



# LASSILA & TIKANOJA

## Interim Report Q3 2018

Pekka Ojanpää, President and CEO

Tuomas Mäkipeska, CFO

25 October 2018



Q3 2018

## HIGHLIGHTS

- ◆ Net sales and operating profit grew by over 11% compared to the previous year.
- ◆ Net sales and operating profit grew year-on-year in Environmental Services, Industrial Services, Technical Services and Renewable Energy Sources.
- ◆ In the Facility Services division, operating profit increased in the renovation business and the property maintenance business, but the net sales and operating profit of the cleaning business were weighed down by ERP system deployment phase.
- ◆ Technical Services' business has developed well in both Sweden and Finland.
- ◆ Cash flow has also improved significantly during the year.

“The positive development of Lassila & Tikanoja’s business continued in the third quarter. We will continue to focus on strengthening our market position and improving our profitability in accordance with our strategy.”

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Pekka Ojanpää.  
President and CEO

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# KEY FIGURES

## NET SALES



Environmental Services **33%**  
 Facility Services **32%**  
 Technical Services **18%**  
 Industrial Services **12%**  
 Renewable Energy Sources **5%**

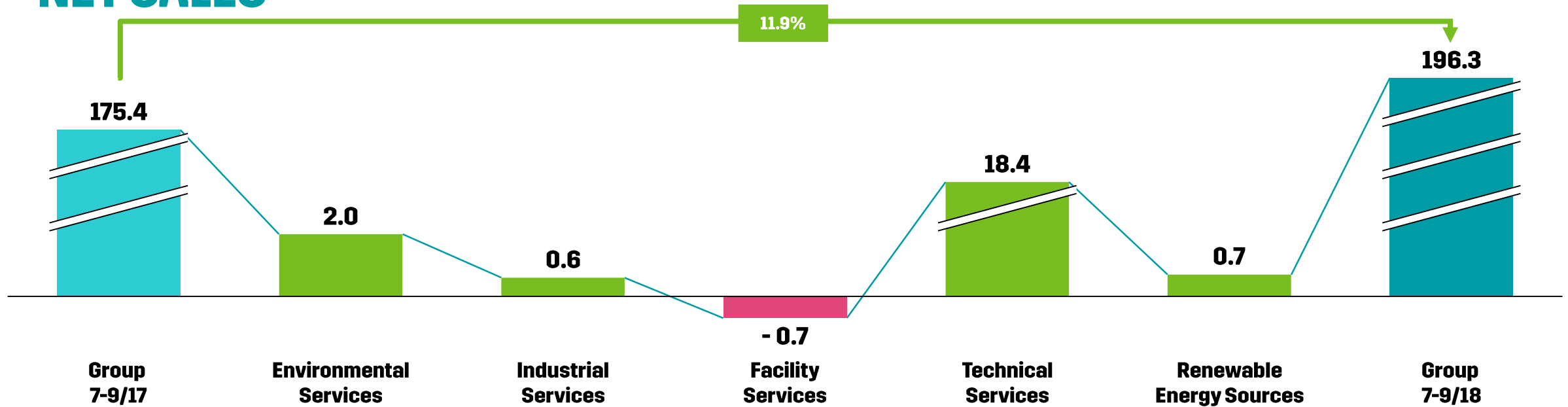
	Q3/18	Q3/17	Change %	1-9/18	1-9/17	Change %	2017
Net sales, EUR million	<b>196.3</b>	175.4	11.9	<b>595.7</b>	503.4	18.3	709.5
Operating profit, EUR million	<b>19.6</b>	17.6	11.4	<b>35.9</b>	32.6	10.1	44.0
Operating margin, %	<b>10.0</b>	10.0		<b>6.0</b>	6.5		6.2
Profit before tax, EUR million	<b>18.2</b>	18.0	0.7	<b>32.1</b>	32.5	-1.2	42.5
Earnings per share, EUR	<b>0.37</b>	0.35	6.2	<b>0.66</b>	0.65	1.7	0.87
EVA, EUR million	<b>13.8</b>	11.7	17.7	<b>18.0</b>	16.6	8.1	21.1

## KEY FIGURES

	Q3/18	Q3/17	Change %	1-9/18	1-9/17	Change %	2017
Capital expenditure, EUR million	<b>6.2</b>	75.4	-91.8	<b>21.6</b>	97.3	-77.9	113.2
Depreciation, amortisation and impairment, EUR million	<b>10.5</b>	10.1	4.7	<b>31.8</b>	30.1	5.6	41.1
Net cash from operating activities, EUR million				<b>50.5</b>	35.9	40.8	61.8
Return on equity (ROE), %				<b>16.1</b>	15.4		15.2
Return on investment (ROI), %				<b>13.0</b>	13.7		13.3
Equity ratio, %				<b>38.5</b>	39.1		38.6
Gearing, %				<b>58.5</b>	63.3		54.2
Total number of employees at the end of the period				<b>8,467</b>	8,892		8,663

Q3 2018

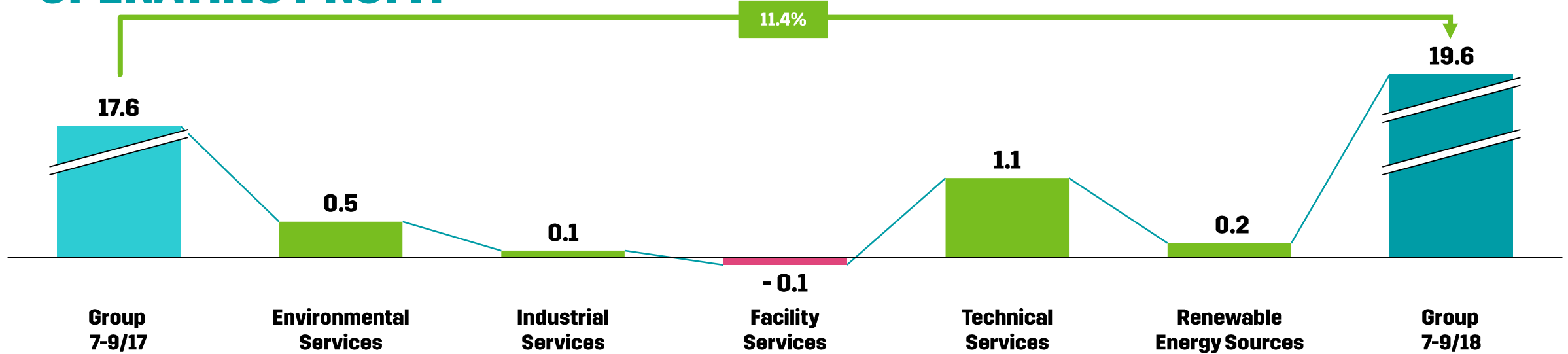
# NET SALES



EUR million	Q3/18	Q3/17	Change%	1-9/18	1-9/17	Change%	2017
Environmental Services	<b>69.6</b>	67.6	2.9	<b>201.7</b>	196.7	2.5	262.8
Industrial Services	<b>25.9</b>	25.3	2.2	<b>71.3</b>	66.8	6.7	90.7
Facility Services	<b>63.2</b>	63.9	-1.1	<b>195.1</b>	190.5	2.4	260.6
Technical Services	<b>34.8</b>	16.4	111.8	<b>106.8</b>	33.4	219.7	71.8
Renewable Energy Sources	<b>5.5</b>	4.8	15.2	<b>28.6</b>	24.2	18.3	34.9
<b>L&amp;T Group</b>	<b>196.3</b>	175.4	11.9	<b>595.7</b>	503.4	18.3	709.5

Q3 2018

# OPERATING PROFIT



EUR million	Q3/18	Q3/17	Change%	1-9/18	1-9/17	Change%	2017
Environmental Services	<b>10.6</b>	10.1	4.5	<b>23.4</b>	24.8	-5.8	31.6
Industrial Services	<b>3.7</b>	3.6	2.5	<b>7.4</b>	6.1	20.8	8.7
Facility Services	<b>4.1</b>	4.3	-3.4	<b>5.0</b>	3.8	31.5	5.2
Technical Services	<b>1.6</b>	0.4	261.1	<b>2.9</b>	0.5	537.3	1.6
Renewable Energy Sources	<b>0.1</b>	0.0	549.5	<b>-0.1</b>	0.5	-113.3	0.7
<b>L&amp;T Group</b>	<b>19.6</b>	17.6	11.4	<b>35.9</b>	32.6	10.1	44.0

Q3 2018

## ENVIRONMENTAL SERVICES

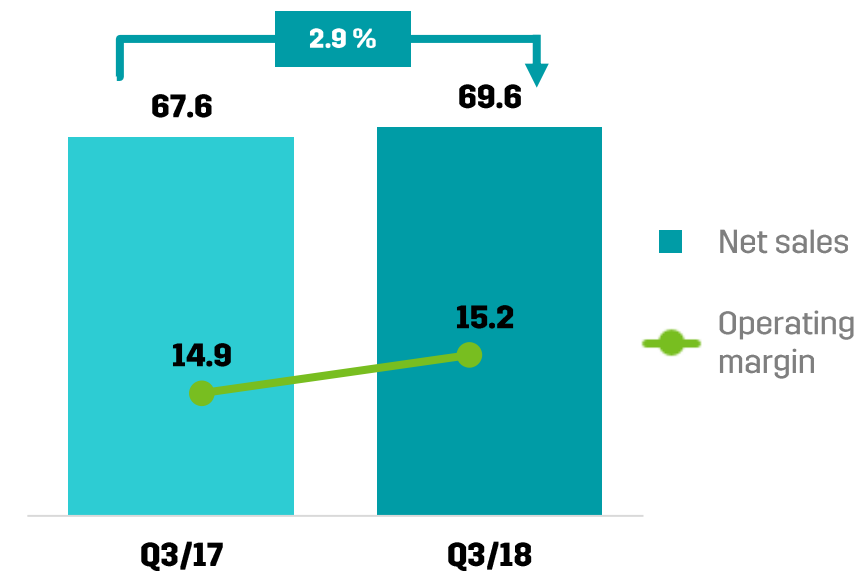
Higher subcontracting costs and fuel prices led to increased costs, but new customers and profitability improvement measures compensated for the impact of the higher costs.



### KEY MESSAGES

- Operating profit and net sales increased year-on-year in the third quarter.
- In January-September operating profit was weighed down year-on-year by increased waste processing costs as well as higher fuel costs and subcontracting expenses.

EUR million	Q3/18	Q3/17	Change %	1-9/18	1-9/17	Change %	2017
Net sales	<b>69.6</b>	67.6	2.9	201.7	196.7	2.5	262.8
Operating profit	<b>10.6</b>	10.1	4.5	23.4	24.8	-5.8	31.6
Operating margin, %	<b>15.2</b>	14.9		11.6	12.6		12.0





Q3 2018

## INDUSTRIAL SERVICES

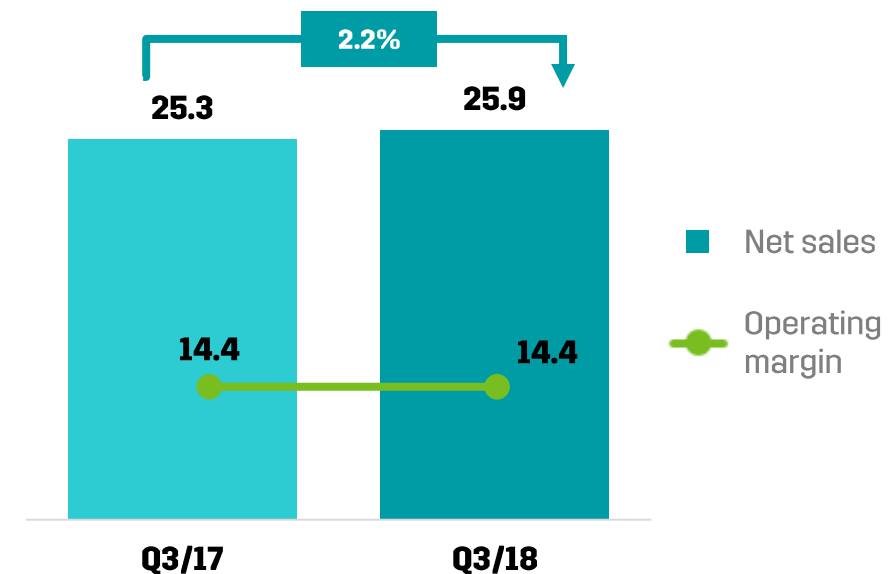
The division's net sales and operating profit grew thanks to strong demand.

### KEY MESSAGES

- Net sales increased particularly in the environmental construction business in the third quarter.
- Division's net sales grew thanks to new customers and strong demand in January-September. The increase in operating profit was attributable to improved operational efficiency and better project management.



EUR million	Q3/18	Q3/17	Change %	1-9/18	1-9/17	Change %	2017
Net sales	<b>25.9</b>	25.3	2.2	<b>71.3</b>	66.8	6.7	90.7
Operating profit	<b>3.7</b>	3.6	2.5	<b>7.4</b>	6.1	20.8	8.7
Operating margin, %	<b>14.4</b>	14.4		<b>10.4</b>	9.2		9.6





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## FACILITY SERVICES

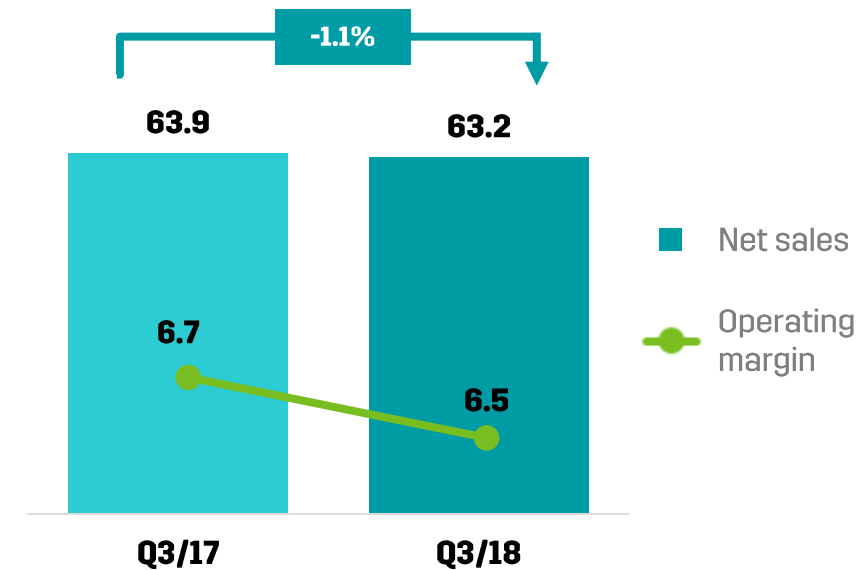
Net sales and operating profit increased year-on-year in the property maintenance business and the renovation business. Net sales and operating profit of the cleaning business were decreased by ERP system deployment.



### KEY MESSAGES

- Net sales increased year-on-year in the renovation and property maintenance businesses in January-September. Net sales and operating profit of the cleaning business was decreased by ERP system deployment.

EUR million	Q3/18	Q3/17	Change %	1-9/18	1-9/17	Change %	2017
Net sales	<b>63.2</b>	63.9	-1.1	<b>195.1</b>	190.5	2.4	260.6
Operating profit	<b>4.1</b>	4.3	-3.4	<b>5.0</b>	3.8	31.5	5.2
Operating margin, %	<b>6.5</b>	6.7		<b>2.5</b>	2.0		2.0



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## TECHNICAL SERVICES

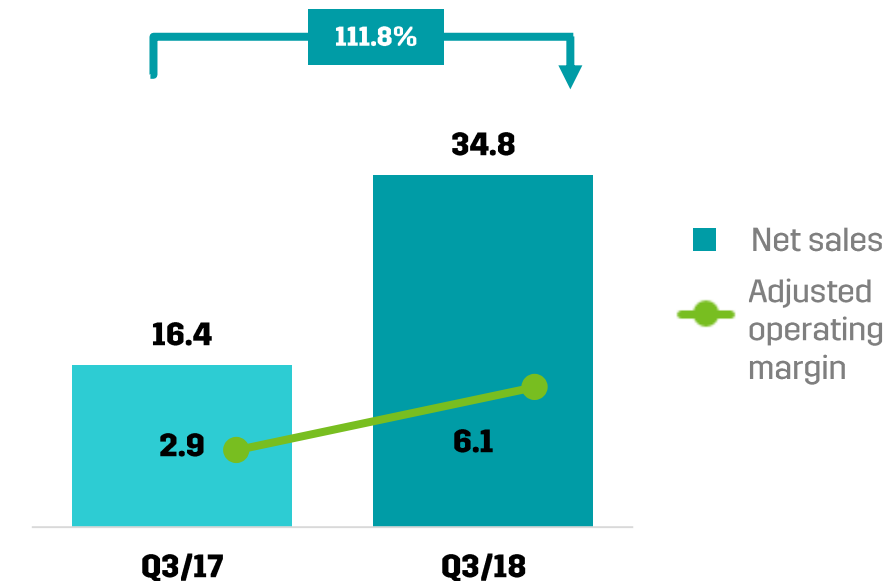
The division's net sales and operating profit developed well in both Sweden and Finland.

### KEY MESSAGES

- ◆ Demand for the division's services remained strong and the integration of L&T FM has continued as planned.
- ◆ Deployment of the new ERP system is progressing according to plan in the division's Finnish operations.



EUR million	Q3/18	Q3/17	Change %	1-9/18	1-9/17	Change %	2017
Net sales	<b>34.8</b>	16.4	111.8	<b>106.8</b>	33.4	219.7	71.8
Operating profit	<b>1.6</b>	0.4	261.1	<b>2.9</b>	0.5	537.3	1.6
Adjusted operating profit	<b>2.1</b>	0.5	350.5	<b>4.6</b>	0.6	707.4	2.6
Operating margin, %	<b>4.5</b>	2.6		<b>2.7</b>	1.4		2.3
Adjusted operating margin, %	<b>6.1</b>	2.9		<b>4.3</b>	1.7		3.6



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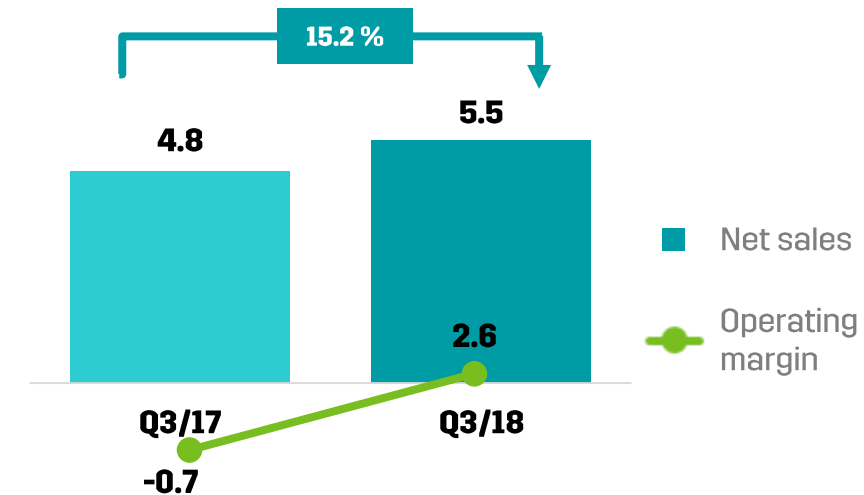
## RENEWABLE ENERGY SOURCES

Net sales and operating profit increased year-on-year. Delivery volumes and the energy content of fuels were at a good level.

### KEY MESSAGES

- Net sales grew year-on-year thanks to strong demand and new customer accounts.
- In January-September operating profit was lower than in the comparison period due to higher production costs and the weak energy content of fuels delivered in the first half of the year.

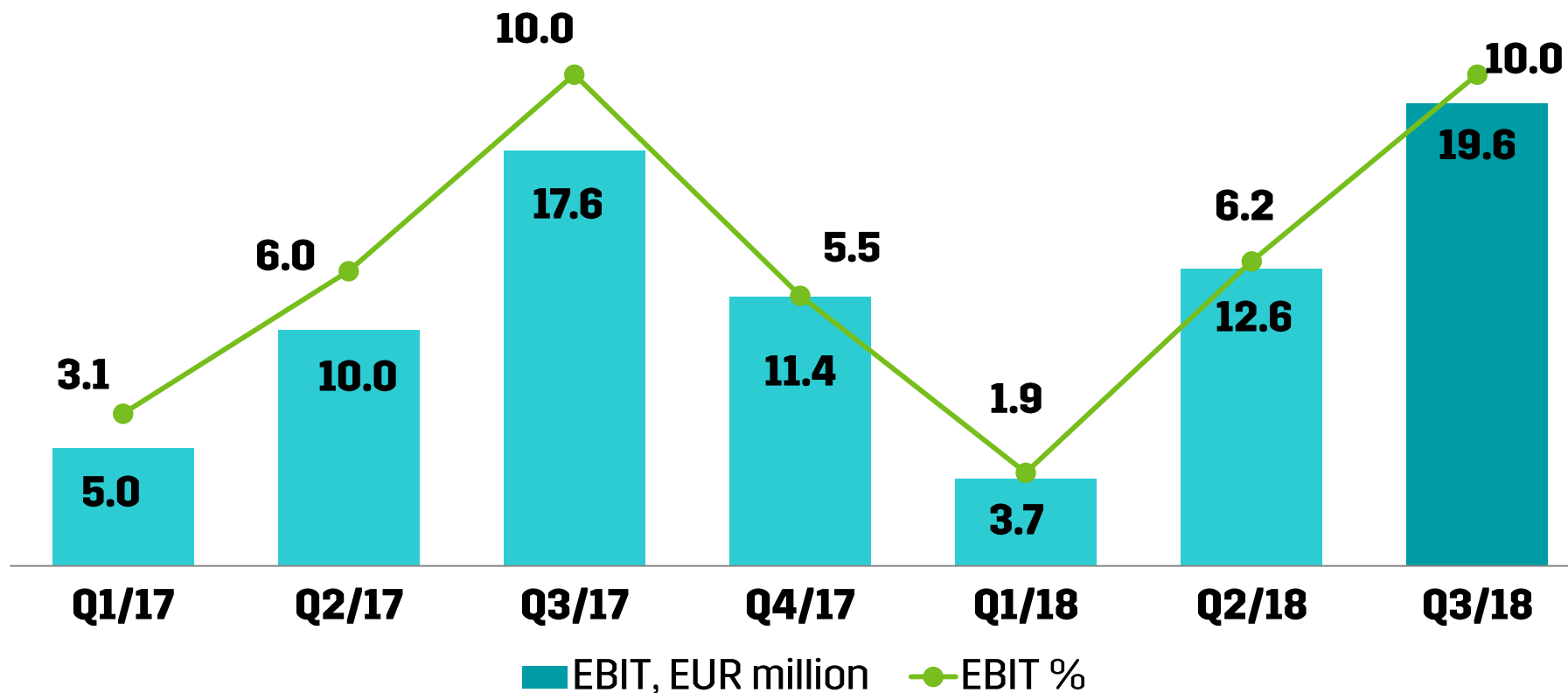
EUR million	Q3/18	Q3/17	Change %	1-9/18	1-9/17	Change %	2017
Net sales	<b>5.5</b>	4.8	15.2	28.6	24.2	18.3	34.9
Operating profit	<b>0.1</b>	0.0	549.5	-0.1	0.5	-113.3	0.7
Operating margin, %	<b>2.6</b>	-0.7		-0.2	2.0		2.0



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## OPERATING PROFIT

Operating profit increased year-on-year, which was due to the acquisition of L&T FM and the increase in profit margins.

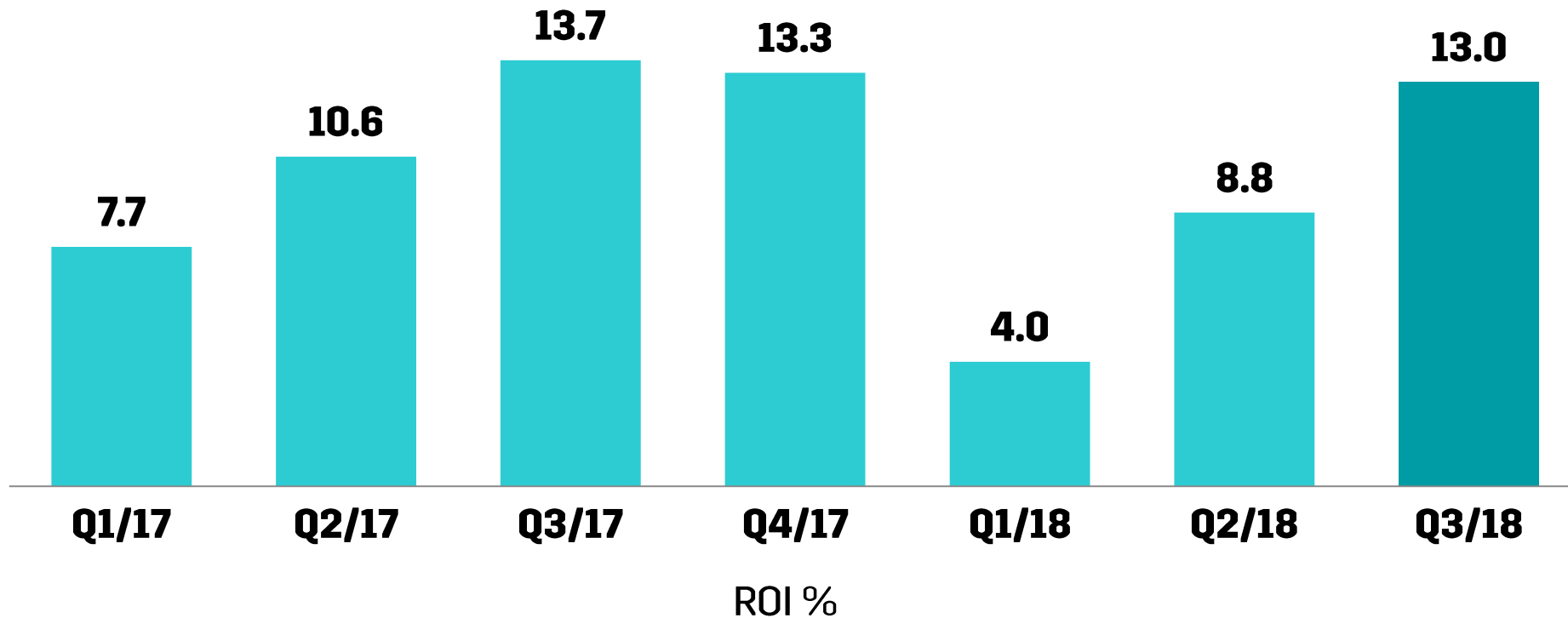




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## RETURN ON INVESTMENT

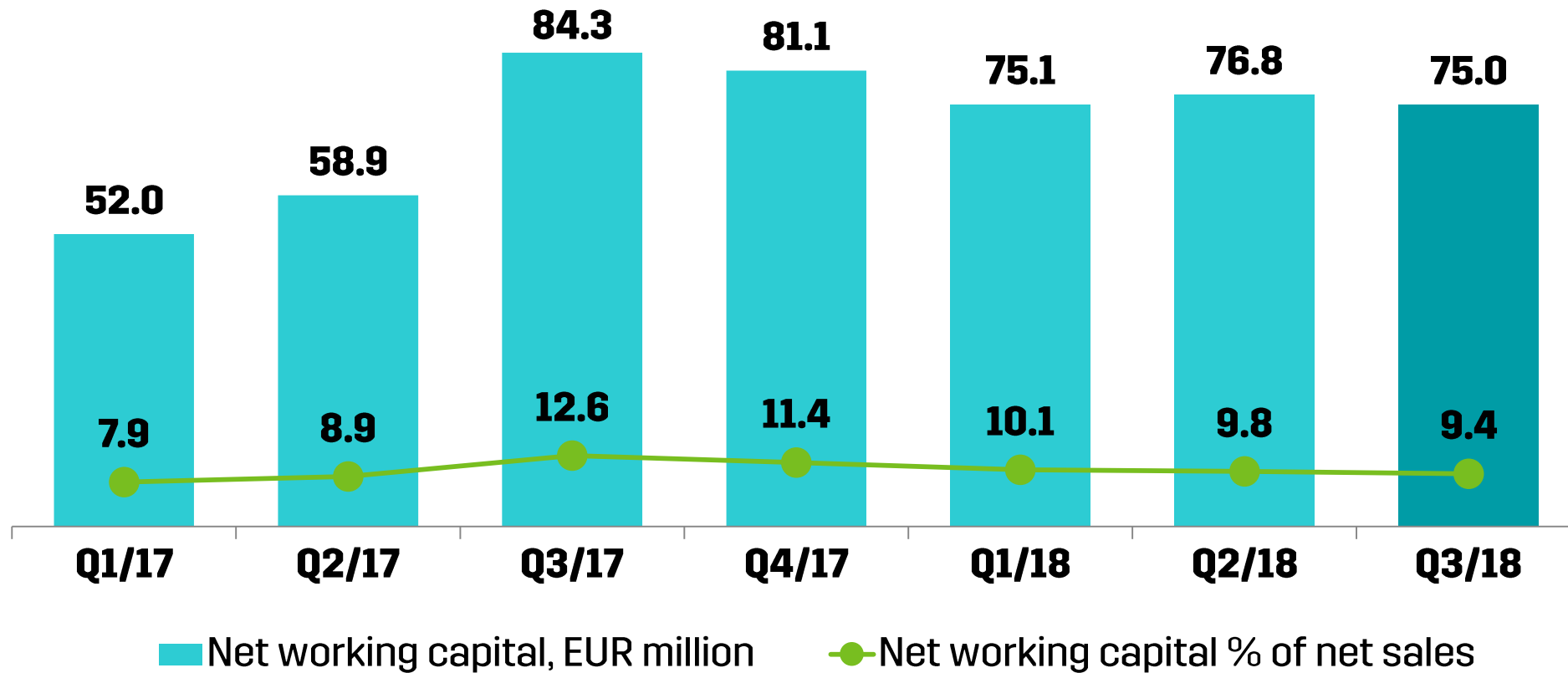
The return on investment declined compared to the previous year, which was mainly due to the capital tied to the acquisition of L&T FM AB.



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# NET WORKING CAPITAL

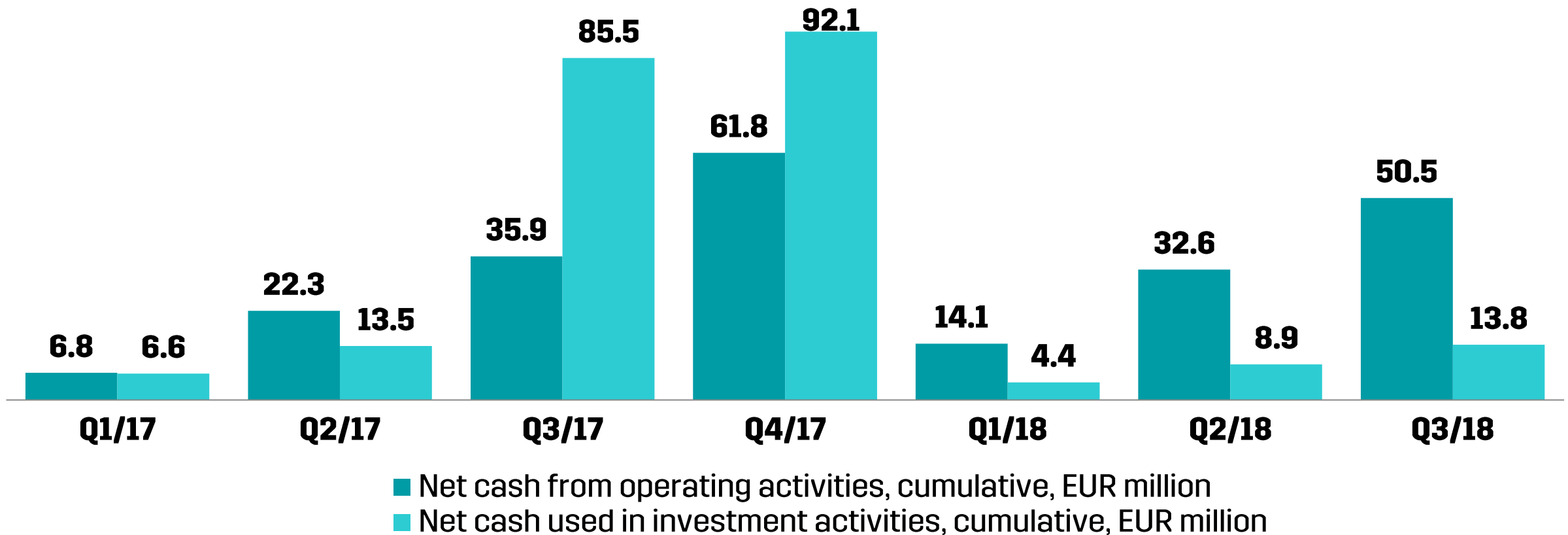
Net working capital % has decreased four quarters in a row.



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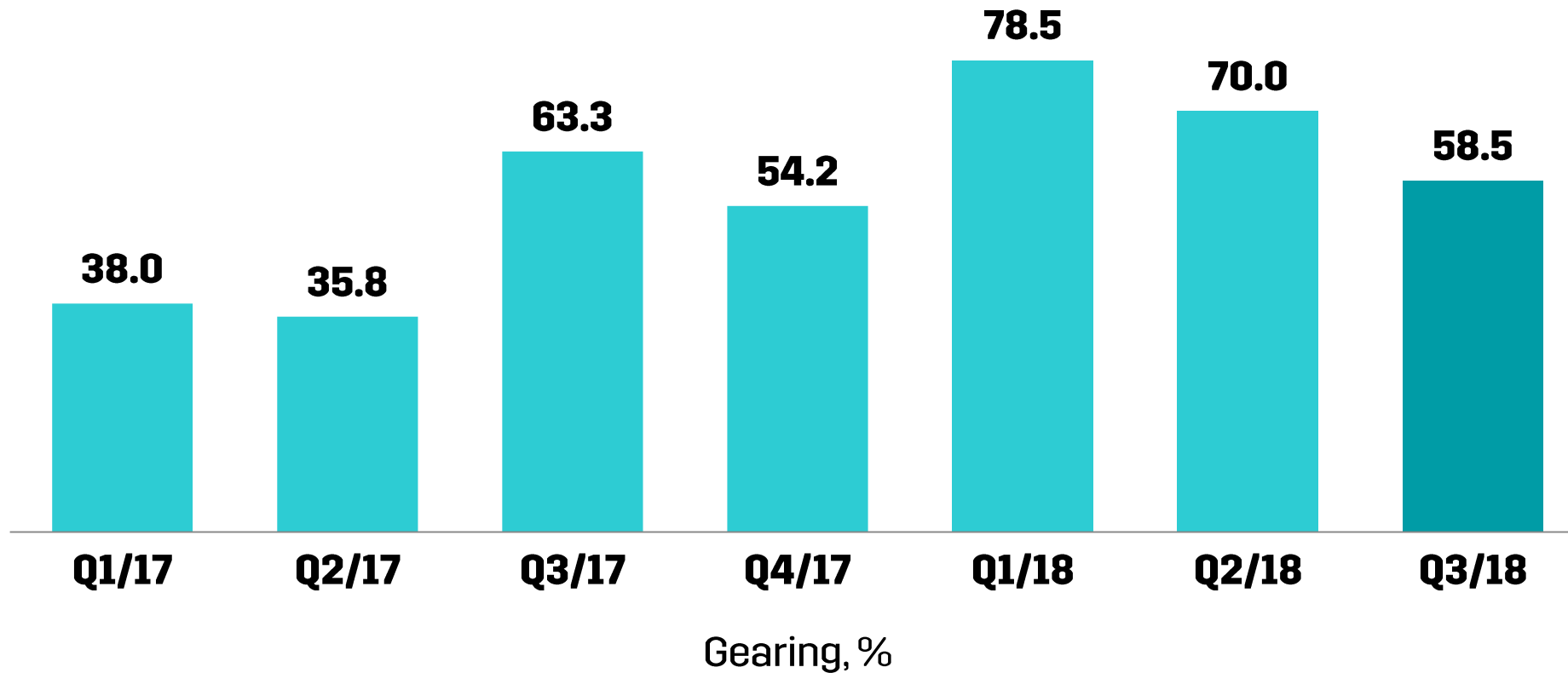
## CASH FLOW AND INVESTMENTS

The cash flow from operating activities strengthened year-on-year due to change in net working capital.



Q3 2018  
**GEARING**

Gearing decreased from the comparison period due to strong accumulated EBIT.

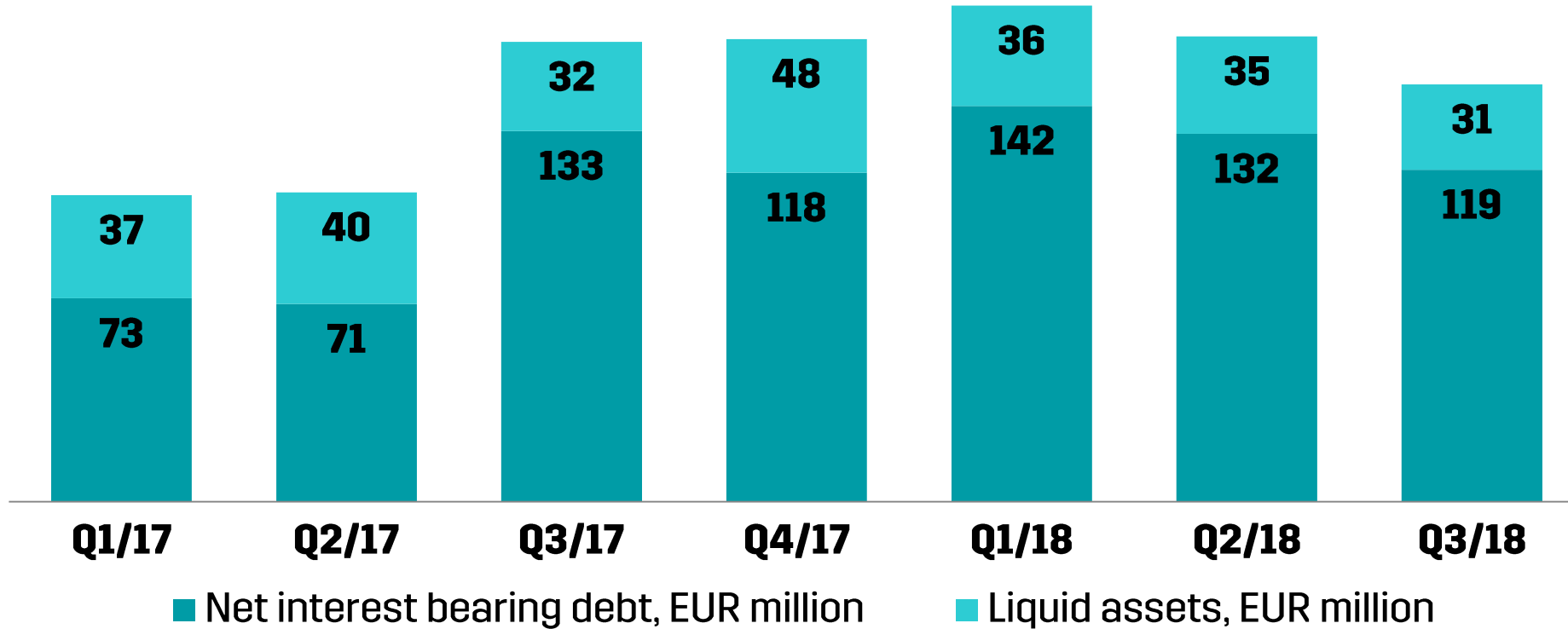




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## INTEREST BEARING DEBT

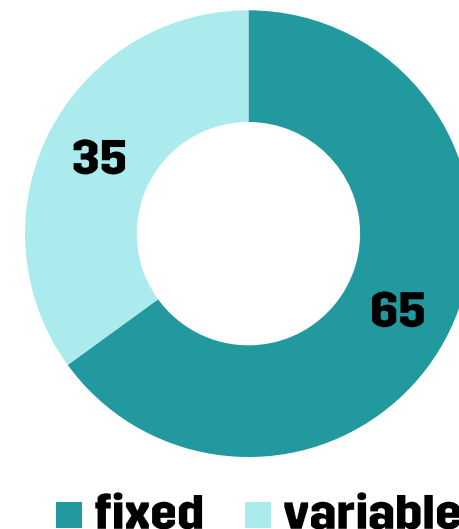
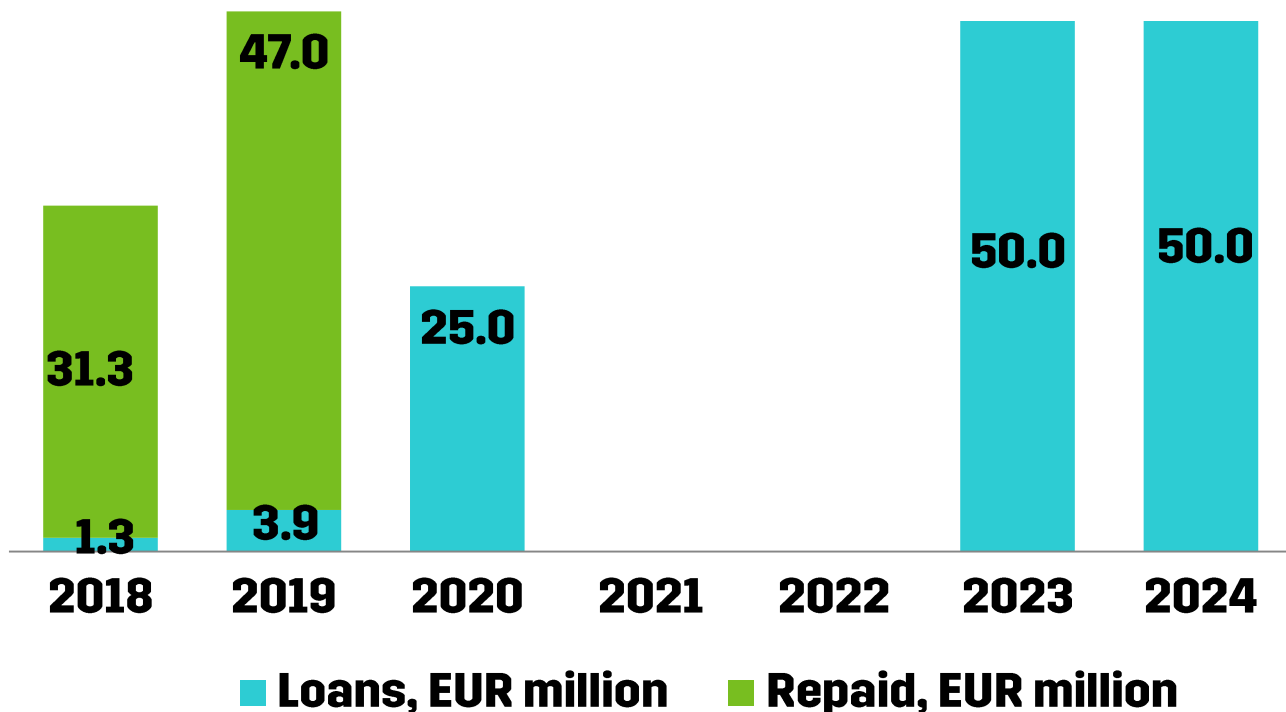
Net interest-bearing liabilities decreased from H1, which was mainly due to repayment of a commercial paper.



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## MATURITY STRUCTURE OF LOANS

On September 2018 L&T issued 50 MEUR notes due 2023. 27 MEUR was used for redemption of the outstanding notes due 2019 and repayment of an 20 MEUR bank loan due 2019.



Weighted average of effective interest rate 1.2 %



## **OUTLOOK FOR THE YEAR 2018**

Full-year net sales and operating profit are expected to increase compared to 2017.

This estimate was included in the Interim Report released on 25 October 2018.



# CONTACTS



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# L&T IN BRIEF

# L&T YEAR 2017

## NET SALES BY DIVISION



### ENVIRONMENTAL SERVICES 37%

Waste management, recycling services and environmental management

### FACILITY SERVICES 36%

Cleaning and support services, property maintenance and renovation business

### INDUSTRIAL SERVICES 12%

Process cleaning, environmental construction, sewer maintenance and hazardous waste management

### TECHNICAL SERVICES 10%

Maintenance of technical systems

### RENEWABLE ENERGY SOURCES 5%

Forest services

## WE HAVE ABOUT

# 50,000

business and public sector customers

plus about

# 100,000

household customers in Finland.

We also offer Facility Services in Sweden and Environmental Services in Russia.

## L&T'S OFFICES



## IN 2017, WE EMPLOYED APPROXIMATELY

# 8,700

people in Finland, Sweden and Russia.

## OUR EMISSION SAVINGS

Together with our customers, we were able to reduce CO<sub>2</sub> emissions by approximately

# 1.1 MILLION

CO<sub>2</sub> equivalent tonnes.

This corresponds to approximately the emissions from food wastage in Finland.

## WE PAID TAXES

# 167

 MEUR 

Jobs for people. Tax revenue for municipalities.

## NET PROMOTER SCORE OF OUR PERSONNEL

# 70%

We do meaningful and sustainable work.

## OUR ACCIDENT FREQUENCY

### 2012

33

### 2017

15

### 2018

Target

10

Final target: 0

In just five years, we have halved our accident frequency.

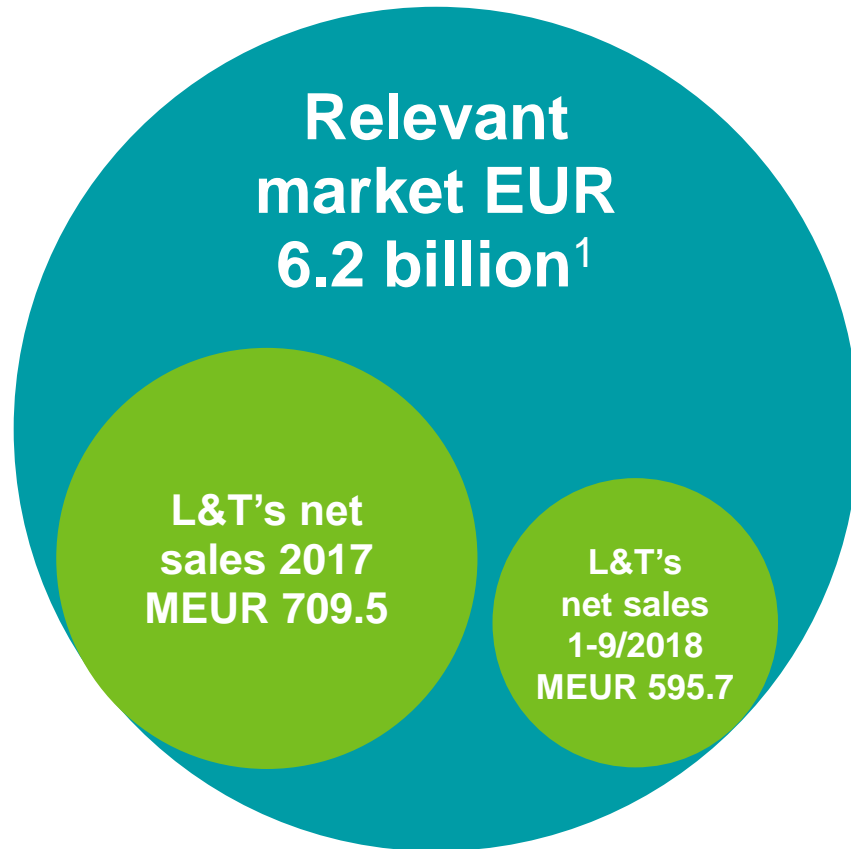
## OUR CUSTOMERS RECOMMEND US MORE THAN BEFORE

The area for which we received the most praise was our knowledgeable and flexible service.



# 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%<sup>2</sup> 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 5.5bn, mainly consisting of property cleaning, maintenance and technical services
  - ◆ The relevant Swedish market is expected to grow at ca. 3% annually

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

<sup>2</sup>Company estimate. The net sales weighted average of market growth in different segments



# L&T HAS STRONG MARKET POSITIONS IN ITS OPERATING SEGMENTS

## Market sizes and market positions in Finland

	Relevant market size <sup>1</sup>	Annual market growth <sup>2</sup>	L&T's market position
Environmental Services	EUR 1.2 billion	1 – 3%	1
Industrial Services	EUR 0.6 billion	~ 3%	1 – 3
Facility Services	EUR 2.4 billion	~ 2%	2 – 3
Technical Services	EUR 1.3 billion	3 – 4%	4
Renewable Energy Sources	EUR 0.7 billion	5 – 6%	4 – 5

# 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



**AIM** Profitable growth

**VISION**

We are the most advanced and useful service company in our industry

**CUSTOMER PROMISE**

We'll keep our word  
We'll make your everyday life easier  
We'll help you succeed

**STRATEGIC FOCUS AREAS**

Development of services and channels

Customer and employee experience

Productivity

New growth opportunities



**MISSION**

Putting the circular economy into practice

**CLIENT BENEFITS**

We maintain value  
We create efficiency  
We improve everyday life

**KEY SUCCESS FACTORS**

Skilled personnel and a good service attitude

Ability to renew

Sustainable and safe operations

**TRENDS**

Transition of work life  
Sustainability

Digitalisation  
New business models

**SERVICISATION**

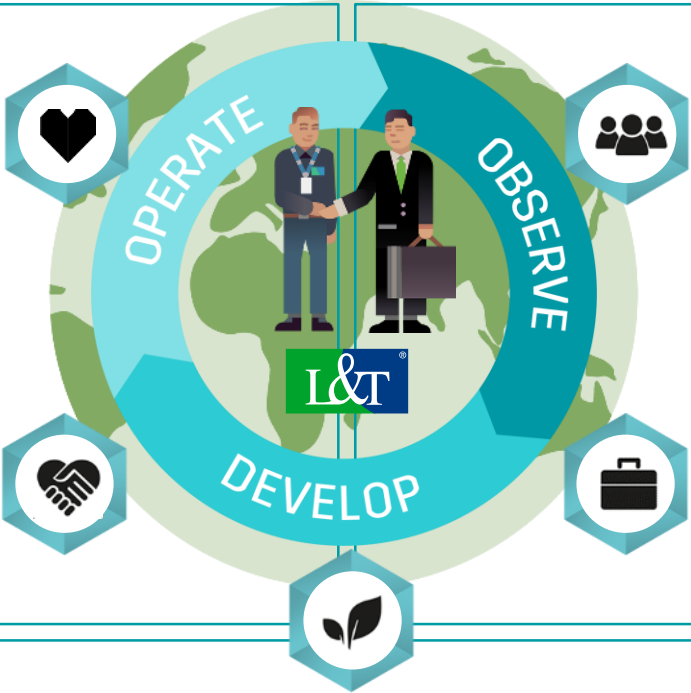
**URBANISATION**

**CLIMATE CHANGE**

**DIMINISHING NATURAL RESOURCES**



# L&T creates value with the circular economy's practical measures



## FOR THE PERSONNEL

- Meaningful work
- Safe work
- Length of careers

## FOR THE CUSTOMERS

- Material, energy and cost efficiency
- Increased asset value
- Better conditions, healthy and productive employees

- Haulage over 13 million
- More than 1 million maintenance tasks
- 400,000 tons of treated soil
- 8,000 ha of treated forests
- 27,000 security operations

## FOR THE SOCIETY

- Income taxes
- Employment
- Young people and special groups

## FOR THE ENVIRONMENT AND CLIMATE

- Natural resources saved: 3.5 million trees, 72,000 tons of oil
- Reduced emissions equal to the impact of 100,000 Finns
- Smaller environmental and health risks and damages

## FOR THE OWNERS

- Market value of the company
- Dividends paid

Assets invested in the company: MEUR 220

430,000 tons of secondary raw material  
Over 2,000 GWh of renewable bioenergy  
50,000 tons of waste treated un Hazardous

- Investment in work ability and well-being MEUR 8.6
- 33,000 hours of education
- Benefits paid from the sickness fund: MEUR 1.3

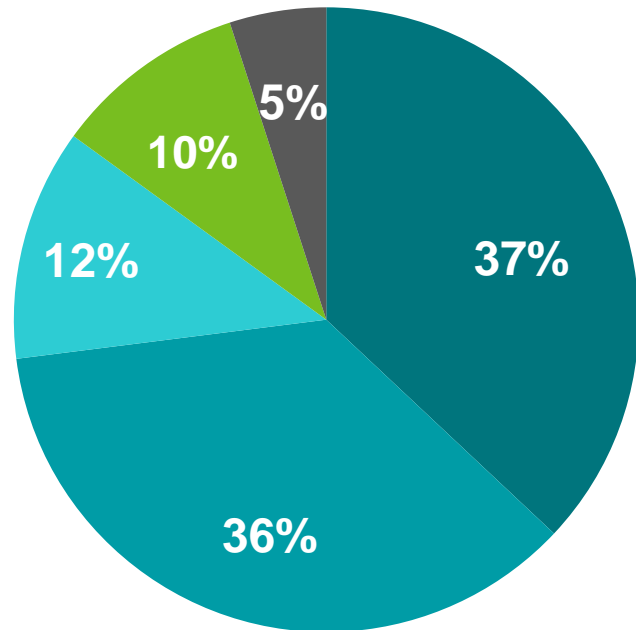
- 8,700 employees
- Paid wages: MEUR 300
- Purchased goods and services: MEUR 340
- Investments: MEUR 110



# BUSINESS SEGMENTS

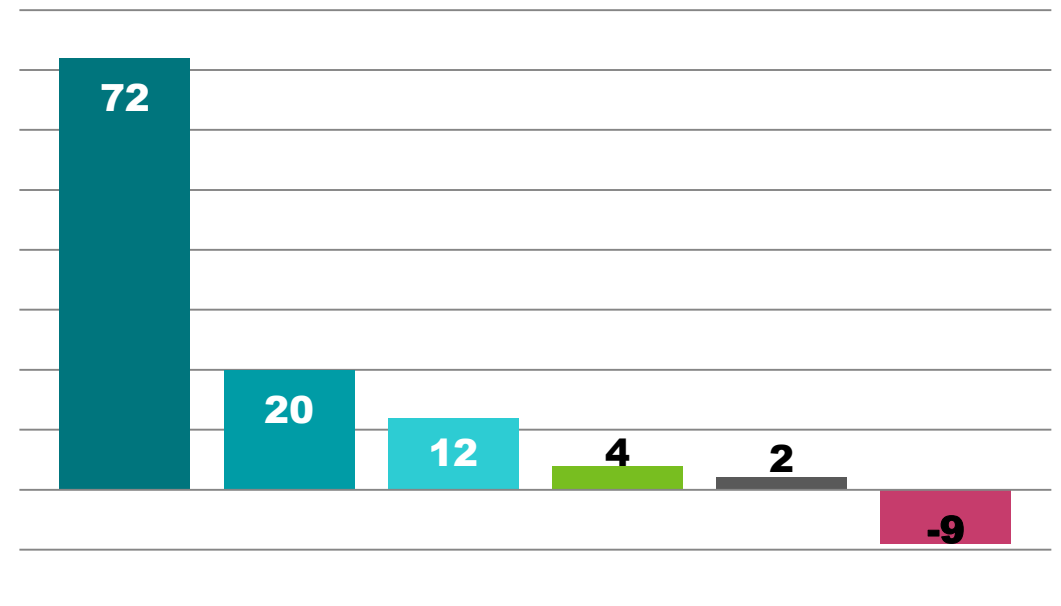
# NET SALES AND OPERATING PROFIT BY DIVISION 2017

**Net sales**



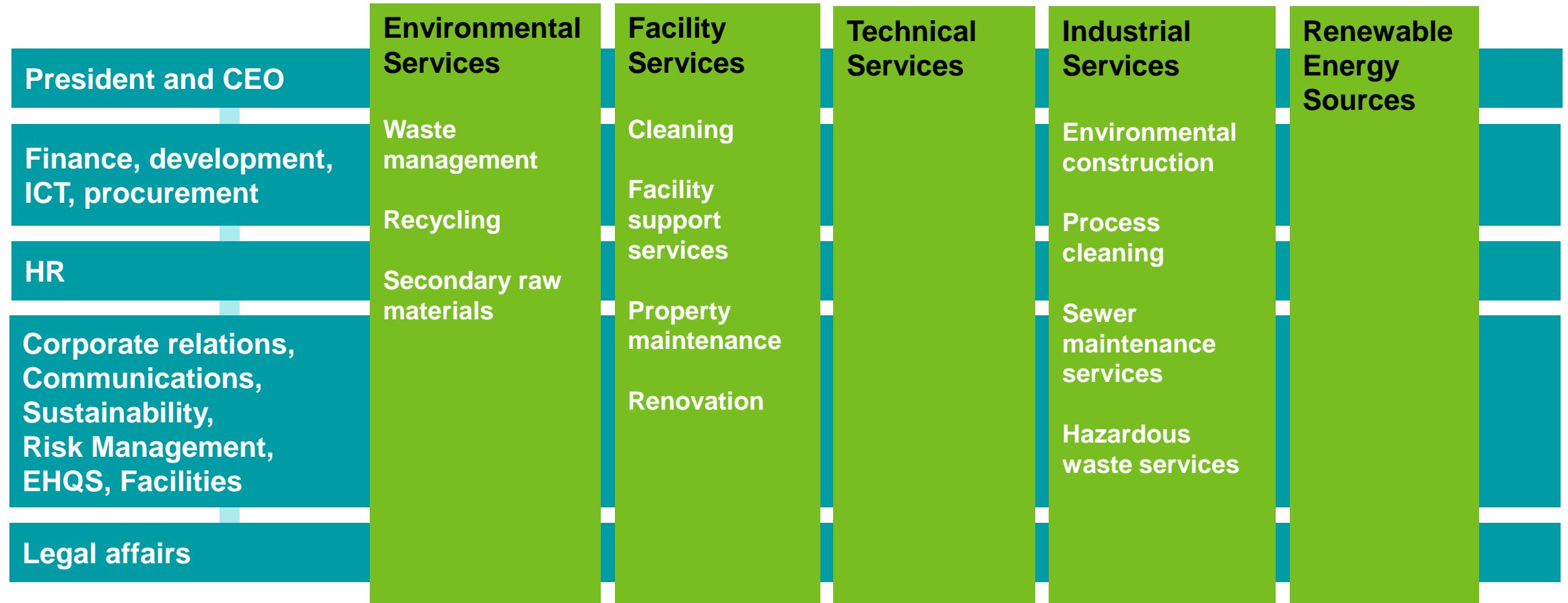
- Environmental Services
- Facility Services
- Industrial Services
- Technical Services
- Renewable Energy Sources

**Operating profit, % of Group total**



- Environmental Services
- Facility Services
- Industrial Services
- Technical Services
- Renewable Energy Sources
- Administration and other

# L&T'S ORGANISATION 30.9.2018



# ENVIRONMENTAL SERVICES

OUR STRATEGIC FOCUS AREAS ARE NEW SERVICES THAT PROMOTE THE CIRCULAR ECONOMY, THE BEST CUSTOMER EXPERIENCE IN THE INDUSTRY AND PRODUCTIVITY.



OUR PERSONNEL IS OUR MOST IMPORTANT RESOURCE.



WE TAKE PRACTICAL STEPS FOR THE CIRCULAR ECONOMY TOGETHER WITH OUR CUSTOMERS.

# L&T IS THE MARKET LEADER IN THE FINNISH WASTE MANAGEMENT MARKET

## Market size and L&T's positions by business lines

	Relevant market size	Annual market growth	L&T market position
<b>Environmental Services</b>	<b>1.2</b> Billion €	<b>1%</b>	<b>1–2</b>
<b>Waste management</b>		<b>~ inflation</b>	<b>1</b>
<b>Recycling</b>		<b>&gt; inflation</b>	<b>1–2</b> depending on material
<b>Subcontracting for municipalities</b>		<b>~ inflation</b>	<b>1</b>
<b>Environmental products</b>		<b>~ inflation</b>	<b>1–2</b> depending on product



# OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

## Changes in the operating environment

### Description

**Importance of environmental responsibility increases**

**European Union sets long-term targets to create a Circular Economy**

**Retail and media industries' business models are changing and digitalising**

**New building construction decreases in the short term**

**Industrial manufacturing is not growing**

### Impact on L&T

Demand for environmental services grows, purchasing criteria focus more on environmental responsibility

Conditions to develop new technology and waste management solutions improve

Amount of recyclable papers diminishes, but e-commerce creates more packaging waste

In the short term, the amount of construction waste decreases and competition intensifies

Decreases waste volumes, but brings opportunities in value-added solutions

# ENVIRONMENTAL SERVICES LOOKS INTO STRENGTHENING POSITION IN THE VALUE CHAIN AND GROWTH IN SELECTED SEGMENTS WHILE HAVING THE BEST RESOURCES

## Strategic choices

### Expanding the value chain

We look into new business opportunities to strengthen our position in the value chain as well as offer new professional services in environmental management.

### Focusing on corporate, producer responsibility and household segments

We increase our market share in corporate sector by focusing on selected segments. We grow by creating comprehensive solutions for producer responsibility organizations and digital services for households.

### Building competitive advantage by service development and operational efficiency

We actively develop new services to create growth and competitive advantages. We develop operating model to improve operational efficiency.

### Improving employee experience

We ensure that we have the most skilled and service oriented employees in our field of business by workforce development and innovative organization.

### Environmental Services

Waste management

Recycling

Subcontracting for municipalities

Environmental products

# INDUSTRIAL SERVICES



THE MOST BENEFICIAL PARTNER OF AN INDUSTRIAL COMPANY

## Industrial services

### CUSTOMER EXPECTATIONS

Continuous development and promotion of the customer's business operations

Strong professionalism and cost efficiency

Understanding the changes of the customer's markets

Responsible operations



### L&T'S SOLUTIONS

We produce support services efficiently and extensively for the entire industrial area

Proactive safety and environmental activities are at centre stage of our operations

We produce transparency and ease into management

We develop services and operations for the benefit of our customer

### CUSTOMER BENEFITS

#### COST EFFICIENCY

- Synergetic support service packages
- Joint work planning

#### EFFICIENCY

- Proactiveness and systematicness
- One contact point and management for support services

#### DEVELOPMENT OF OPERATIONS

- Based on the customer's KPIs
- More focused operational analysis
- Best practices at the L&T level

#### RESPONSIBILITY

- Proactive EHSQ culture
- Support and competence to meet the requirements by the authorities

# L&T HAS A STRONG MARKET POSITION RANKING IN THE TOP 3 IN ALL SERVICE LINES

## Market size and L&T's positions by business lines

	Relevant market size	Annual market growth	L&T market position
<b>Industrial Services</b>	<b>0.4</b> Billion €	<b>3%</b>	<b>2</b>
Industrial process cleaning		~ inflation	2
Sewer maintenance services		> inflation	3
Hazardous waste management		< inflation	2
Environmental construction		~ inflation	3

# OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

## Changes in the operating environment

### Description

**Importance of environmental responsibility increases**

### Impact on L&T

Demand for environmental services grows, customers' purchasing criteria focus more on environmental responsibility.

**European Union sets long-term targets to create a Circular Economy**

Conditions to develop new technology and waste management solutions improve.

**Businesses linked to landfilling are changing**

Ban on the landfill disposal of organic waste creates opportunities in recycling. As incineration increases, the need for ash processing and recycling solutions increase as well.

**Industrial manufacturing is not growing**

Industrial companies seek cost efficiency by support service outsourcing, which creates opportunities for Industrial services.



# INDUSTRIAL SERVICES GROWS BY EXPANDING OFFERING AND THROUGH CUSTOMER INTEGRATION WHILE IMPROVING INTERNAL CAPABILITIES

## Strategic choices

**Growing and integrating with industrial customers**

We grow in current and new key accounts by expanding the range of services, developing new services and methods as well as integrating into clients' processes and operating models.

**Improving sales and account management**

We create and execute customer specific responsibilities and growth plans by improving segment specific skills and customer understanding.

**Developing an effective and centralized operating model**

We develop an effective and centralized operating model, including nation-wide resource planning and management supported by modern ICT solutions.

**Industrial Services**

Environmental construction

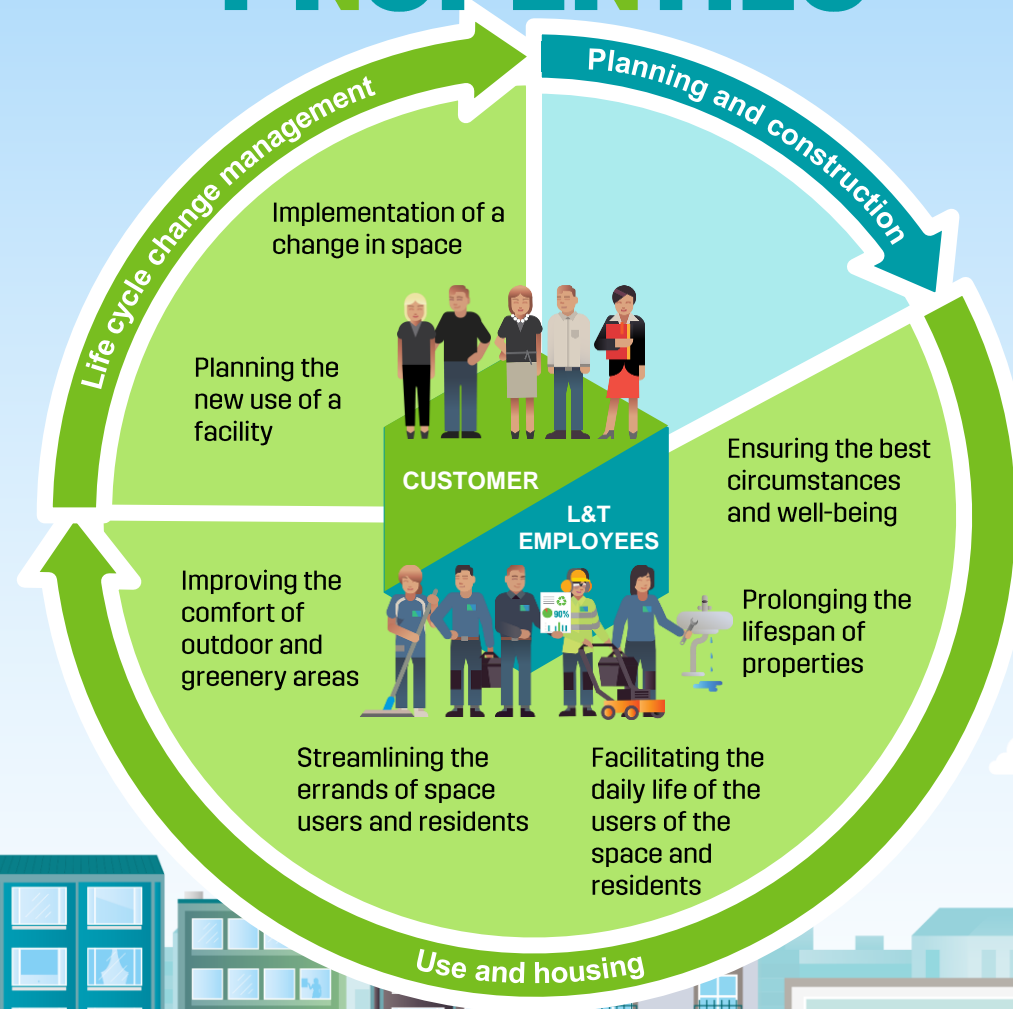
Process cleaning

Sewer maintenance services

Hazardous waste services

# CIRCULAR ECONOMY OF PROPERTIES

## OUR CUSTOMERS



## OUR FOCAL POINTS

- 1 Efficient and agile operating model
- 2 Personnel experience and ensuring the availability of employees
- 3 Customer experience and customer-oriented solutions



# WE HAVE A STRONG MARKET POSITION RANKING IN THE TOP 2 IN MOST BUSINESSES

## Market size and L&T's positions by business lines

	Relevant market size	Annual market growth	L&T market position
<b>Facility Services</b>	<b>3.4</b> Billion €	<b>2%</b>	<b>2</b>
<b>Cleaning services</b>		<b>&lt; inflation</b>	<b>2</b>
<b>Property maintenance</b>		<b>~ inflation</b>	<b>1</b>
<b>Renovation services</b>		<b>~ inflation</b>	<b>2</b>

# OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

## Changes in the operating environment

### Description

Industrial manufacturing in Finland is not growing

Demand for office modifications increases

Repair construction volume is growing while new construction remains at low level

E-commerce changes requirements for retail property

Availability of skilled workforce is a challenge

### Impact on L&T

Overall industrial manufacturing volume decreases, but outsourcing of non-core functions opens up new opportunities for Facility Services

Remote work becomes more commonplace, which creates opportunities in providing modern office solutions

Competition in repair construction intensifies as construction companies seek growth outside their traditional domain

Amount of retail property decreases and competition intensifies

Workforce management, employer image and efficient recruitment continue to grow in importance

# CHANGES IN CUSTOMER BEHAVIOUR OPENS UP OPPORTUNITIES FOR FACILITY SERVICES

## Changes in customer behaviour

### Description

Centralisation and professionalisation of service sourcing

Increased outsourcing of non-core activities in public sector

Growing role of technology in Facility Management

Need for transparency and reporting

### Impact on L&T

Growing requirement for sales competencies and efficiency of operations, also opportunities in providing integrated services

Business development possibilities in Facility Management and services to the public sector, with growing importance of operational efficiency to cope with price competition

Need to grow offering in technological systems maintenance

Opportunities for professional services to support our clients



# FACILITY SERVICES CREATES COMPETITIVE ADVANTAGES FROM ITS OPERATING MODEL AND SERVICE DEVELOPMENT

## Strategic choices

Improve competitive advantages by developing our operating model

We invest in operating model development and related ICT-systems to gain competitive advantages in operations management, service quality and customer insights.

Enhancing customer experience through service development

We increase our customer understanding and develop new services concepts to better meet customer needs in different segments.

Improving leadership and employee experience

We develop flexible workforce solutions, invest in good managerial skills and improve employee experience to ensure competitiveness and availability of skilled resources.

Facility Services

Cleaning

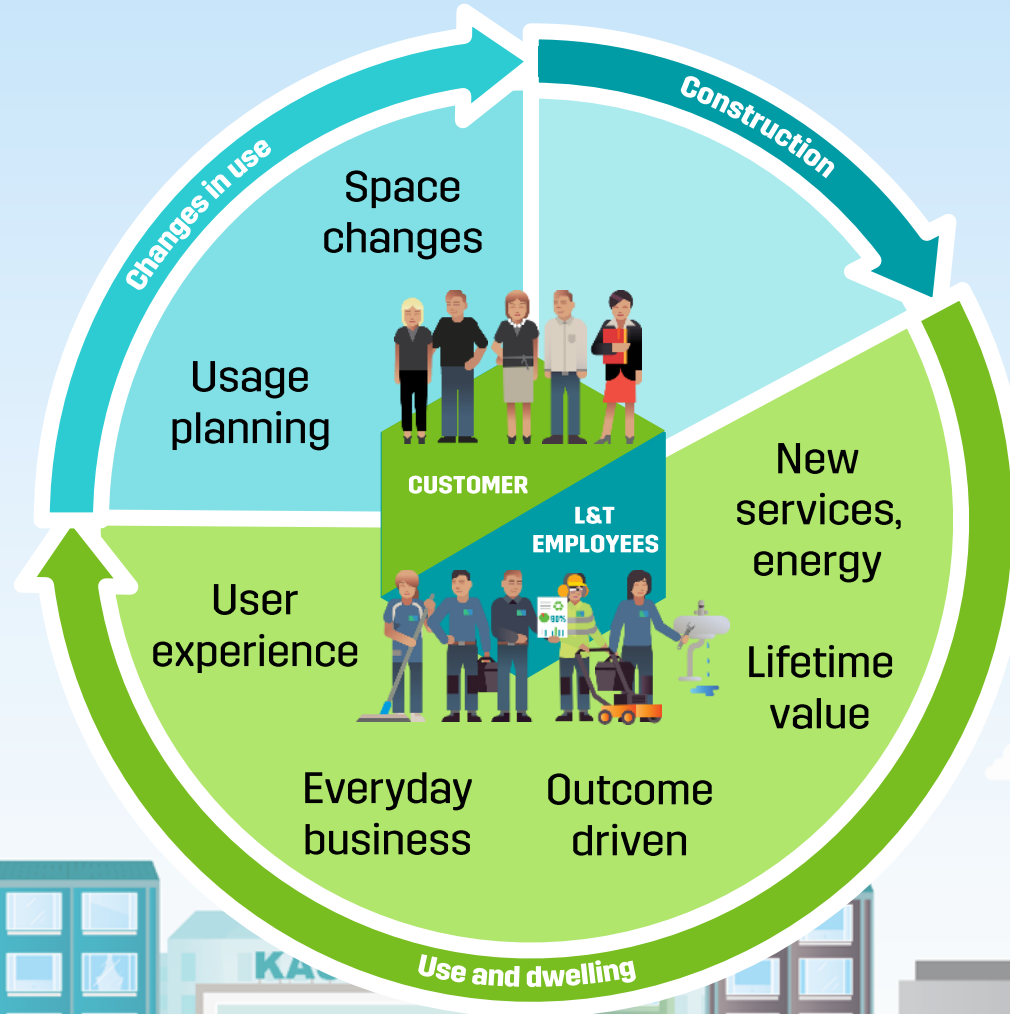
Facility support services

Property maintenance

Renovation

# TECHNICAL SERVICES

## CUSTOMERS



## STRATEGY

- 1 Commercial excellence
- 2 Efficient operating model
- 3 Strengthened market position
- 4 Employee experience



# IN TECHNICAL SERVICES WE HAVE A STRONG MARKET POSITION RANKING 4 IN BOTH FINLAND AND SWEDEN

## Market size and L&T's positions by business lines

	Relevant market size	Annual market growth	L&T market position
Facility Services, Finland	1.3 Billion €	3%	4
Facility Services, Sweden	2.3 Billion €* <hr/>	3%	4

Market positions and sizes based on management estimates, with current business portfolio.  
Outsourcing potential in municipal sector not included.

# GROWING TECHNOLOGICAL AND SUSTAINABILITY REQUIREMENTS DRIVE A POSITIVE MARKET SENTIMENT

## Changes in the operating environment

### Description

Overall technical requirements in buildings continue to grow

Sustainability and climate change require energy efficiency and tighter regulation

Digitalization, sensor data and new technologies become the new standard

Availability of a skilled workforce is a challenge

Urbanization continues

### Impact on L&T

Strong market demand and emergence of opportunities for new renovation solutions.

Business development opportunities in buildings' energy and resource consumption efficiency.

New differentiation opportunities with data and new services requiring advanced ICT skills.

Importance of employee experience, education, employer image and efficient recruitment is growing.

Demand for services in major cities continues to grow.

# CHANGES IN CUSTOMER BEHAVIOUR OPEN OPPORTUNITIES FOR TECHNICAL SERVICES

## Changes in customer behaviour

### Description

Increased outsourcing of non-core activities in public sector

Growing role of technology in Facility Management

Need for transparency and reporting

Orientation for long term value creation increases

### Impact on L&T

Business potential with growing importance of operational efficiency to cope with price competition.

Increased potential in offering technical services.

Opportunities for professional services to support our clients, demand for data based service management.

Increased potential for outcome driven and vested contract models.



# TECHNICAL SERVICES SEEKS PROFITABLE GROWTH THROUGH COMMERCIAL EXCELLENCE SUPPORTED BY EFFICIENT OPERATING MODEL

## Strategic choices

### Developing commercial excellence

We strengthen the commercial organization and the account management process to win market share in selected growth segments.

### Developing operating model into competitive advantage

We ensure productivity through implementing a new operating model.

### Strengthening market position

We improve our market position through widening our offering with service development and strengthening our capabilities in attractive market segments.

### Ensuring skilled and engaged employees

We improve employee experience and focus on professional training and career paths.

# RENEWABLE ENERGY SOURCES

## VISION

We are the most competent and efficient player in our field. We grow profitably. We can be proud of our workplace.



Competent supply chain improves efficiency



New growth in biofuel deliveries to power plants



We develop new solutions



## FOREST SERVICES

- Private forest owners
- Small forest service and harvesting companies
- Municipalities, parishes and forest co-owners

## RAW MATERIAL SUPPLIES

- Power plants
- Forest industry
- Farms, landscapers, municipalities and businesses

# WE HAVE A STRONG MARKET POSITION IN RENEWABLE ENERGY SOURCES

## Market size and L&T's position

	Relevant market size*	Annual market growth	L&T market position
Renewable Energy Sources	0.5 Billion €	5%	3–4

\*Market positions and sizes based on management estimates, with current business portfolio.

# OPERATING ENVIRONMENT CHANGES SUPPORT THE BUSINESS

## Changes in the operating environment

### Description

**New investments in wood processing industry and the use of wood biomass in other industrial sectors**

**The goal of carbon-free, clean and renewable energy recorded in the current Government Programme**

**Climate goals become tighter**

### Impact on L&T

Demand for wood biomass will increase. Using only 80% of the sustainable felling potential will secure sufficient raw materials.

The conditions for developing bioenergy business will improve.

Climate goals will have a positive effect on our business, because it helps to cut down the use of fossil fuels and reduce carbon dioxide emissions.

# RENEWABLE ENERGY SOURCES GROWS IN ENERGY SECTOR WITH EFFICIENT SUPPLY CHAIN AND CAPITAL MANAGEMENT

## Strategic choices

### Grow in energy sector

We will acquire new customers and increase our role with current customers. We will create competitive advantages of quality factors to avoid price competition.

### Improving supply chain efficiency

Improved supply chain management will make production more cost-efficient and increase energy content. Supply chains of forest energy will be optimized for each major client.

### Enhance inventory management and decrease employed capital

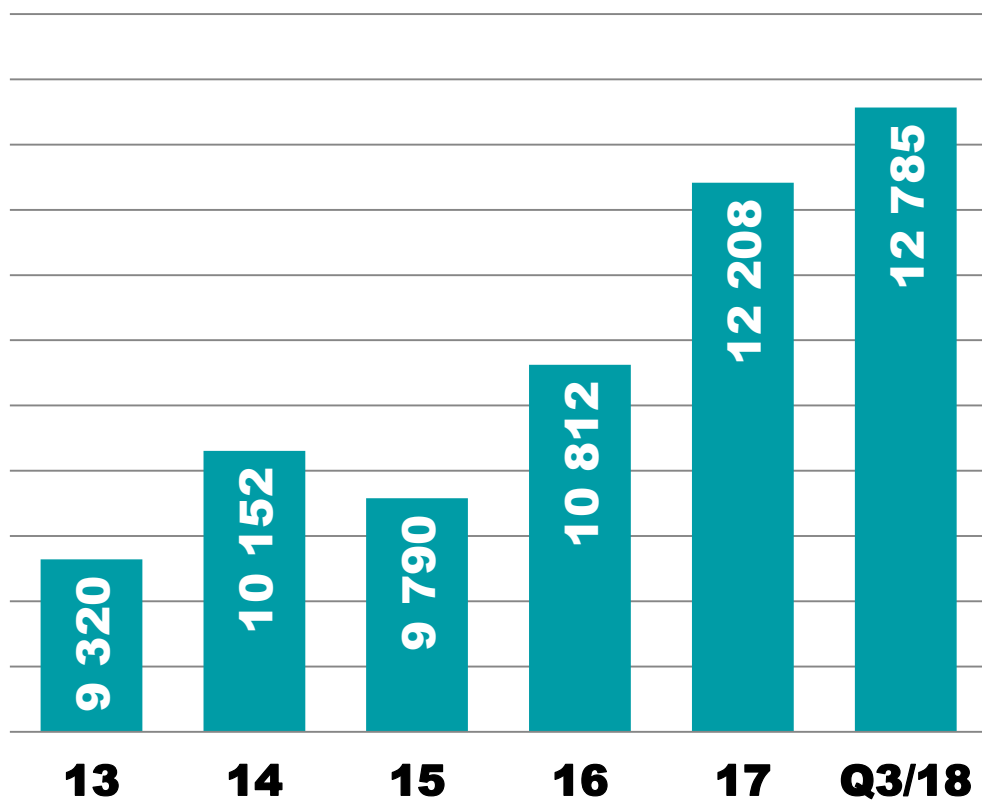
We will enhance our inventory management with updated procurement methods and by planning our inventory locations so that they are near the customer.

# SHAREHOLDERS



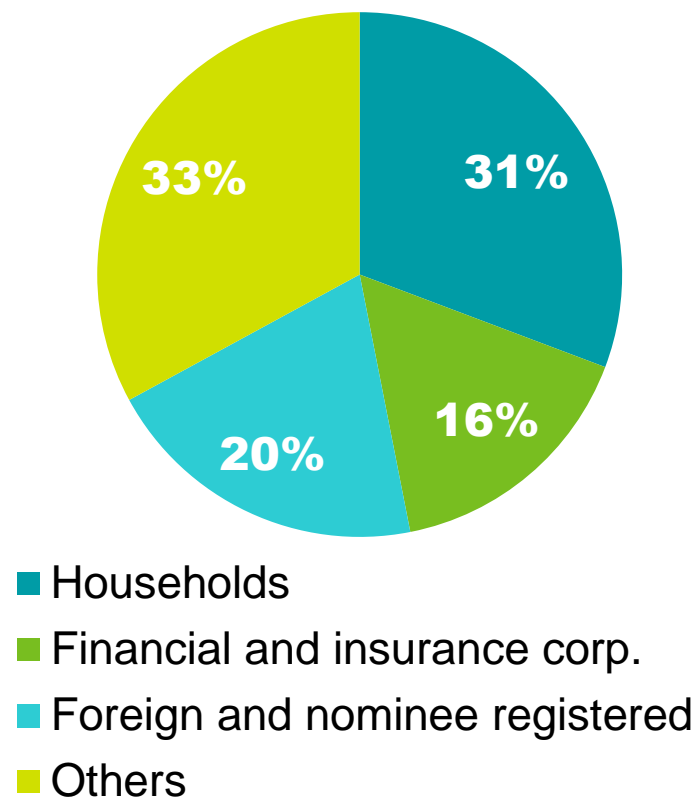
# SHAREHOLDER STRUCTURE

## Number of shareholders



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## Shareholder structure



# MAJOR SHAREHOLDERS AT 30 SEPTEMBER 2018

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2,413,584	<b>6.22</b>
Mandatum Life Insurance Company Limited	2,311,238	<b>5.96</b>
Nordea Investment Funds	1,825,422	<b>4.71</b>
Maijala Juhani	1,529,994	<b>3.94</b>
Elo Mutual Pension Insurance Company	1,229,073	<b>3.17</b>
Ilmarinen Mutual Pension Insurance Company	934,836	<b>2.41</b>
Stiftelsen för Åbo Akademi	914 732	<b>2.36</b>
Föreningen Konstsamfundet rf	855 721	<b>2.21</b>
Bergholm Heikki	829,506	<b>2.14</b>
Maijala Mikko	720,000	<b>1.86</b>

Ownership structure / sector	Shares	%
Nominee-registered shares	7,678,630	<b>19.79</b>
Number of shares	38,798,874	<b>100.00</b>
Number of shareholders	12,785	

A photograph of two women in a server room. The woman on the left has long brown hair and is wearing a maroon sweater and a patterned scarf. She is gesturing with her right hand while talking to the woman on the right. The woman on the right has red hair tied up, wears glasses, and a dark blue L&T polo shirt. They are both smiling. The background shows rows of server racks with blue and green doors.

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