



# LASSILA & TIKANOJA INTERIM REPORT Q1/2013

Pekka Ojanpää, President and CEO

24 April 2013

# HIGHLIGHTS OF Q1/2013

- Net sales EUR 167.7m (EUR 171.3m) -2.1% (yoy)
  - Comparable net sales includes EUR 4.0 million worth of net sales generated by L&T Recoil and the divested parts of eco-product business.
- Operating profit EUR 6.3m (EUR 4.9m);  
Operating profit excluding EO items EUR 6.8m (EUR 5.0m)
  - Operating profit was reduced by the non-recurring reorganisation costs of EUR 0.5 million (EUR 0.1 million).

# FINANCIAL SUMMARY AND KEY FIGURES

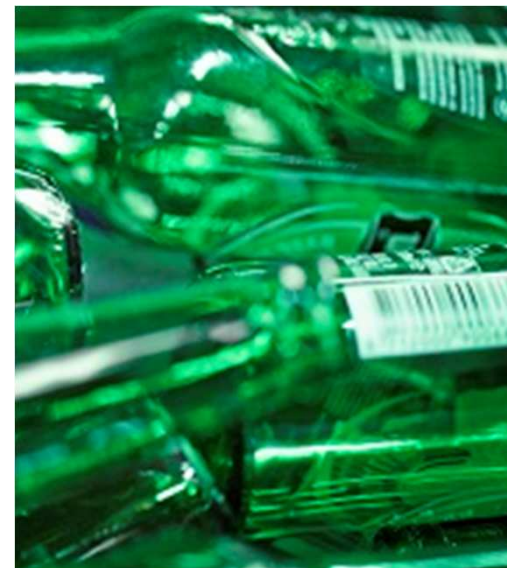
	Q1/13	Q1/12	Change%	2012	2011
Net sales, EUR million	<b>167.7</b>	171.3	-2.1	674.0	652.1
Operating profit excl. EO items, EUR million	<b>6.8</b>	5.0	33.7	47.4	44.3
Operating margin excl. EO items, %	<b>4.0</b>	3.0		7.0	6.8
Operating profit, EUR million	<b>6.3</b>	4.9	27.7	48.4	25.6
Profit before tax, EUR million	<b>5.9</b>	4.0	48.3	43.0	21.0
Earnings per share, EUR	<b>0.12</b>	0.07	71.4	0.89	0.44
EVA, EUR million	<b>0.9</b>	-1.5		24.1	-2.2

# FINANCIAL SUMMARY AND KEY FIGURES

	Q1/13	Q1/12	Change%	2012	2011
Capital expenditure, EUR million	<b>5.9</b>	11.5	-48.4	49.4	70.6
Depreciation, amortisation and impairment, EUR million	<b>10.6</b>	10.8	-2.3	43.6	61.5
Return on equity (ROE), %	<b>7.9</b>	5.3		15.3	7.7
Return on invested capital (ROI), %	<b>8.0</b>	5.9		14.4	7.6
Equity ratio, %	<b>46.3</b>	39.7		49.4	44.5
Gearing, %	<b>38.9</b>	75.4		35.3	58.3
Total number of employees at the end of the period	<b>8,988</b>	9,229		8,962	9,357

# ENVIRONMENTAL SERVICES

- Net sales fell following the slowdown in construction, which reduced the construction waste recycling volumes.
- Recycled raw material volumes decreased following a decline in retail sales.
- Profitability improved thanks to efficiency improvement measures taken in 2012.



EUR million	Q1/13	Q1/12	Change%	2012
Net sales	<b>60.2</b>	65.5	-8.0	265.7
Operating profit excl. EO items	<b>6.2</b>	4.3	45.4	30.6
Operating margin excl. EO items	<b>10.3%</b>	6.5%		11.5%

# INDUSTRIAL SERVICES

- Healthy demand for process cleaning boosted net sales.
- Demand for sewer maintenance services and environmental construction was lower than expected.
- The operating loss was smaller than in the comparison period thanks to the healthy profitability in hazardous waste recycling services.



EUR million	Q1/13	Q1/12	Change%	2012
Net sales	13.7	12.9	6.2	70.0
Operating profit excl. EO items	-0.5	-1.3		4.4
Operating margin excl. EO items	-3.5%	-9.7%		6.3%

# FACILITY SERVICES

- Net sales declined from the comparison period due to lower demand for damage repair services.
- The decrease in net sales had a negative impact on the division's profitability.
- Profitability of the cleaning business improved from the comparison period.
- Division is currently taking efficiency enhancement measures designed to improve profitability.



EUR million	Q1/13	Q1/12	Change%	2012
Net sales	<b>75.8</b>	79.6	-4.8	299.5
Operating profit excl. EO items	<b>0.8</b>	1.7	-53.6	14.7
Operating margin excl. EO items	<b>1.1%</b>	2.2%		4.9%

# RENEWABLE ENERGY SOURCES

- Significant improvement in net sales was due to increased demand for wood-based fuels.
- The increase in operating profit is largely attributed to net sales growth.
- Profitability suffered from the weaker energy content and higher logistics costs.

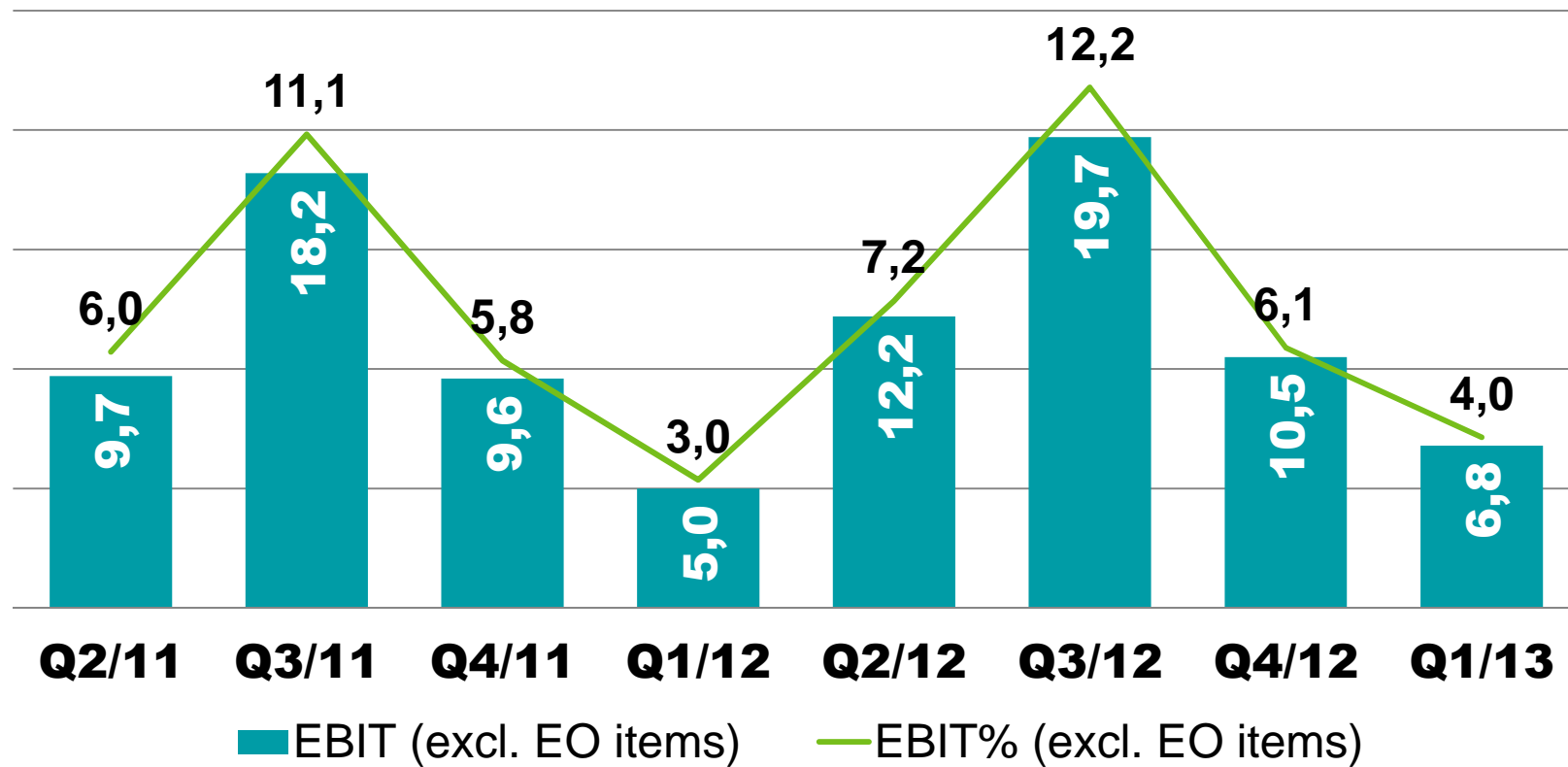


EUR million	Q1/13	Q1/12	Change%	2012
Net sales	<b>21.8</b>	17.6	23.8	55.9
Operating profit excl. EO items	<b>1.0</b>	0.8	31.3	0.1
Operating margin excl. EO items	<b>4.7%</b>	4.5%		0.1%



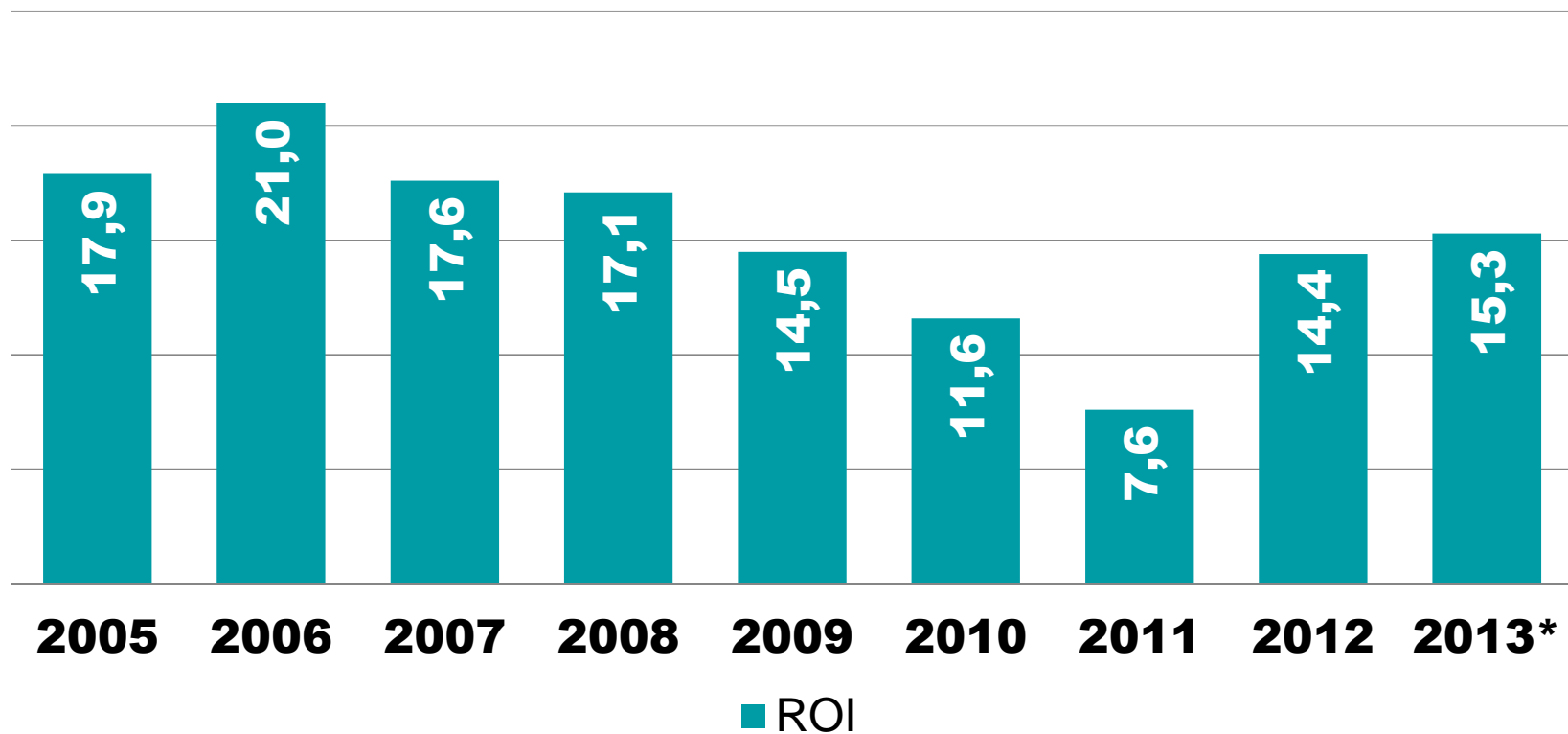
# OPERATING PROFIT

- Strategic target: EBIT 9%



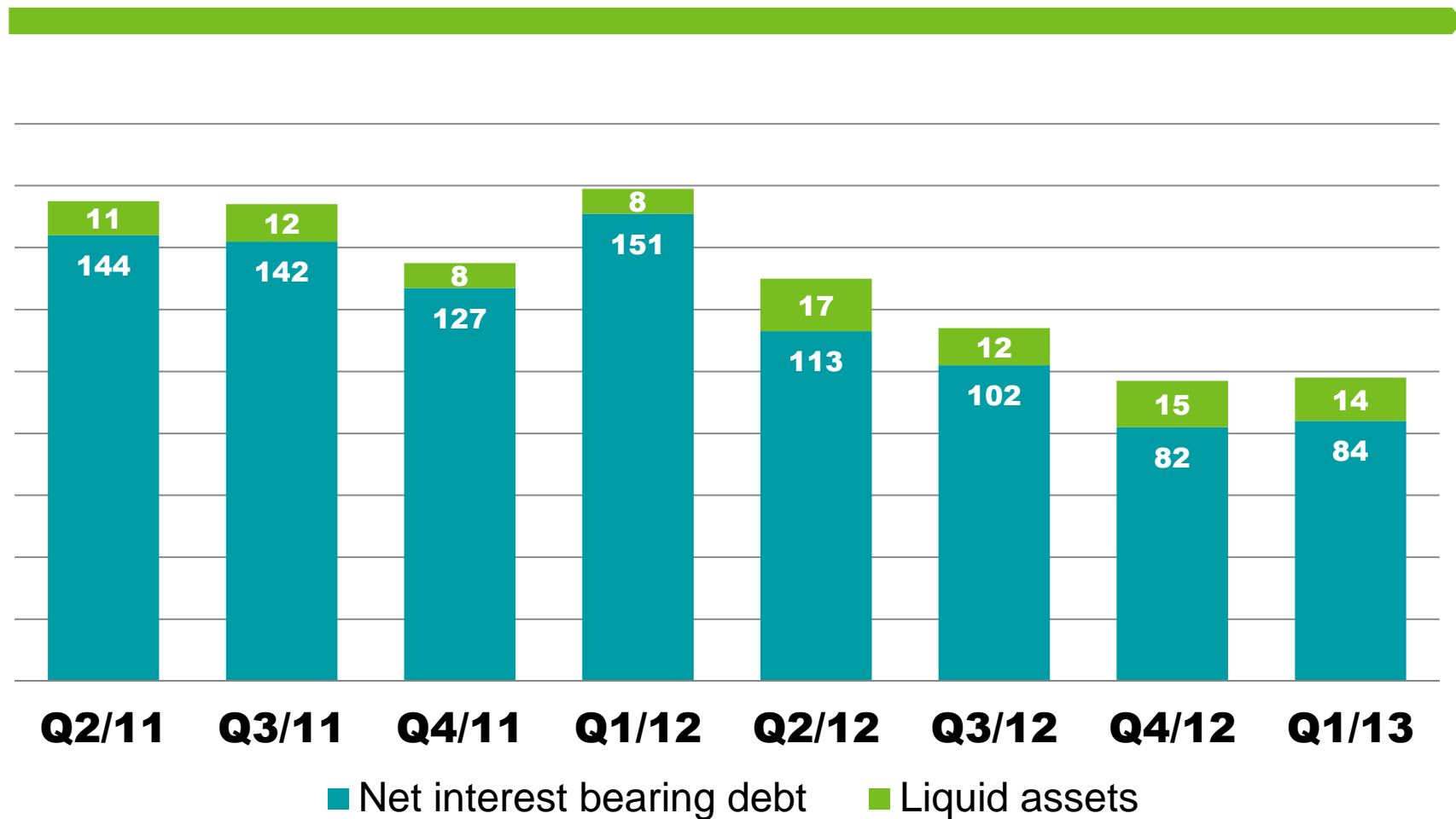
# RETURN ON INVESTMENT

- Strategic target: ROI 20%



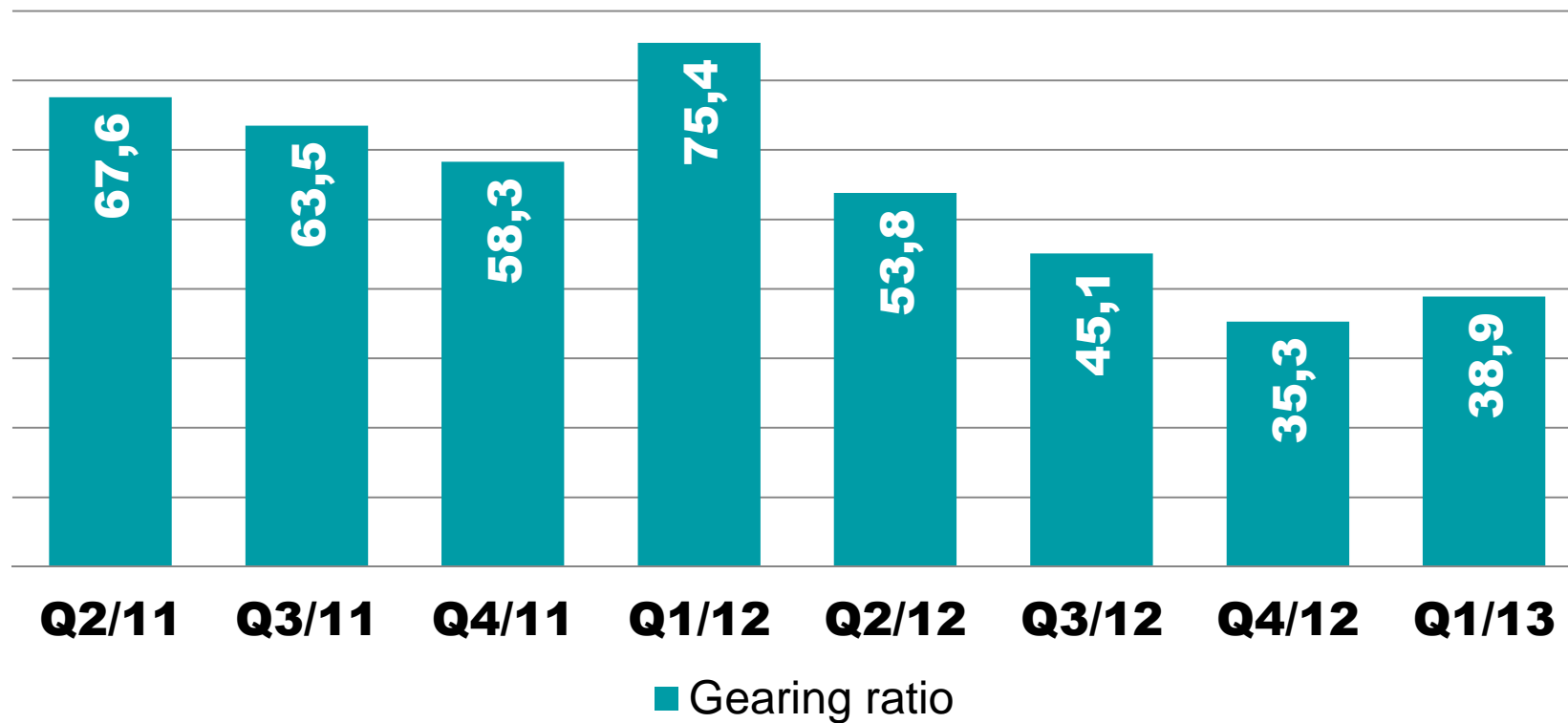
\* annualised

# INTEREST BEARING DEBT

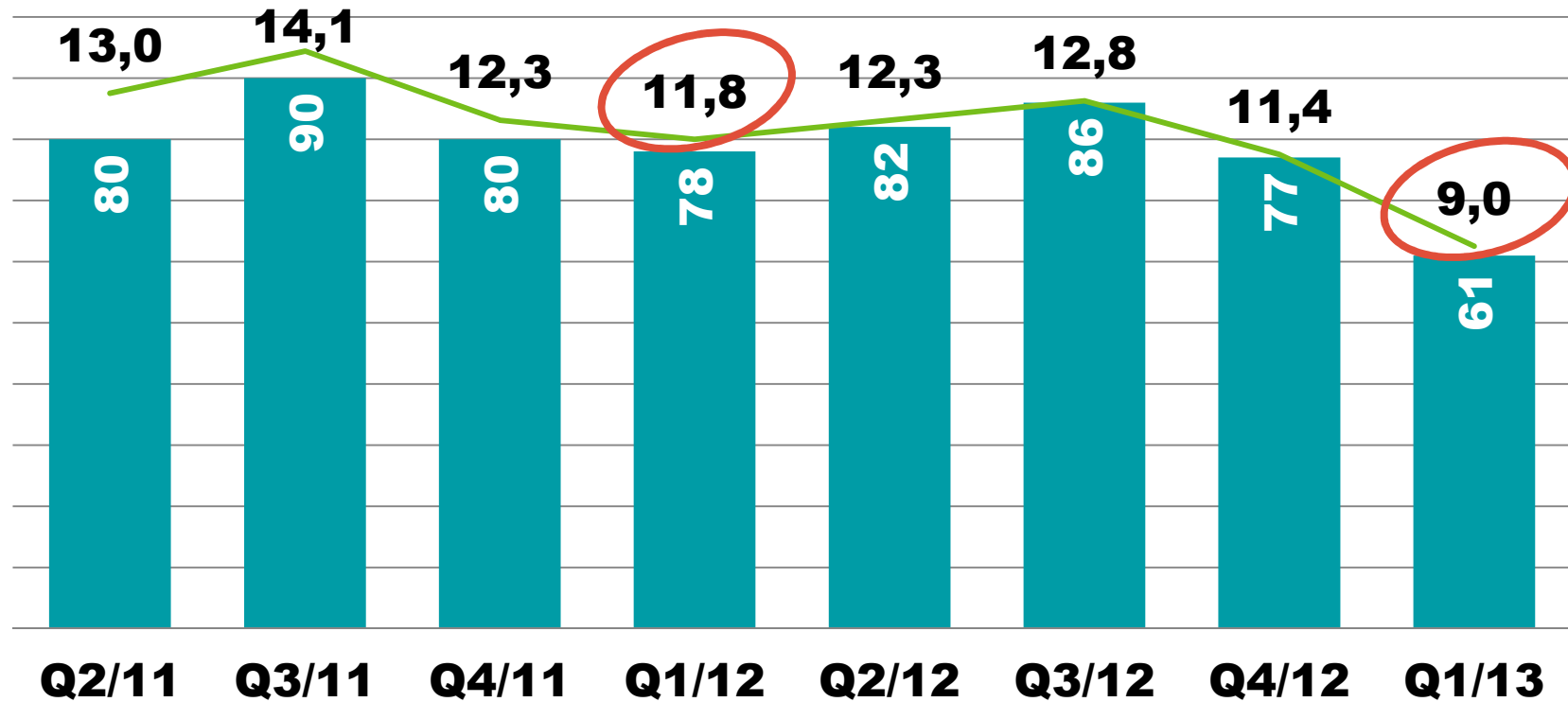


# GEARING

- Strategic target: Gearing 30–80%



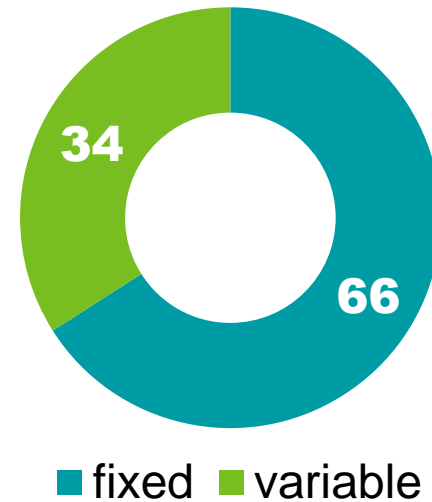
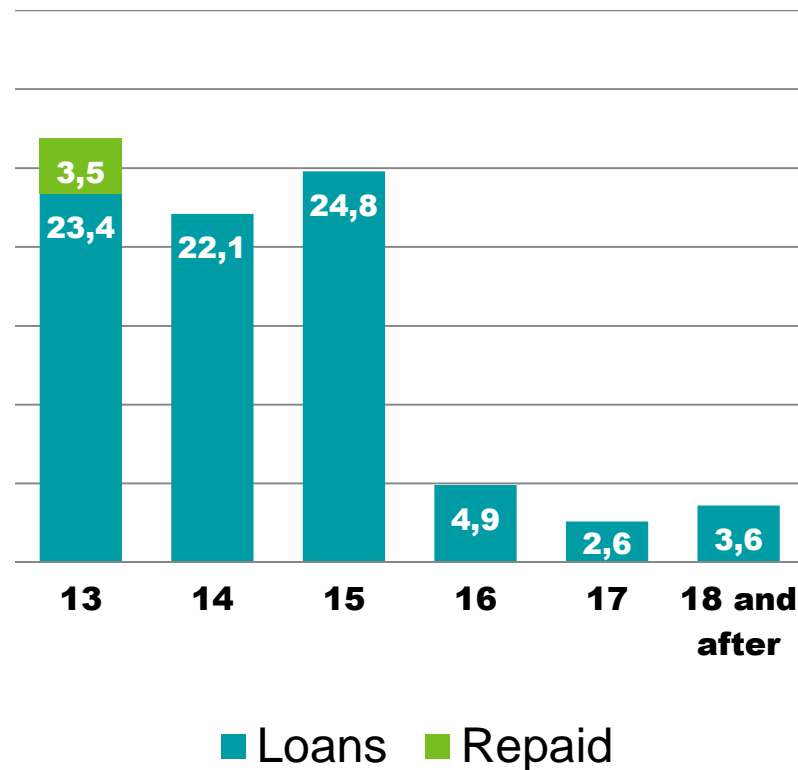
# NET WORKING CAPITAL



■ Net working capital

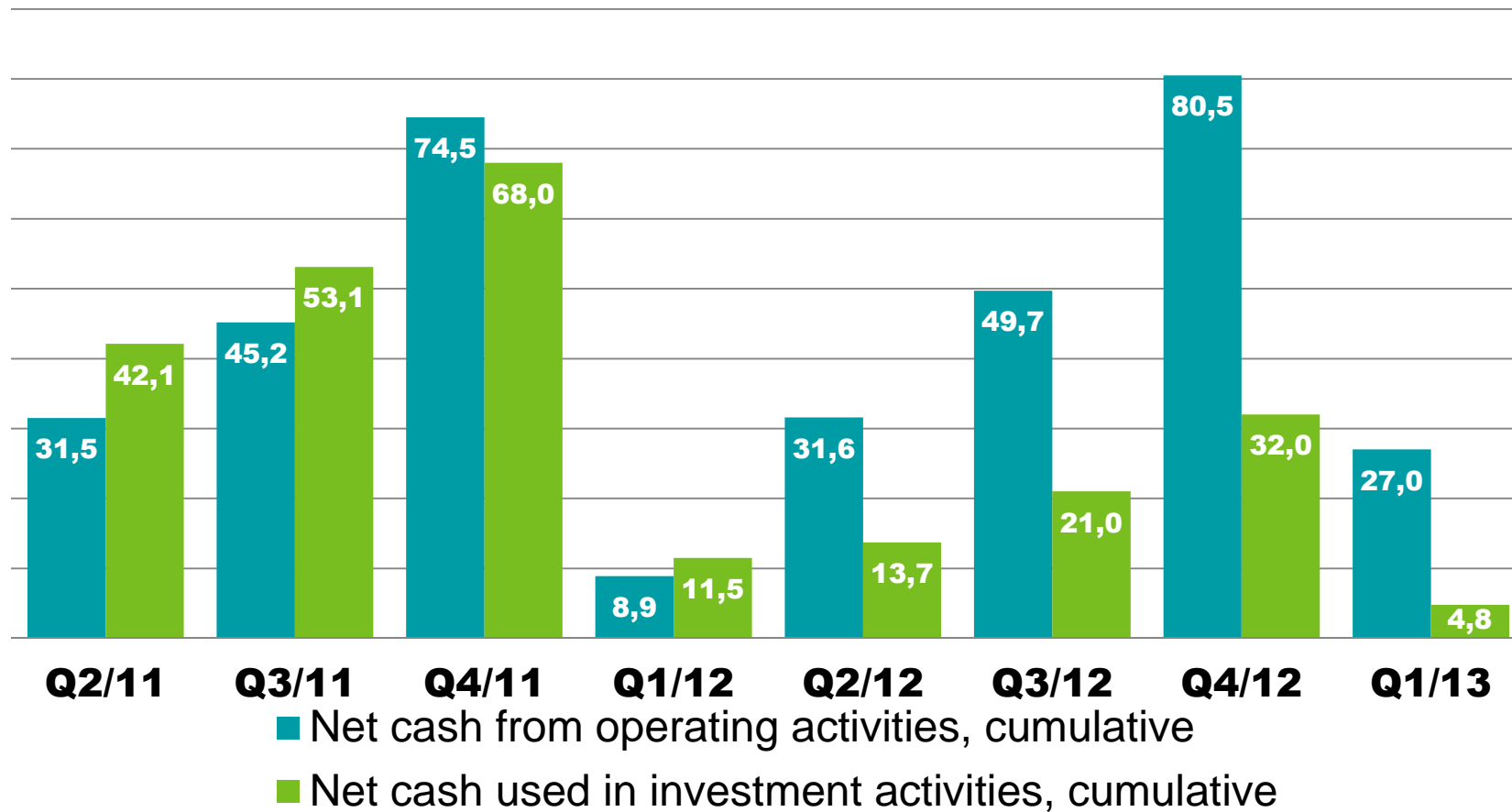
— Net working capital % of net sales (rolling 12 months)

# MATURITY STRUCTURE OF LONG-TERM LOANS



Weighted average of effective interest rate 2.2%

# CASH FLOW AND INVESTMENTS



# CURRENT ISSUES

---

- ◆ Uncertainty in market demand does not currently support strong organic growth.
- ◆ Strategy implementation continues as planned.
- ◆ Continued focus in profitability improvement and cash flow maximisation.



# 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 Q1/2012 released on 24 April 2013.

# CONTACT INFORMATION



**Pekka Ojanpää, CEO**  
tel. +358 10 636 2810  
pekka.ojanpaa@lassila-tikanoja.fi

**Timo Leinonen, CFO**  
tel. +358 400 793 073  
timo.leinonen@lassila-tikanoja.fi

# APPENDIX



MANY PEOPLE  
— ONE L&T

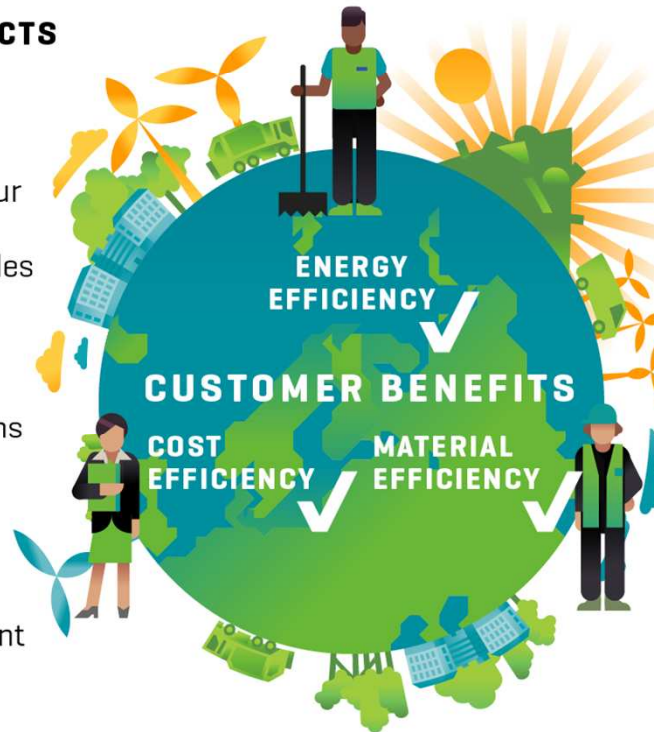


## OUR VISION

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

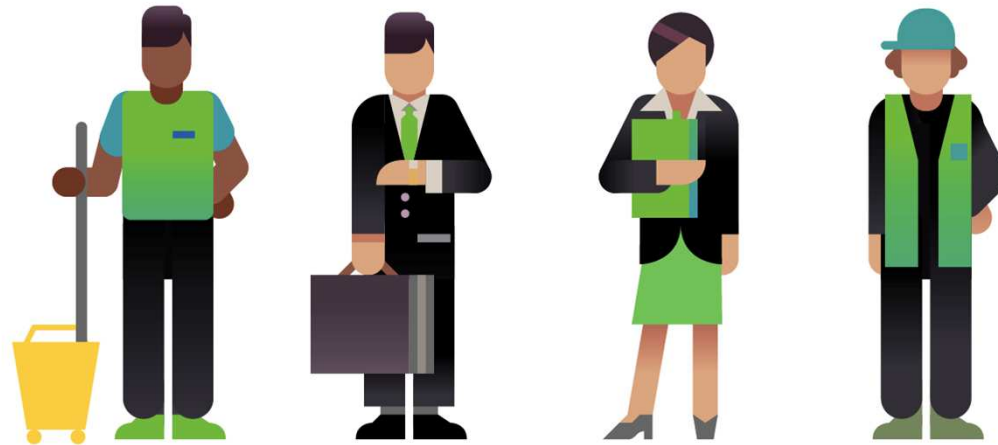
# L&T'S VISION AND MISSION

## OUR VISION:

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

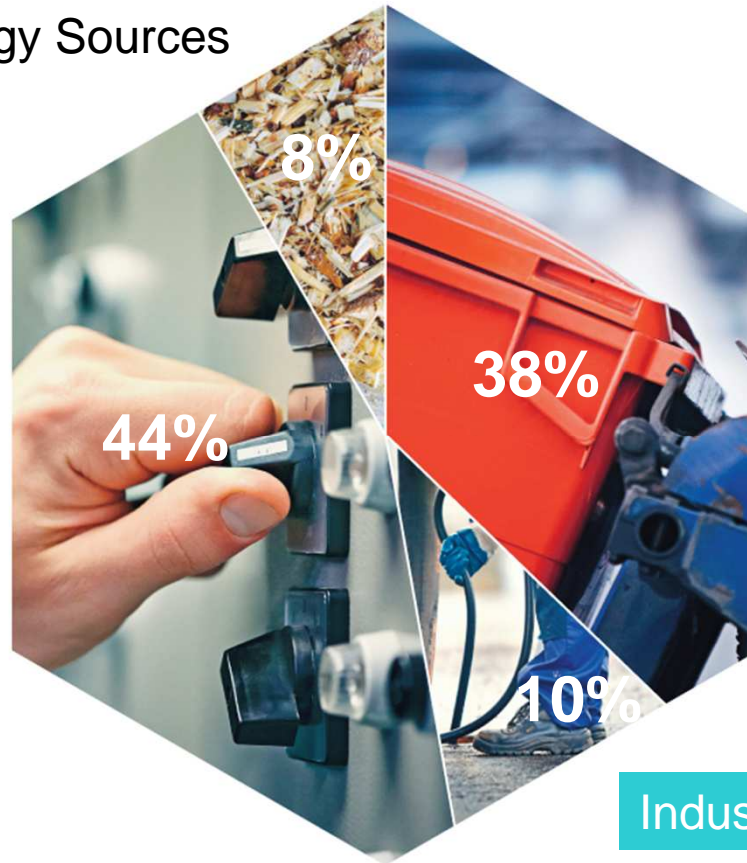
## OUR MISSION:

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



# DIVISIONS IN BRIEF

Renewable Energy Sources



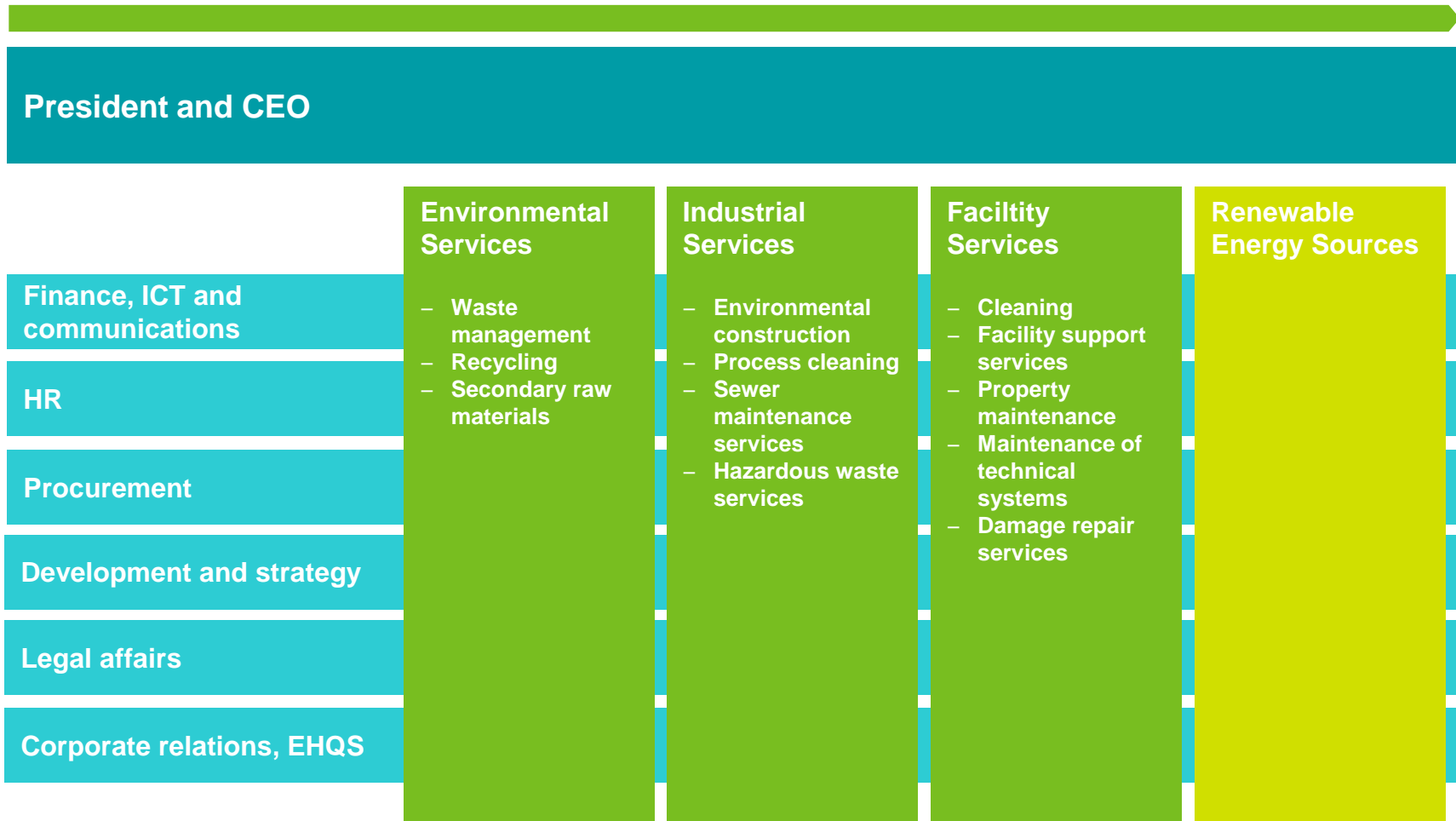
Environmental Services

Facility Services

Industrial Services

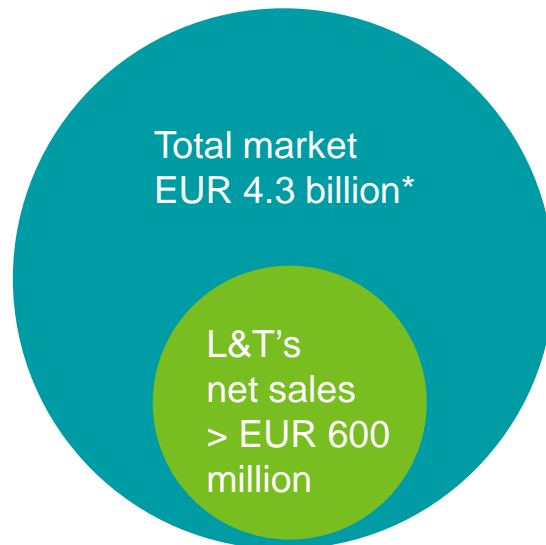
Core business

# 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

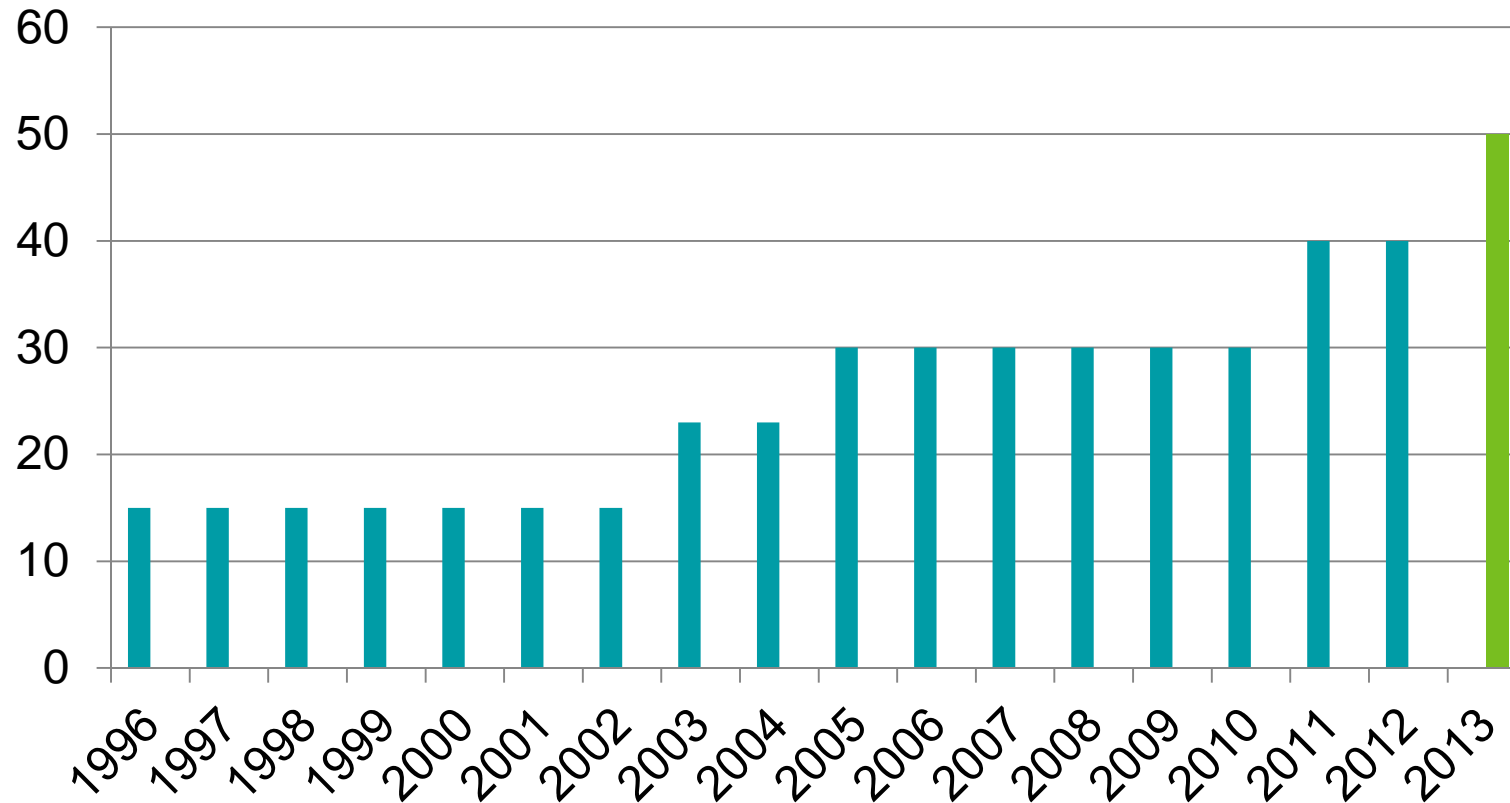
- Tightening environmental legislation
- Stronger demand on material efficiency

## 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

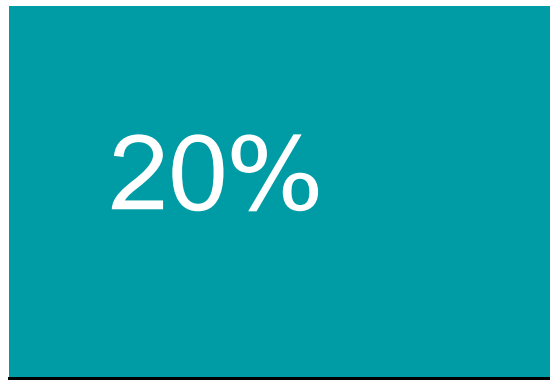
- Outsourcing rate of public sector increasing
- Concentration of services: outsourcing non-core operations to central service providers
- Higher energy efficiency requirements of facilities

## 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

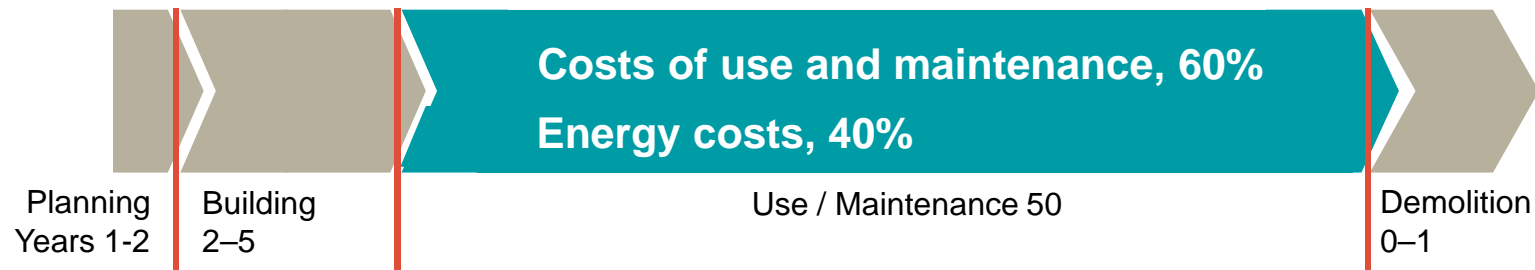




# BETTER ENERGY EFFICIENCY IN FACILITIES

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

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

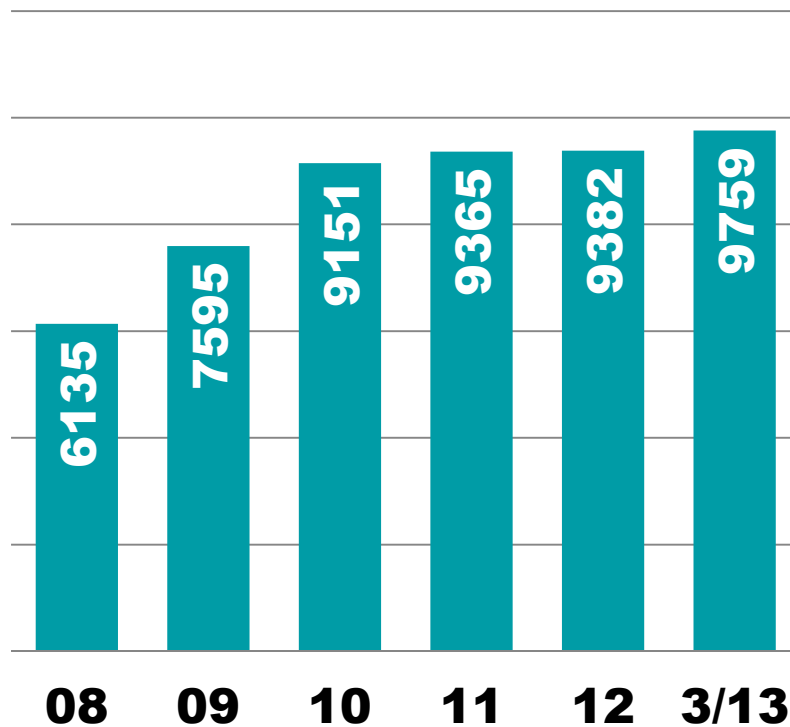


**...and facilities consume 40% of all the energy production**

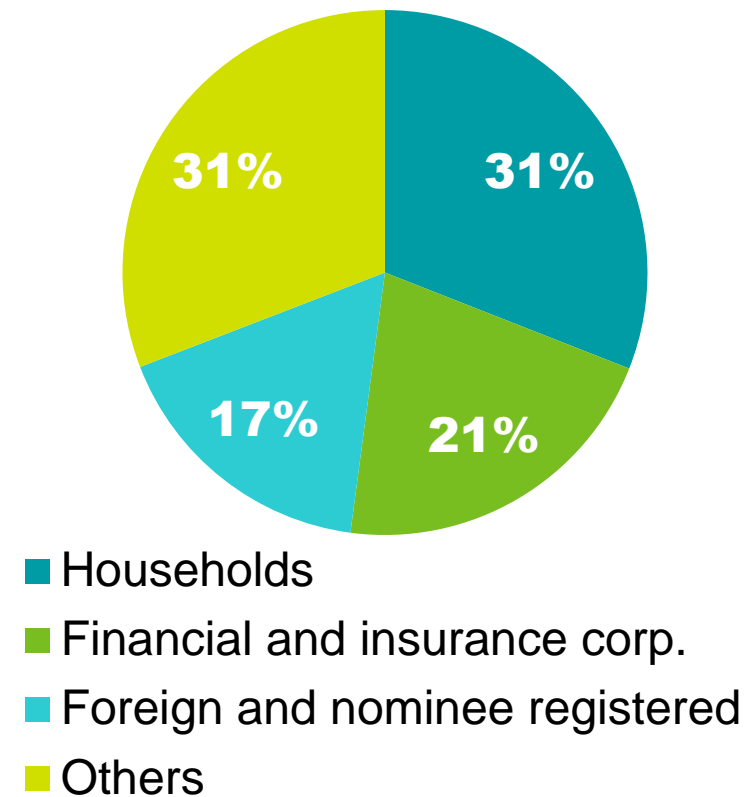


# SHAREHOLDER STRUCTURE

## Number of shareholders



## Shareholder structure



# MAJOR SHAREHOLDERS AT 31 MARCH 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	2 078 632	5.36
Ilmarinen Mutual Pension Insurance Company	1 547 803	3.99
Maijala Juhani	1 529 994	3.94
LähiTapiola Group	1 082 545	2.79
Danske Investment Funds	1 081 388	2.79
Bergholm Heikki	782 247	2.02
Maijala Mikko	720 000	1.86
Varma Mutual Pension Insurance Company	600 690	1.55
Nominee-registered shares	6 445 294	16.61
Number of shares	38 798 874	100.00
Number of shareholders	9 759	

**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**

