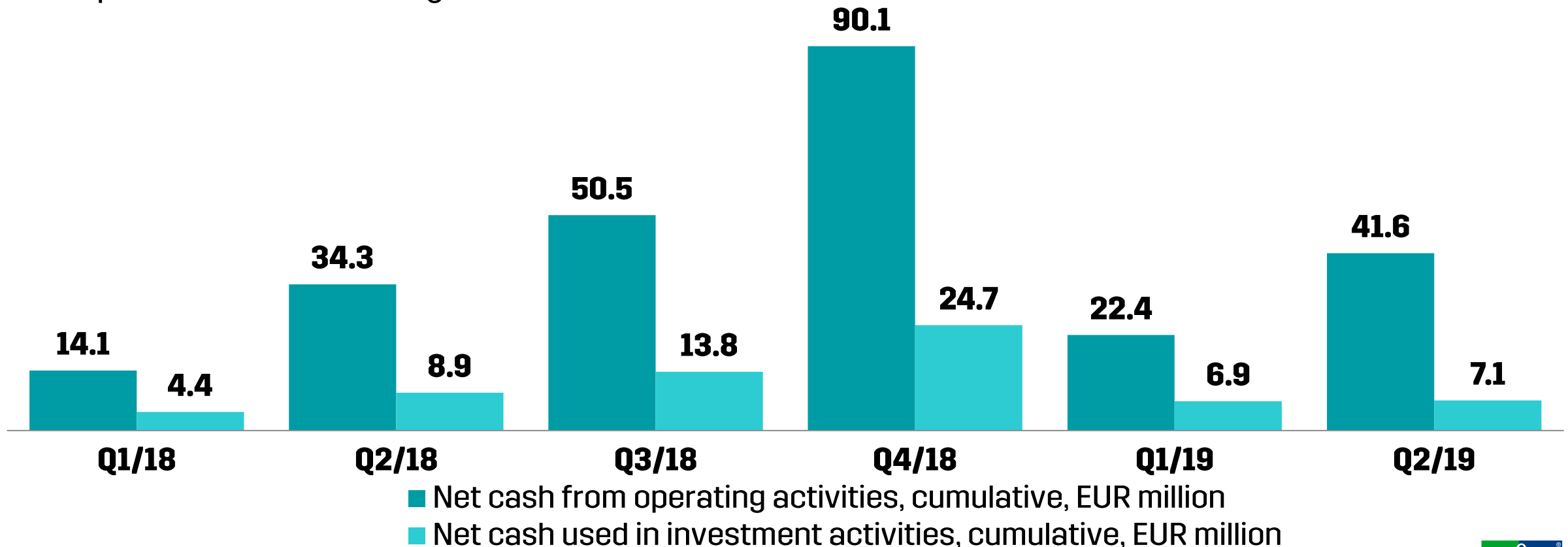
The return on investment increased in the second quarter year-on-year due to the sale of L&T Korjausrakentaminen Oy (EUR 5.9 million). IFRS 16 increased opening balance sheet debt by EUR 53.9 million.



CASH FLOW AND INVESTMENTS



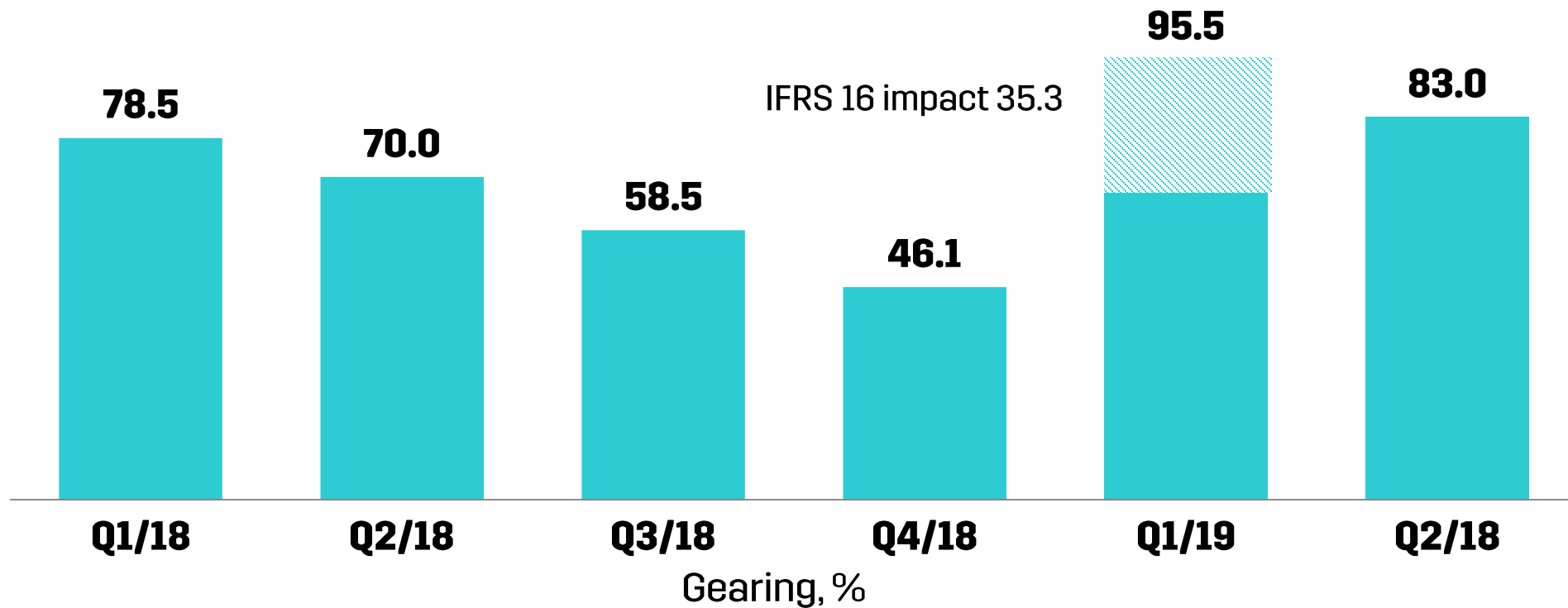
Net cash flow from operating activities has improved year-on-year. IFRS 16 had EUR 6.2 million positive impact to operative cash flow during H1 2019.



H1 2019

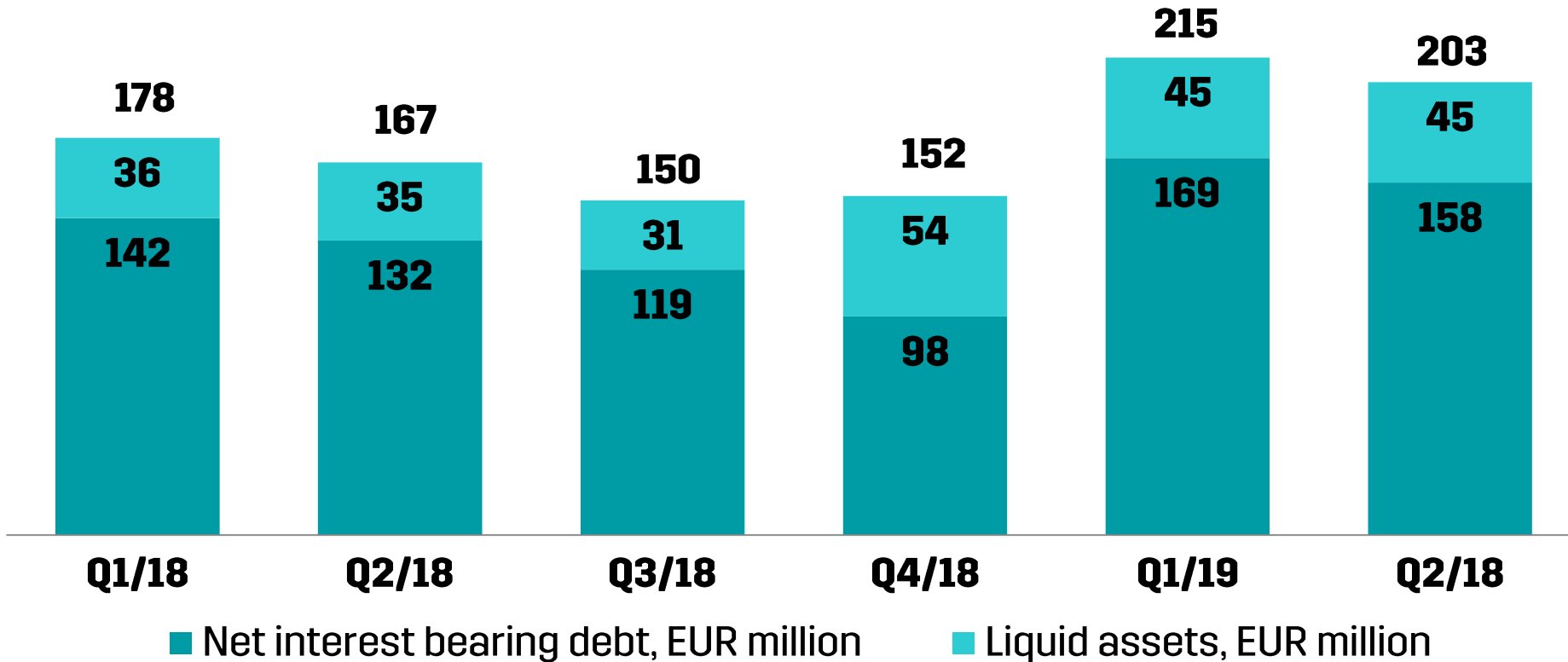
GEARING

Gearing % increased from the comparison period mainly due to IFRS 16.



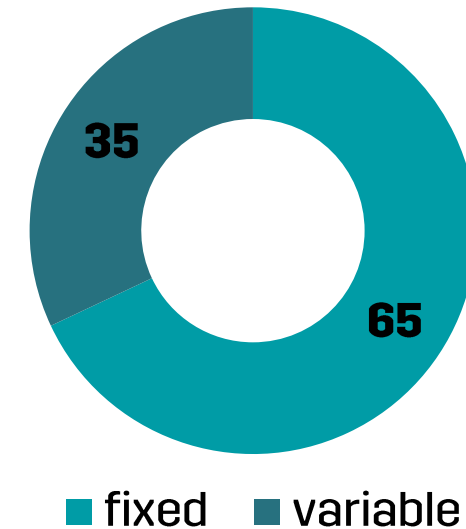
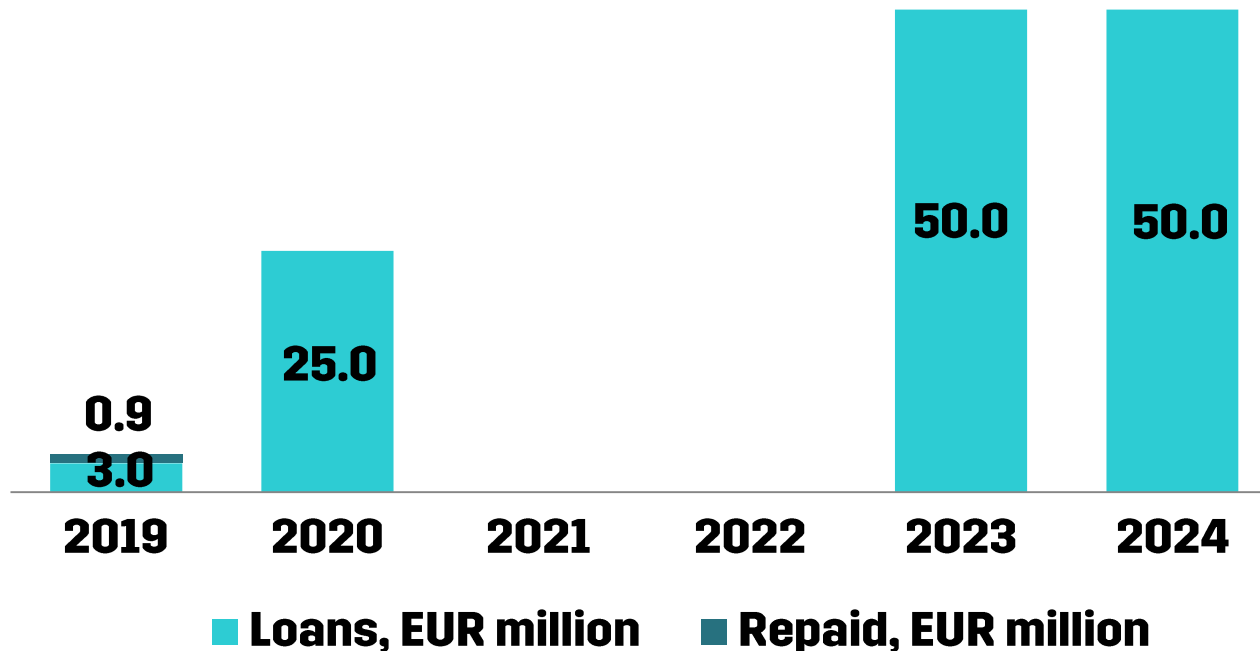
INTEREST BEARING DEBT

Net interest-bearing debt increased mainly due to IFRS 16 adoption. The change increased balance sheet debt by EUR 53.8 million from 1 January 2019.



MATURITY STRUCTURE OF LOANS

Repaid loans totalled EUR 0.9 million on Q2 2019. Loans do not include commercial papers.



Weighted average of effective interest rate 1.2 %

H1 2019

OUTLOOK FOR THE YEAR 2019 (UPDATED 12 JULY 2019)

Lassila & Tikanoja's full-year net sales in 2019 are estimated to be on par with 2018 and operating profit is estimated to be below 2018 level. The outlook does not take into account the impact of the divestment of L&T Korjausrakentaminen Oy.

This estimate was included in the Half-Year Report released on 26th July 2019.

PREVIOUS OUTLOOK (published 26 April 2019)

All of Lassila & Tikanoja's divisions, except Facility Services Finland, have a good outlook for 2019. The net sales and operating profit of Facility Services Finland are expected to decrease compared to 2018 due to costs related to the implementation of the new operating model and decrease in the division's contract base.

Lassila & Tikanoja's full-year net sales and operating profit in 2019 are expected to be on par with 2018. The outlook does not take into account the impact of the divestment of L&T Korjausrakentaminen Oy.



CONTACTS



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KEY FIGURES

NET SALES



Environmental Services **39%**
 Facility Services Finland **33%**
 Facility Services Sweden **17%**
 Industrial Services **11%**

	Q2/19	Q2/18	Change %	1-6/19	1-6/18	Change %	2018
Net sales, EUR million	196.2	203.0	-3.3	394.9	399.4	-1.1	802.2
EBITDA	30.5	23.3	30.8	44.8	37.6	19.3	90.1
Operating profit, EUR million	16.8	12.6	33.0	17.6	16.4	7.3	47.6
Operating margin, %	8.6	6.2		4.4	4.1		5.9
EVA, EUR million	10.5	6.4	64.3	5.2	4.2	23.5	24.0
Earnings per share, EUR	0.37	0.23	59.3	0.38	0.29	31.8	0.89

KEY FIGURES

	Q2/19	Q2/18	Change %	1-6/19	1-6/18	Change %	2018
Capital expenditure, EUR million	12.4	7.2	72.9	21.7	15.4	41.3	37.8
Depreciation, amortisation and impairment, EUR million	13.6	10.6	28.3	27.3*	21.2	28.5	42.5
Net cash from operating activities, EUR million				41.6	34.3	21.1	90.1
Return on equity (ROE), %				14.4	10.8		15.8
Return on investment (ROI), %				9.6	8.8		12.7
Equity ratio, %				32.4	35.1		38.6
Gearing, %				83.0	70.0		46.1
Total number of employees at the end of the period				9,077	9,122		8,600

*IFRS 16 impact EUR 8.1 million



L&T IN BRIEF

L&T YEAR 2018

NET SALES BY DIVISION



- **ENVIRONMENTAL SERVICES 33 %**
Waste management, recycling services and environmental management
- **INDUSTRIAL SERVICES 12 %**
Process cleaning, environmental construction, sewer maintenance and hazardous waste management
- **FACILITY SERVICES 32 %**
Cleaning and support services, property maintenance and renovation business
- **TECHNICAL SERVICES 18 %**
Maintenance of technical systems
- **RENEWABLE ENERGY SOURCES 5 %**
Forest services

OUR RECYCLING RATE



In 2018, L&T reused or recycled

500,000

tonnes of the materials collected from customers. Recycling helped customers save a total of 3.4 million tonnes of wood and 75,000 tonnes of oil.

OUR CARBON HANDPRINT

L&T's carbon handprint, or the emission reductions for customers created by L&T's operations, totalled approximately

-1.2 MILLION

CO₂ tonnes (eq.)

This corresponds to the annual emissions of approximately **120 000** Finns.

NET SALES BY COUNTRY

- **FINLAND 82%**
Environmental Services
Facility Services
Industrial Services
Technical Services
Renewable Energy Sources
- **SWEDEN 17%**
Technical Services
Facility Services
- **RUSSIA 1%**
Environmental Services



PERSONNEL BY COUNTRY



- Finland **80 %**
- Sweden **17 %**
- Russia **4 %**

OUR TAX FOOTPRINT

We paid EUR

185

million in taxes.



This corresponds to the taxes paid by nearly 30,000 average Finnish earners.

OUR OCCUPATIONAL SAFETY



In 2018, L&T employees reported

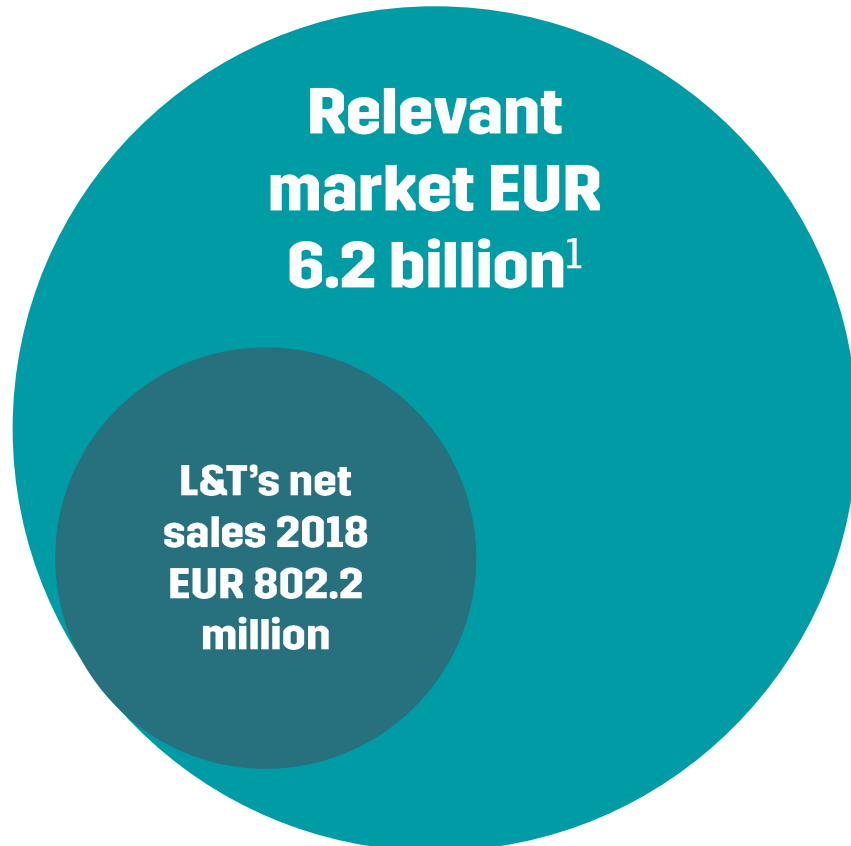
32 000

observations to improve safety. Our ultimate goal is zero accidents.



OPERATING ENVIRONMENT

RELEVANT MARKET TOTALS EUR 6.2 BILLION AND IS GROWING AT 2.6% ANNUALLY



- ◆ The market is large and offers room for growth especially now as the Finnish GDP is growing fast
- ◆ The EUR 6.2 billion relevant market in Finland is expected to grow at a compound annual rate of ~2.6%² during the years 2017 – 2020
- ◆ Focus on strengthening market positions in the business segments
- ◆ A healthy balance sheet enables investments and business acquisitions, as also indicated by the recent Veolia FM AB acquisition in Sweden
- ◆ The relevant market size in Sweden is estimated at EUR 5.5 billion, mainly consisting of property cleaning, maintenance and technical services
 - ◆ The relevant Swedish market is expected to grow at ca. 3% annually

¹Based on L&T's estimate and research data on the size of relevant markets in Finland. Outsourcing potential in municipal sector not included

²Company estimate. The net sales weighted average of market growth in different segments

OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY FOR 2017 – 2020

Changes in the operating environment

Environment regulation tightens, ambition in climate change mitigation grows

Expected changes in the public sector governance and financing disrupts the market

Urbanization and demographic change continues, availability of labor decreases and changes focus

Digitalization disrupts business models and creates new demand

Property construction decreases and switches to renovation in the short term

Process industry continues strong, but GDP growth expected to rely more on consumers

Impact on L&T

Increased producer responsibility for waste as well as requirements for sustainability create business opportunities.

Outsourcing in the public sector increases business opportunity creation. Competition emerges from previously public operations.

Higher competition for labor demands focus on employee experience. New service opportunities emerge in growing cities.

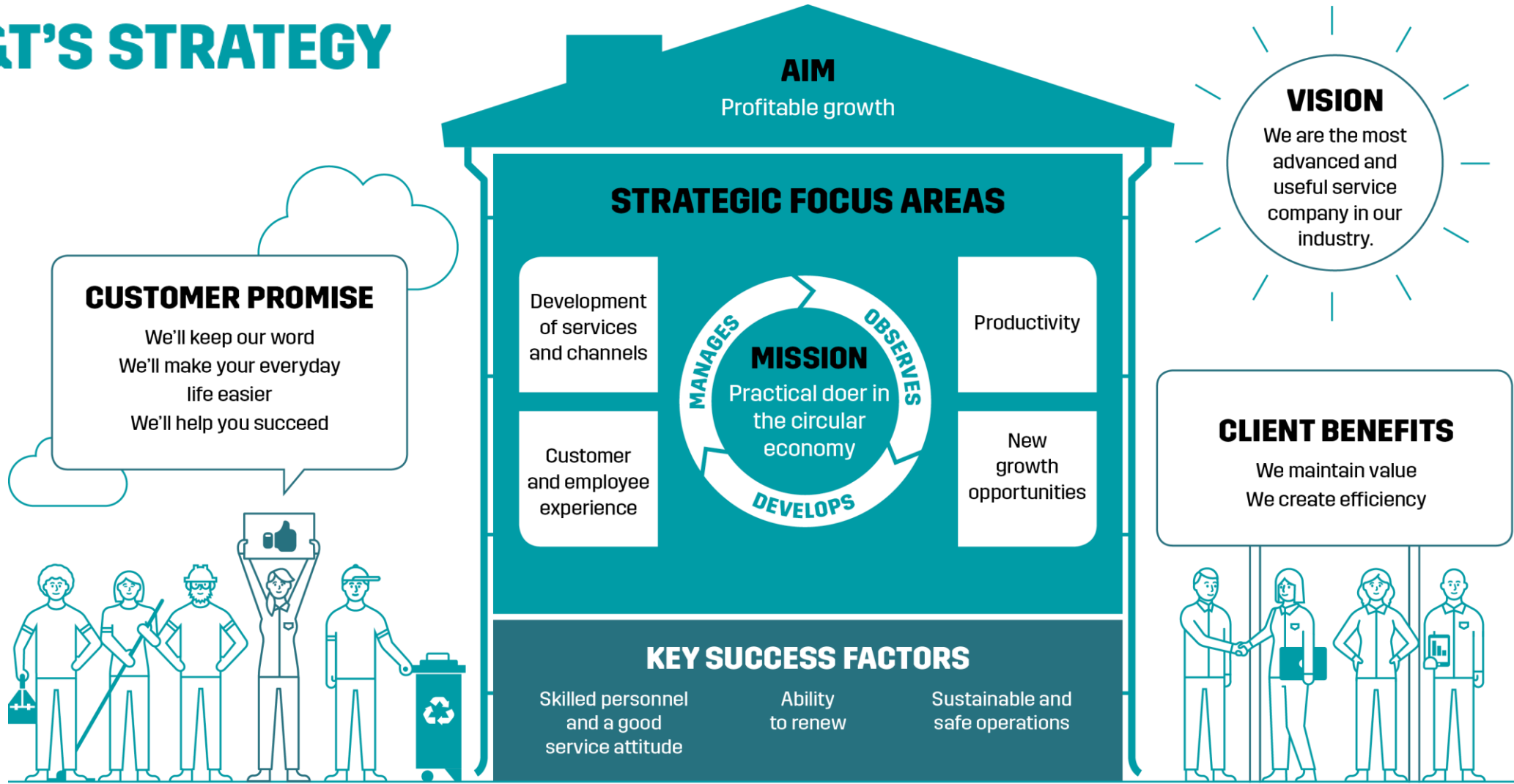
Amount of recyclable fibers diminishes, but also new e-business opportunities emerge throughout the businesses.

The amount of construction waste decreases and competition intensifies in renovation.

Industrial segment demand for support services stays strong, changes in consumption drive service needs and waste creation in retail.

STRATEGY OVERVIEW

L&T'S STRATEGY



TRENDS

Transition of work life • Digitalisation • Servicisation • Urbanisation • Climate change • Diminishing natural resources

L&T'S VALUE CREATION

VALUE FOR THE ENVIRONMENT AND CLIMATE

Conserving natural resources.
Mitigating climate change.
Reducing environmental and health risks.

VALUE FOR PERSONNEL

A safe workplace.
Meaningful work.
Retiring in good health.
Career paths and competence development.



VALUE FOR SOCIETY

Employment.
Increased well-being.

VALUE FOR CUSTOMERS

Material, energy and cost efficiency.
Better conditions, more productive employees and more satisfied residents.
Increased value of property and forest assets.

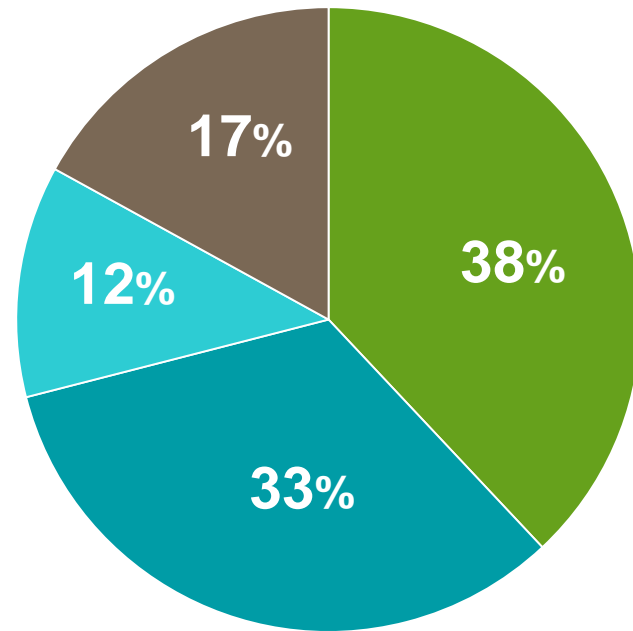
VALUE FOR SHAREHOLDERS

Sustainable growth of the company's financial value.
Stable dividend yield.

BUSINESS SEGMENTS

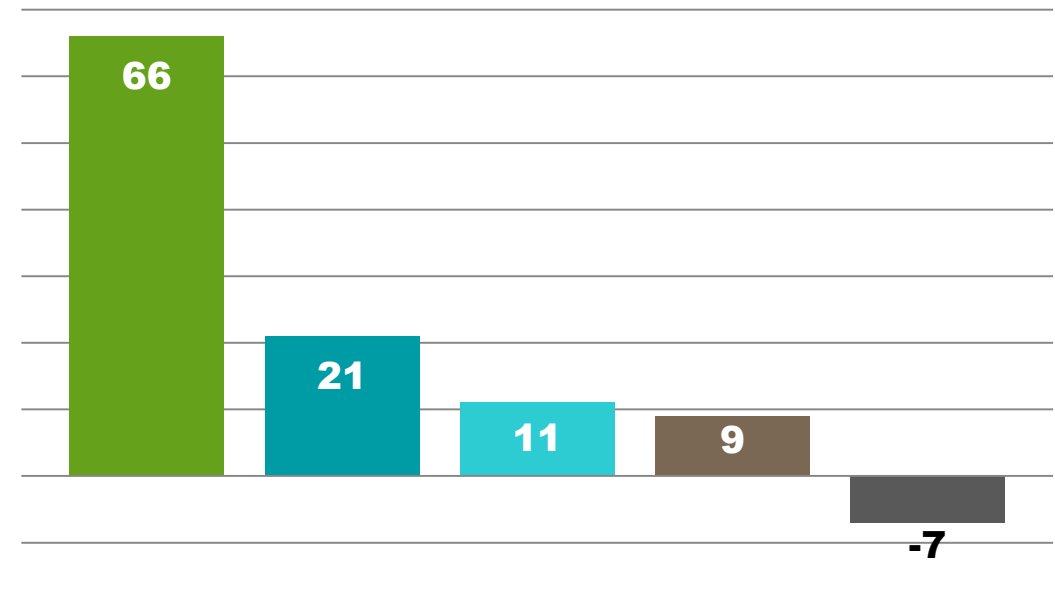
NET SALES AND OPERATING PROFIT BY DIVISION 2018

Net sales



- Environmental Services
- Facility Services Finland
- Industrial Services
- Facility Services Sweden

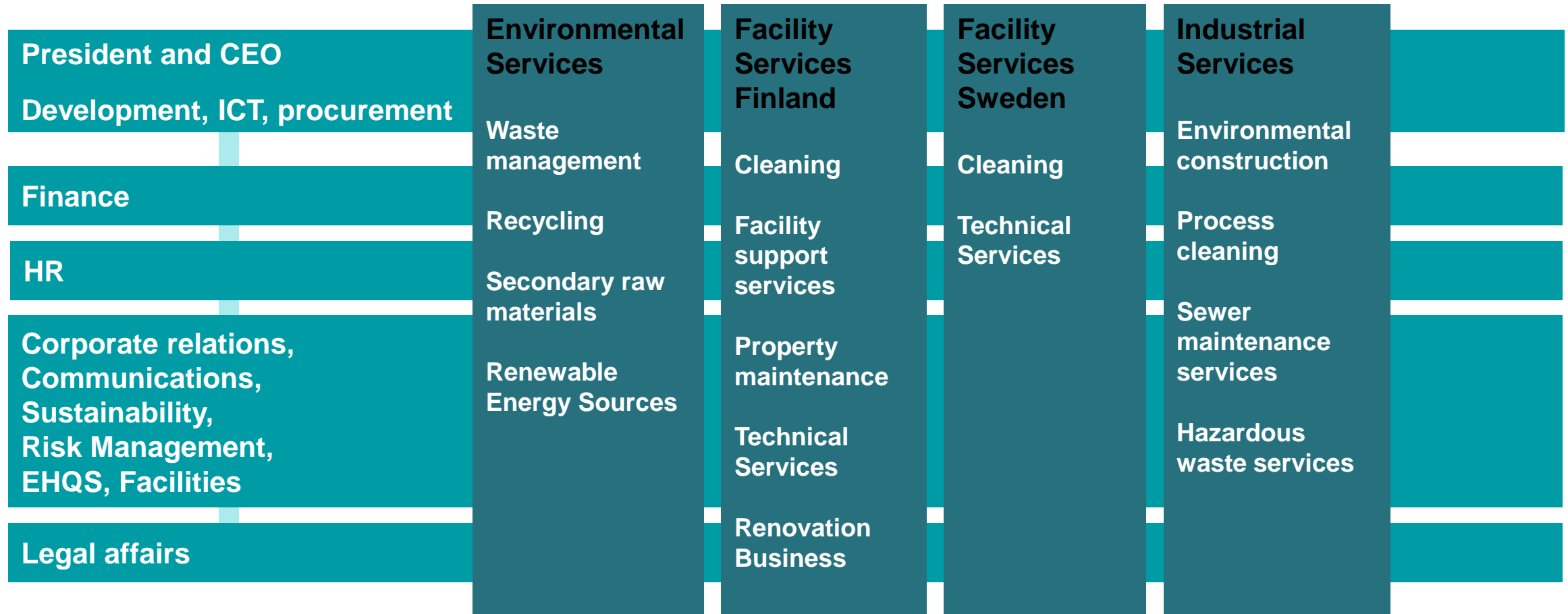
Operating profit, % of Group total



- Environmental Services
- Facility Services Finland
- Administration and other
- Industrial Services
- Facility Services Sweden



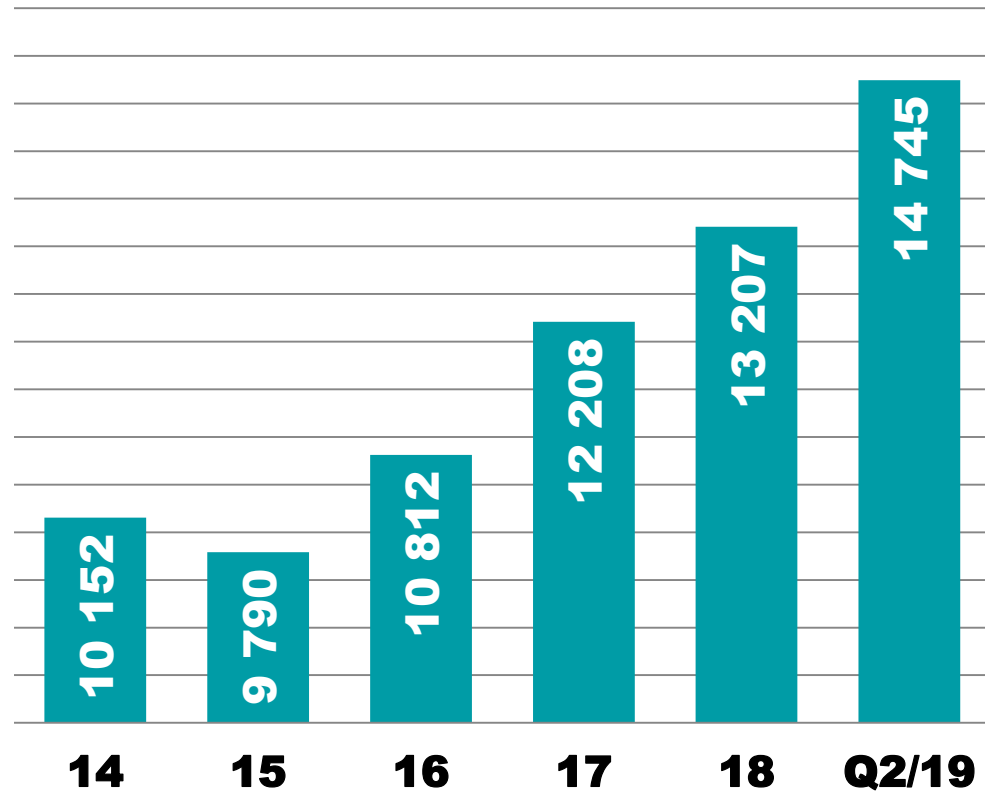
L&T'S ORGANISATION 2019



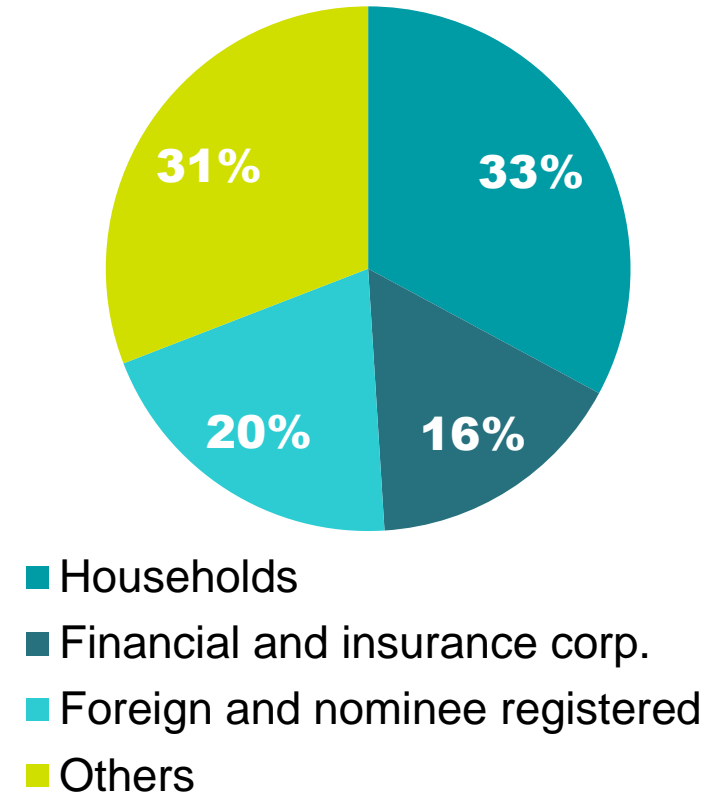
SHAREHOLDERS

SHAREHOLDER STRUCTURE

Number of shareholders



Shareholder structure



MAJOR SHAREHOLDERS AT 30 JUNE 2019

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2,413,584	6.22
Mandatum Life Insurance Company Limited	2,362,974	6.09
Nordea Investment Funds	1,715,694	4.42
Maijala Juhani	1,529,994	3.94
Elo Mutual Pension Insurance Company	1,425,375	3.67
Stiftelsen för Åbo Akademi	936 282	2.41
Ilmarinen Mutual Pension Insurance Company	934,836	2.41
Bergholm Heikki	831,116	2.14
Maijala Mikko	720,000	1.86
Turjanmaa Kristiina	529,200	1.36

Ownership structure / sector	Shares	%
Nominee-registered shares	7,676,914	19.79
Number of shares	38,798,874	100.00
Number of shareholders	14,745	

According to Kabouter Management LLC's notification, its holding in Lassila & Tikanoja increased to 7.53 % and 2,923,238 shares (nominee-registered). Stock exchange release on the change in shareholding was published on 4 July 2017.





**SMARTER, MORE EFFICIENT
AND SAFER PURSUING
PROFITABLE GROWTH**