



LASSILA & TIKANOJA

INTERIM REPORT Q3 2019

Eero Hautaniemi, President and CEO

Valtteri Palin, CFO

24 October 2019

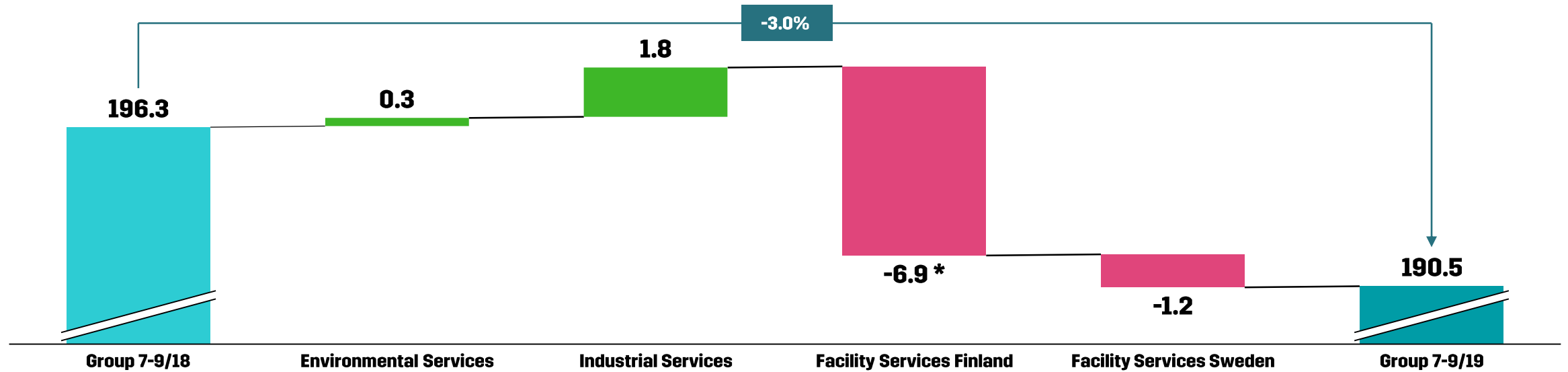
HIGHLIGHTS

- Lassila & Tikanoja's business developed positively in January–September excluding Facility Services Finland. Operating profit increased year-on-year in Environmental Services, Industrial Services and Facility Services Sweden.
- In Facility Services Finland, operating profit was weighed down by costs related to the implementation of a new operating model in technical services business. Cleaning business developed favourably due to new customer accounts in the third quarter.
- In Environmental Services, strong demand in retail and industrial segments as well as in renewable energy sources compensated for the impact of municipalisation on net sales.
- During the remainder of the year, we will focus on establishing the new operating model in Facility Services Finland and improving the division's profitability.



Q3 2019

NET SALES



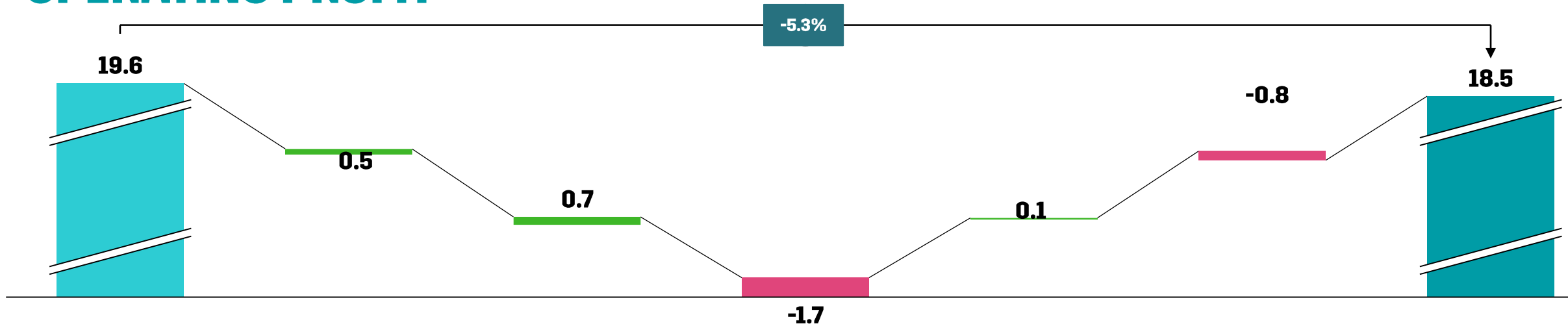
EUR million	Q3/19	Q3/18	Change%	1-9/19	1-9/18	Change%	2018
Environmental Services	75.0	74.7	0.4	231.5	229.1	1.0	309.4
Industrial Services	27.7	25.9	6.9	72.8	71.3	2.2	96.5
Facility Services Finland	59.0	65.9	-10.5	189.8	203.2	-6.6	269.6
Facility Services Sweden	30.5	31.6	-3.7	96.0	97.4	-1.4	134.0
L&T Group	190.5	196.3	-3.0	585.4	595.7	-1.7	802.2

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



Q3 2019

OPERATING PROFIT



Group 7-9/18 **Environmental Services** **Industrial Services** **Facility Services Finland** **Facility Services Sweden** **Other** **Group 7-9/19**

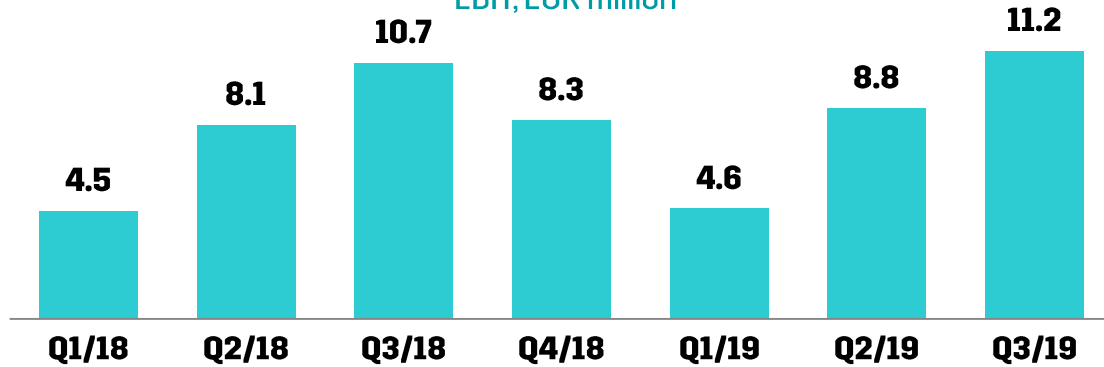
EUR million	Q3/19	Q3/18	Change%	1-9/19	1-9/18	Change%	2018
Environmental Services	11.2	10.7	4.6	24.6	23.3	5.5	31.6
Industrial Services	4.4	3.7	17.7	8.0	7.4	8.6	10.0
Facility Services Finland	2.8	4.4	-37.5	-2.7	5.2	-152.3	5.2
Facility Services Sweden	1.4	1.3	8.2	2.9	2.6	9.3	4.2
Gain on sale (L&T Korjausrakentaminen Oy)	-	-	-	5.1	-	-	-
L&T Group	18.5	19.6	-5.3	36.1	35.9	0.5	47.6



OPERATING PROFIT BY DIVISION

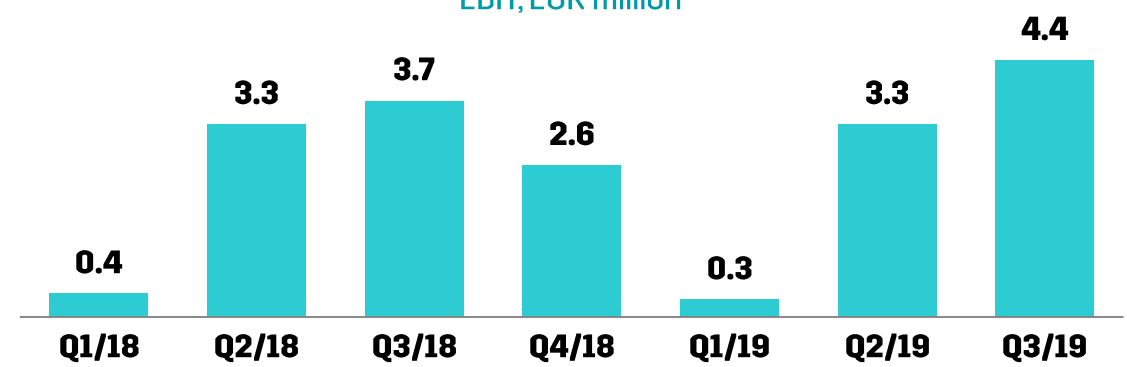
ENVIRONMENTAL SERVICES

EBIT, EUR million



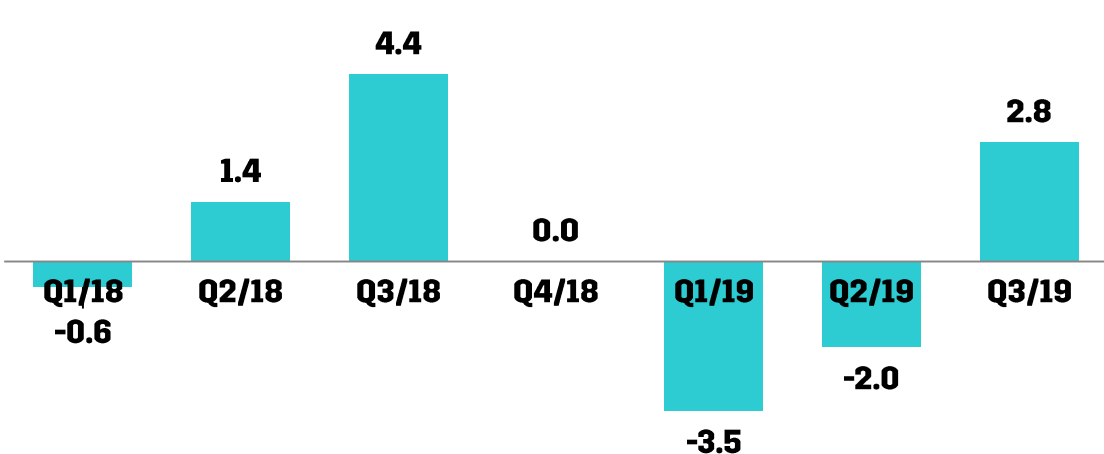
INDUSTRIAL SERVICES

EBIT, EUR million



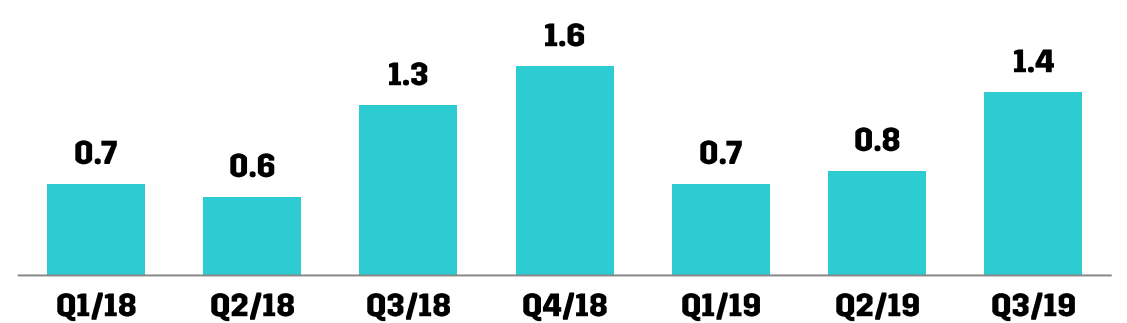
FACILITY SERVICES FINLAND

EBIT, EUR million



FACILITY SERVICES SWEDEN

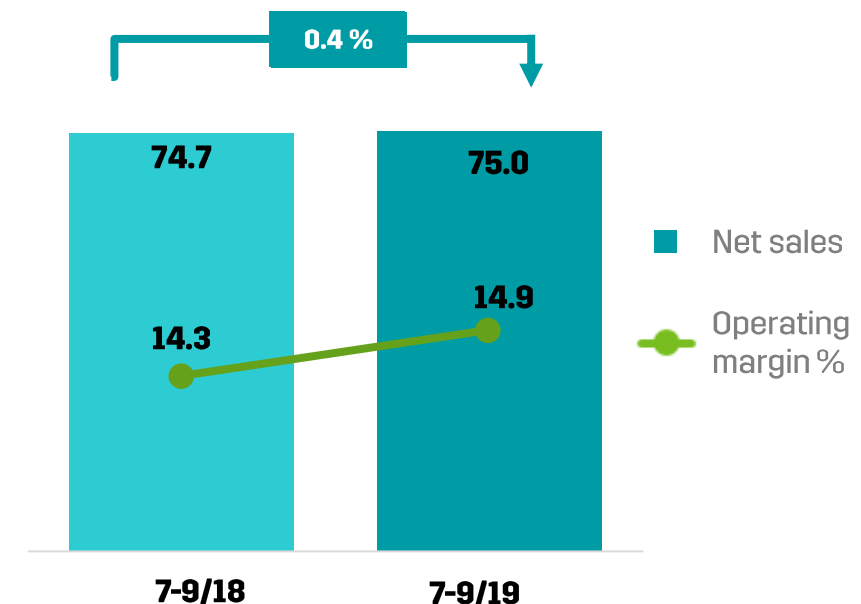
EBIT, EUR million



ENVIRONMENTAL SERVICES

- Measures taken to improve the efficiency of production had a positive impact on operating profit. Demand for new circular economy services and renewable energy sources was at a good level in the third quarter.
- Strong demand in the retail and industrial segments as well as renewable energy sources compensated for the impact of municipalisation on net sales. Operating profit increased due to the improved efficiency of operations in January-September.

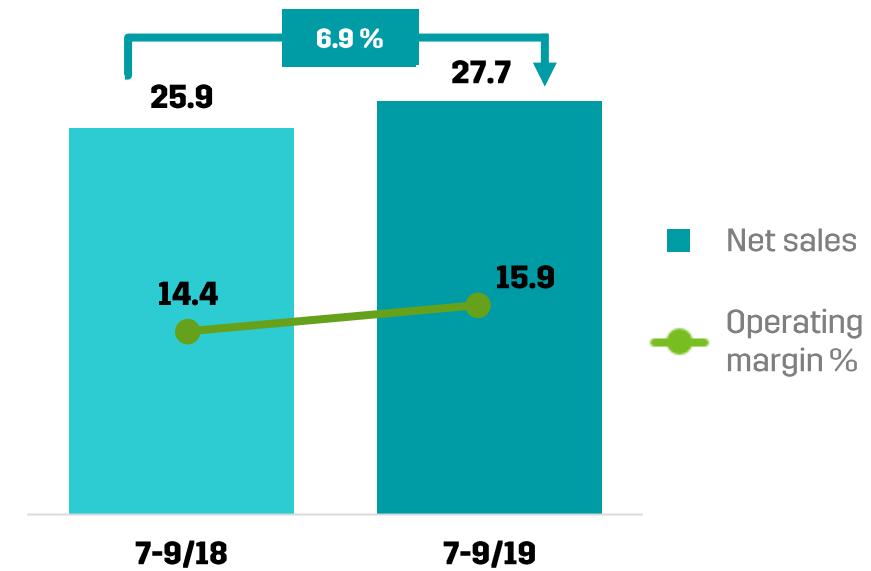
EUR million	Q3/19	Q3/18	Change %	1-9/19	1-9/18	Change %	2018
Net sales	75.0	74.7	0.4	231.5	229.1	1.0	309.4
EBITDA	17.6	15.8	11.1	43.4	38.6	12.2	52.1
Operating profit	11.2	10.7	4.6	24.6	23.3	5.5	31.6
Operating margin, %	14.9	14.3		10.6	10.2		10.2



INDUSTRIAL SERVICES

- ◆ Demand was at a good level and the third quarter was strong particularly with respect to industrial sites and the project business.
- ◆ The slowing down of the construction sector was compensated by new customer accounts in industrial sites and the project business in January-September.

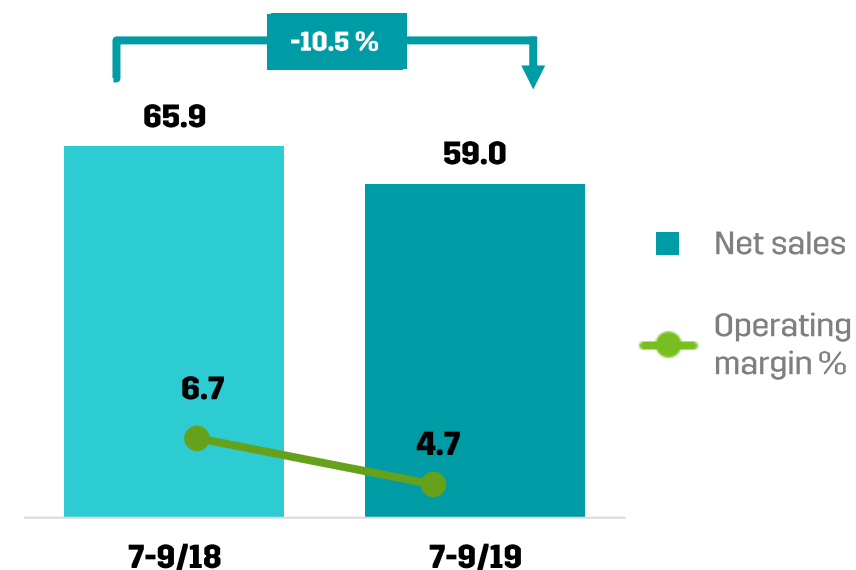
EUR million	Q3/19	Q3/18	Change %	1-9/19	1-9/18	Change %	2018
Net sales	27.7	25.9	6.9	72.8	71.3	2.2	96.5
EBITDA	6.6	5.6	19.1	14.8	12.9	14.6	17.5
Operating profit	4.4	3.7	17.7	8.0	7.4	8.6	10.0
Operating margin, %	15.9	14.4		11.0	10.4		10.4



FACILITY SERVICES FINLAND

- In the third quarter, the operating profit declined year-on-year due to the smaller contract portfolio in property maintenance and the costs related to the implementation of a new operating model in technical services. The cleaning business developed favourably thanks to new customer accounts.
- The operating profit being substantially lower in January-September was mainly due to costs related to the implementation of the new operating model in technical services and the contract portfolio of property maintenance being lower than in the comparison period.

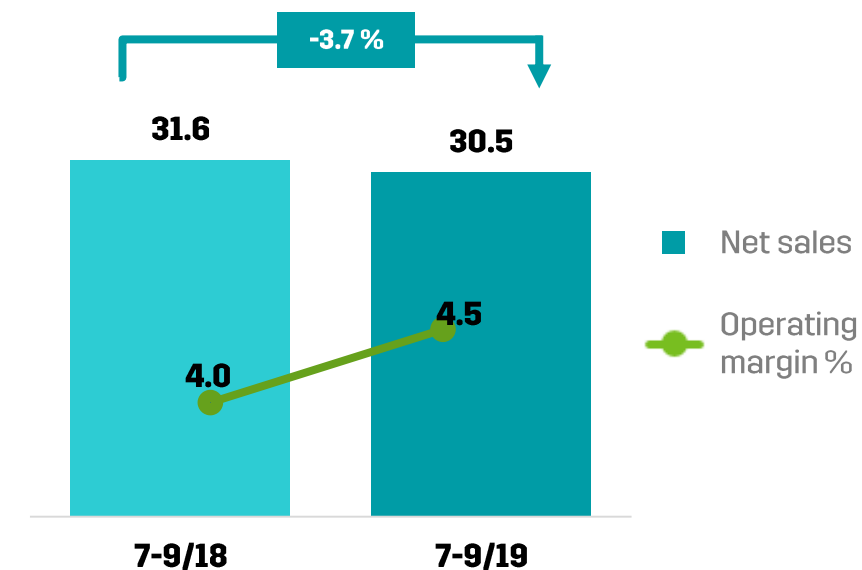
EUR million	Q3/19	Q3/18	Change %	1-9/19	1-9/18	Change %	2018
Net sales	59.0	65.9	-10.5	189.8	203.2	-6.6	269.6
EBITDA	6.1	7.4	-17.4	7.6	14.2	-46.5	17.2
Operating profit	2.8	4.4	-37.5	-2.7	5.2	-152.3	5.2
Operating margin, %	4.7	6.7		-1.4	2.6		1.9



FACILITY SERVICES SWEDEN

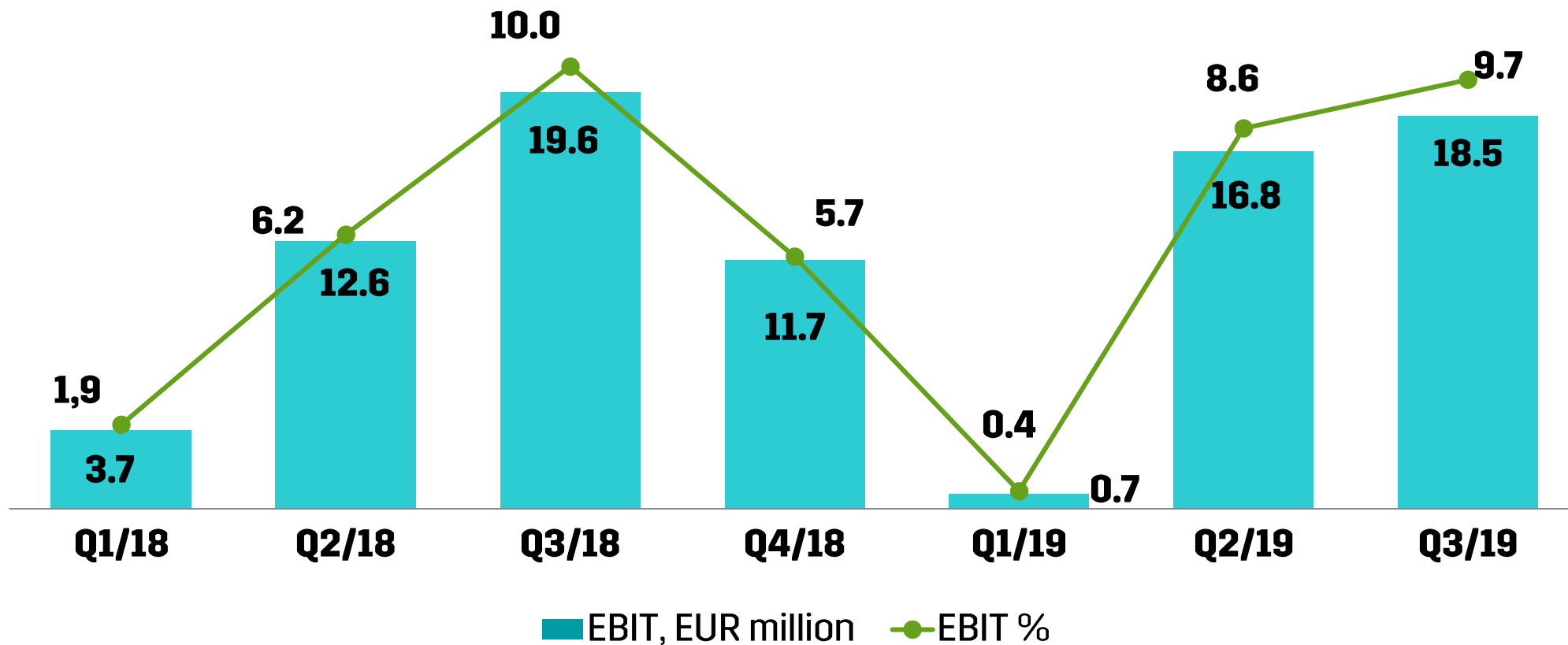
- The demand for technical services remained strong in the municipal and hospital sectors as well as in the commercial segment, but the competition has become more intense. The measures taken to improve the efficiency of production had a positive impact on operating profit in the third quarter.
- The demand for technical services increased in Sweden, but sales growth was slowed by problems related to the availability of labour. The profitability of cleaning business improved towards the end of the period.

EUR million	Q3/19	Q3/18	Change %	1-9/19	1-9/18	Change %	2018
Net sales	30.5	31.6	-3.7	96.0	97.4	-1.4	134.0
EBITDA	2.7	1.9	43.1	7.1	4.5	57.2	6.8
Operating profit	1.4	1.3	8.2	2.9	2.6	9.3	4.2
Operating margin, %	4.5	4.0		3.0	2.7		3.1



OPERATING PROFIT

The sale of L&T Korjausrakentaminen Oy had an EUR 5.1 million impact on the Group's operating profit in January-September.

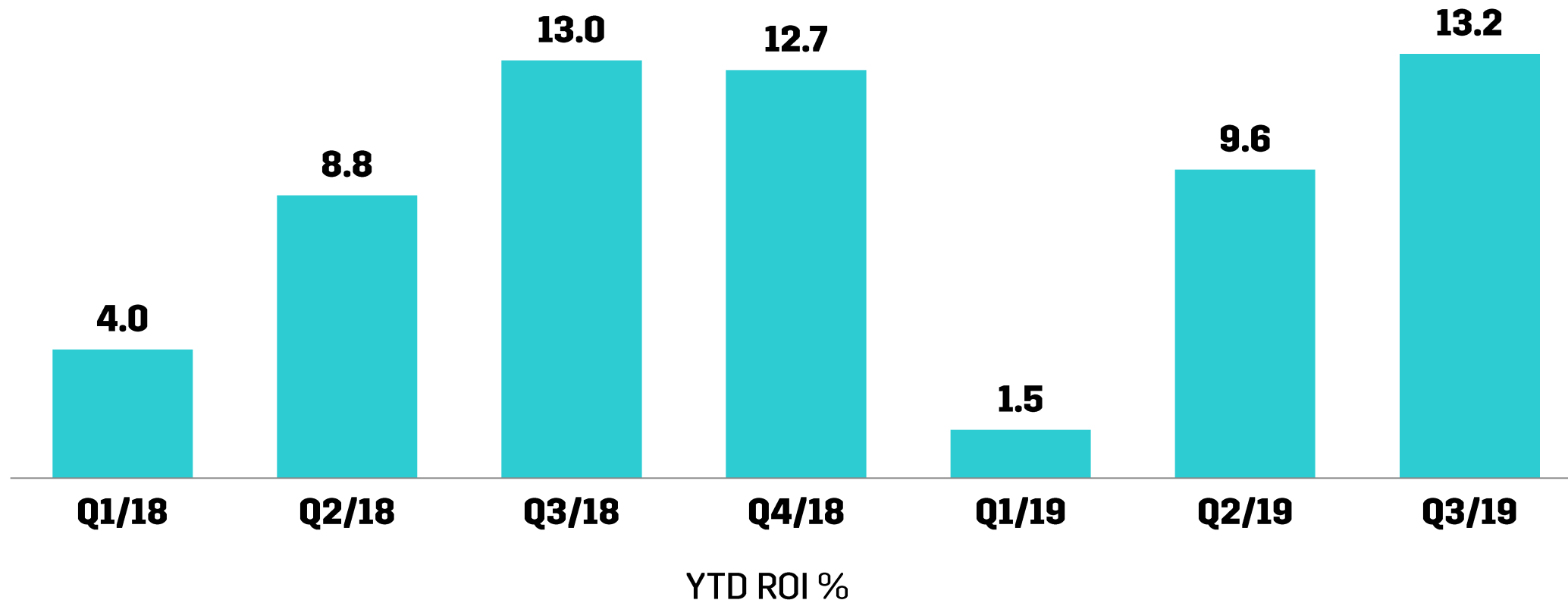


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RETURN ON INVESTMENT



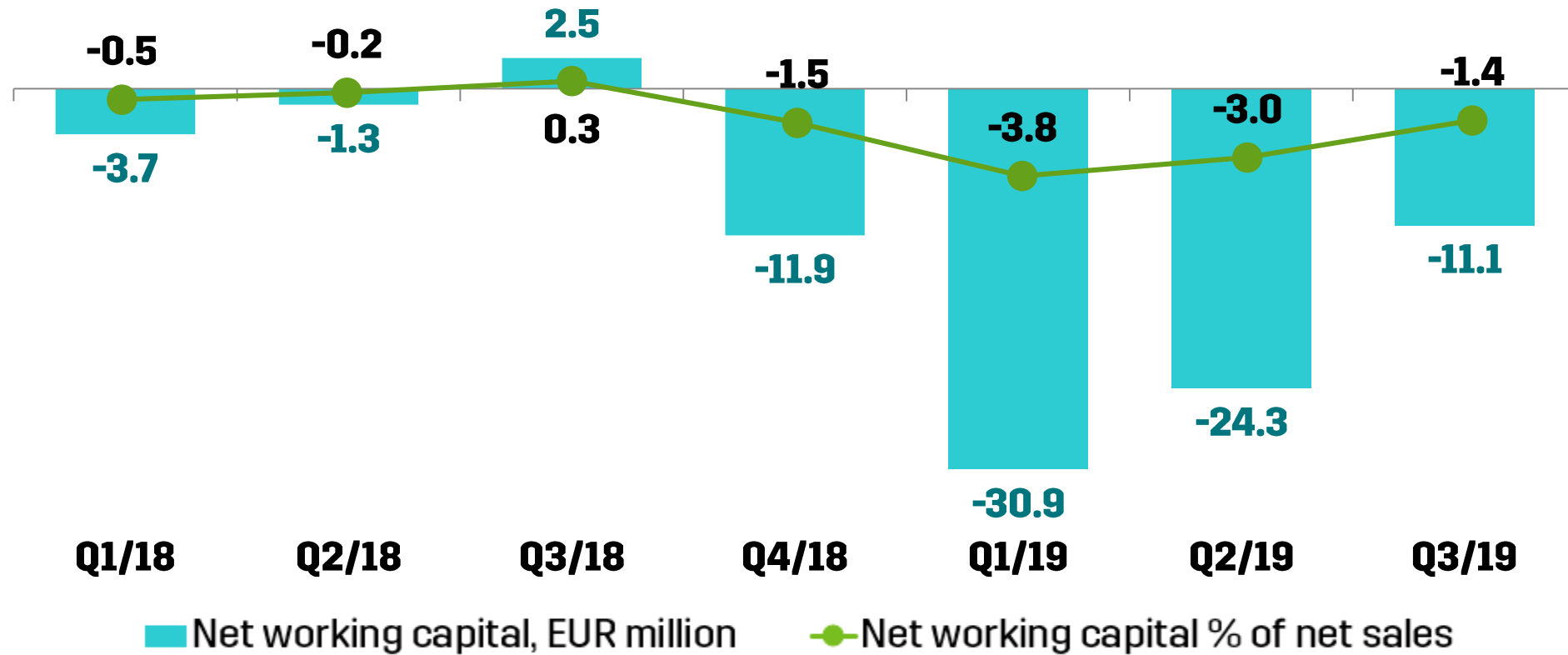
The return on investment increased in the second quarter year-on-year due to the sale of L&T Korjausrakentaminen Oy (EUR 5.9 million). IFRS 16 increased opening balance sheet debt by EUR 53.9 million.



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NET WORKING CAPITAL

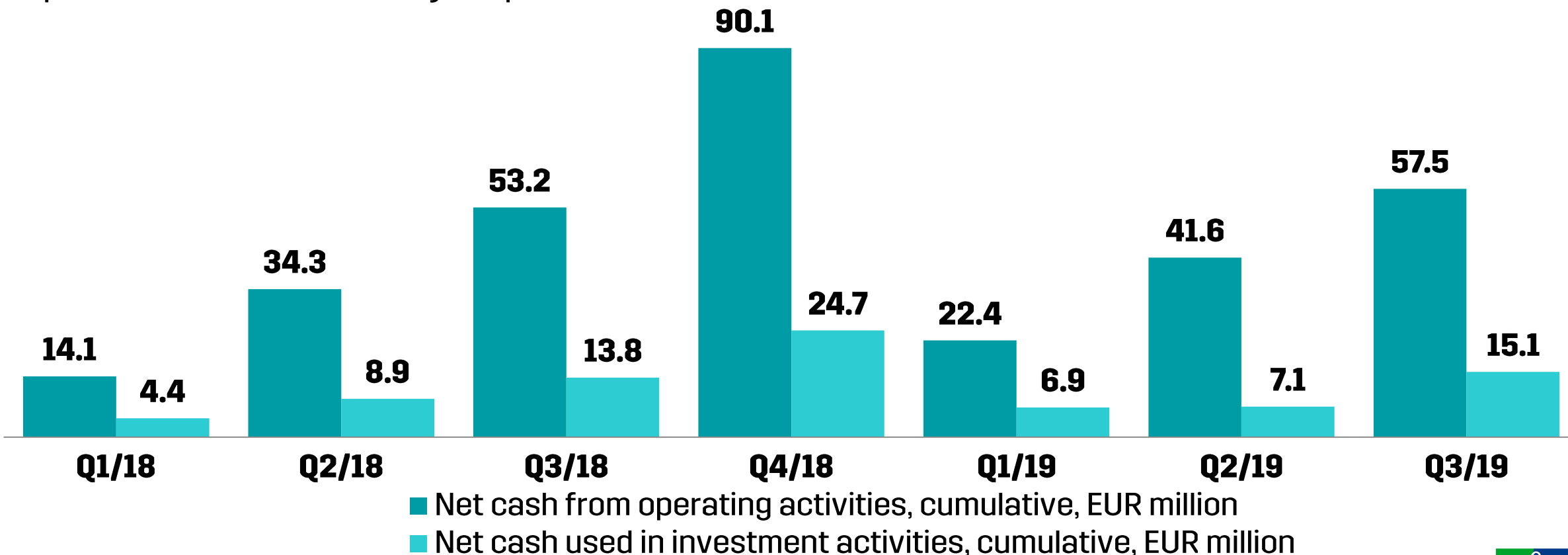
Measures for improving the efficiency of working capital management were started in the beginning of year 2018.



CASH FLOW AND INVESTMENTS



Net cash flow from operating activities has improved year-on-year. IFRS 16 had EUR 9.1 million positive impact to operative cash flow in January - September.

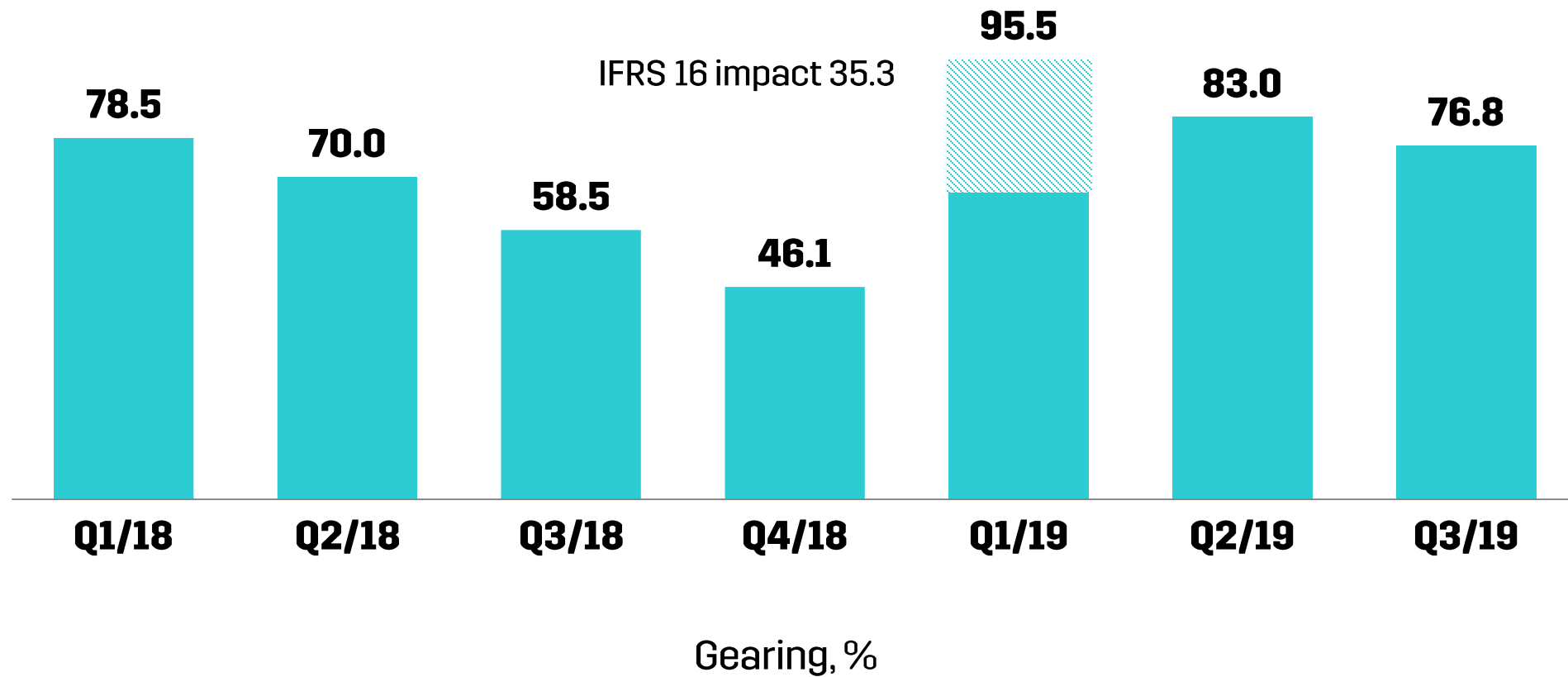


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GEARING



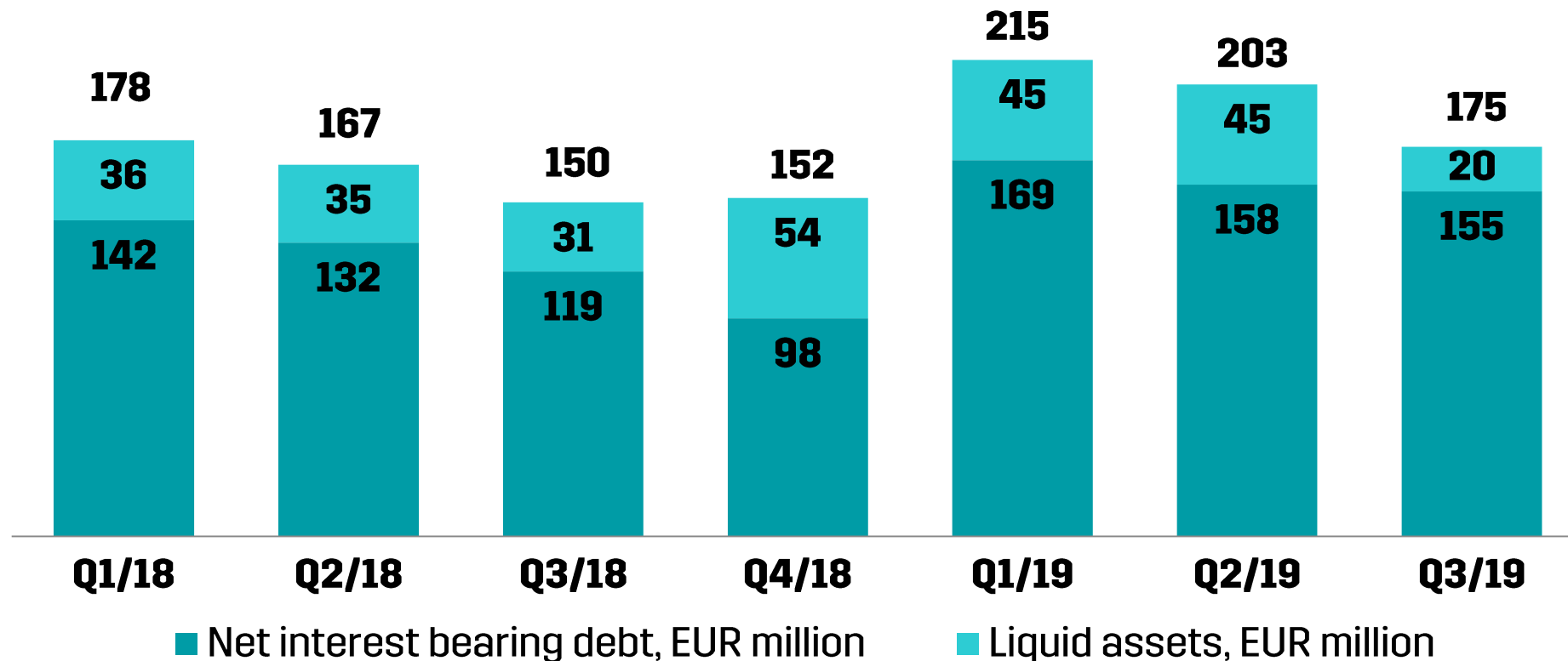
Gearing % increased from the comparison period mainly due to IFRS 16.



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INTEREST BEARING DEBT

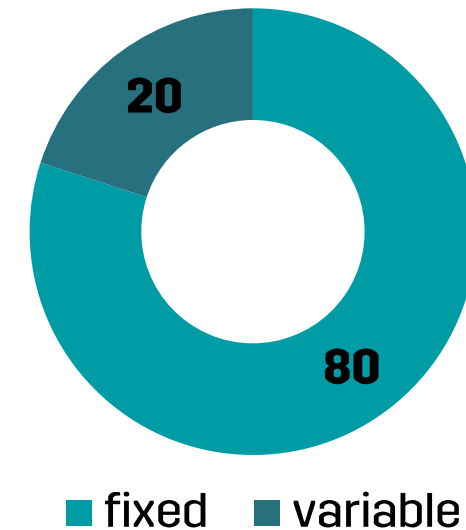
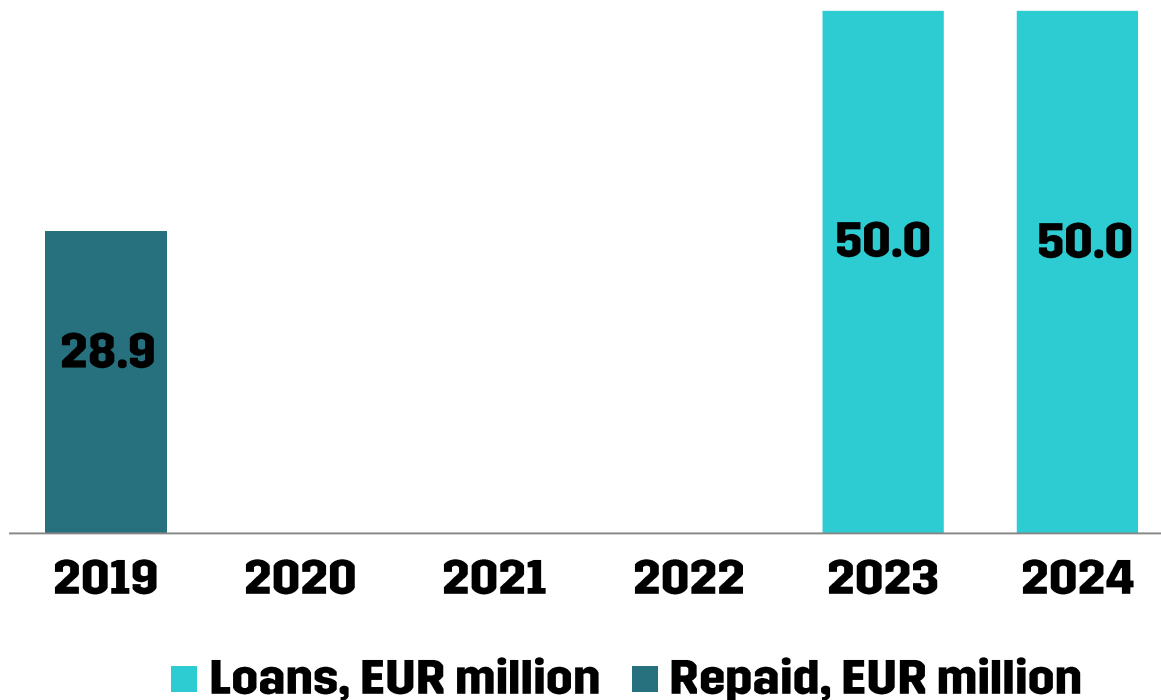
Net interest-bearing debt increased mainly due to IFRS 16 adoption. The change increased balance sheet debt by EUR 53.8 million from 1 January 2019.



Q3 2019

MATURITY STRUCTURE OF LOANS

Repaid loans totalled EUR 28.9 million on Q3 2019. EUR 25 million of the repaid amount was originally due on 2020. Loans do not include commercial papers.



Weighted average of effective interest rate 1.3 %



Q3 2019

OUTLOOK FOR THE YEAR 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.

CONTACTS



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Q3 2019

KEY FIGURES

NET SALES



Environmental Services **39%**
 Facility Services Finland **32%**
 Facility Services Sweden **16%**
 Industrial Services **12%**

	Q3/19	Q3/18	Change %	1-9/19	1-9/18	Change %	2018
Net sales, EUR million	190.5	196.3	-3.0	585.4	595.7	-1.7	802.2
EBITDA	32.1	30.1	6.8	77.0	67.7	13.8	90.1
Operating profit, EUR million	18.5	19.6	-5.3	36.1	35.9	0.5	47.6
Operating margin, %	9.7	10.0		6.2	6.0		5.9
EVA, EUR million	12.1	13.8	-12.4	17.3	18.0	-4.0	24.0
Earnings per share, EUR	0.36	0.37	-2.9	0.74	0.66	12.1	0.89

Q3 2019

KEY FIGURES

	Q3/19	Q3/18	Change %	1-9/19	1-9/18	Change %	2018
Capital expenditure, EUR million	11.5	6.2	85.9	33.2	21.6	54.1	37.8
Depreciation, amortisation and impairment, EUR million	13.6	10.5	29.3	40.9*	31.8	28.8	42.5
Net cash from operating activities, EUR million				57.5	53.2	8.1	90.1
Return on equity (ROE), %				18.3	16.1		15.9
Return on investment (ROI), %				13.2	13.0		12.7
Equity ratio, %				36.3	38.5		38.6
Gearing, %				76.8	58.5		46.1
Total number of employees at the end of the period				8,414	8,467		8,600

*IFRS 16 impact EUR 12.2 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

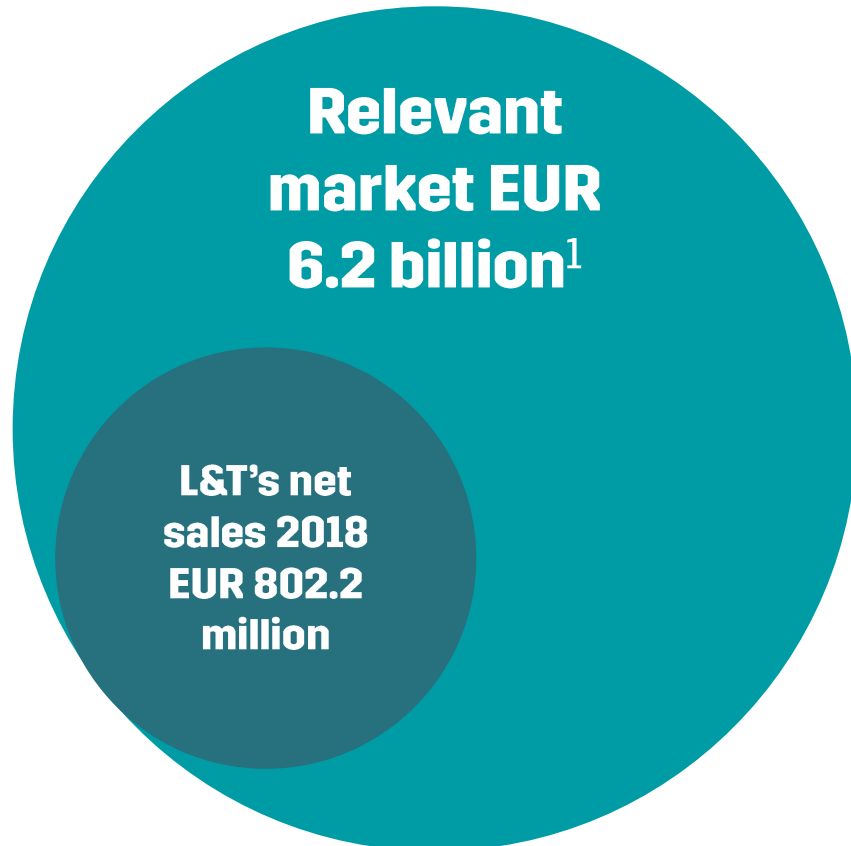
32 000

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.

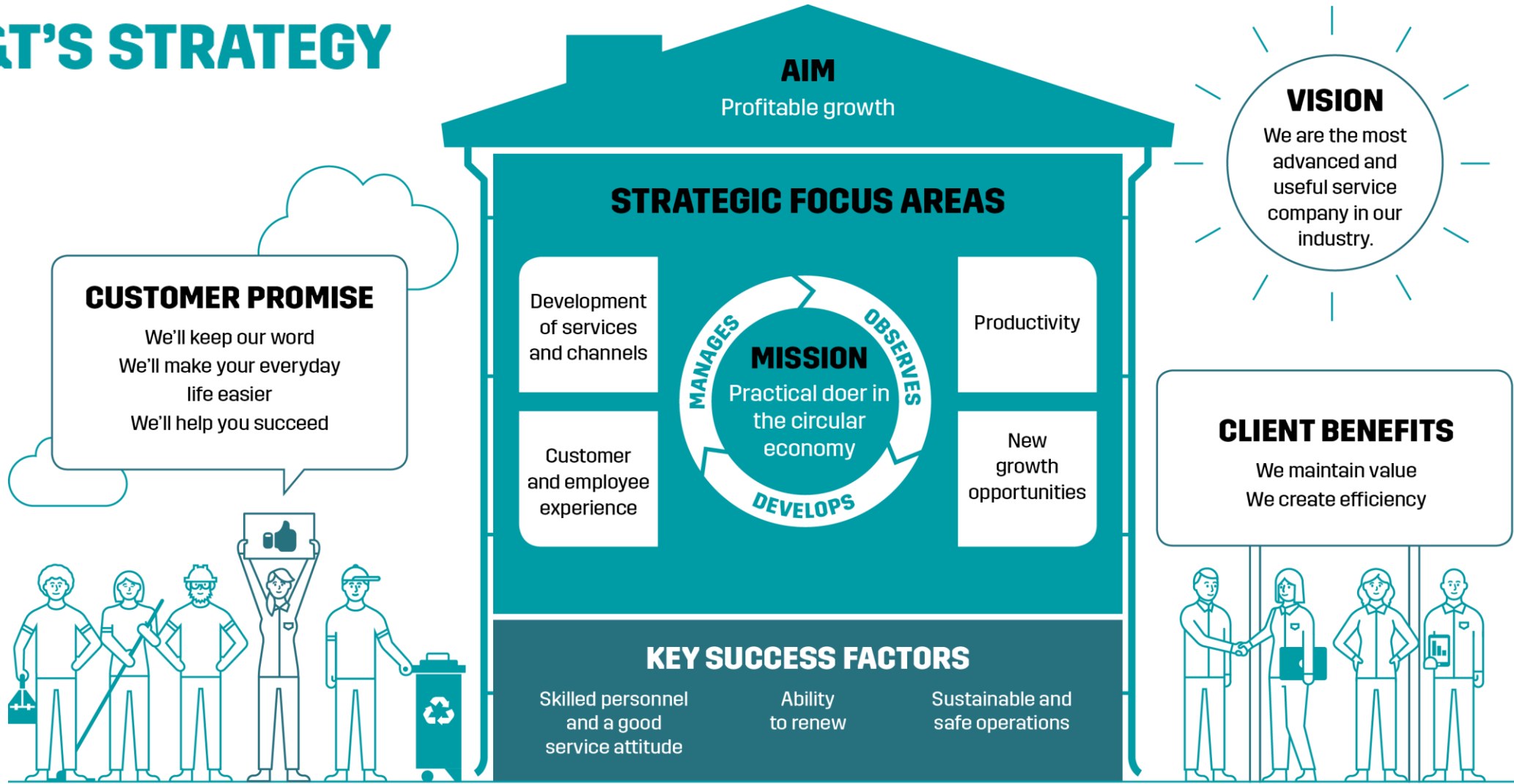
Amount of recyclable fibers diminishes, but also new e-business opportunities emerge throughout the businesses.

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.

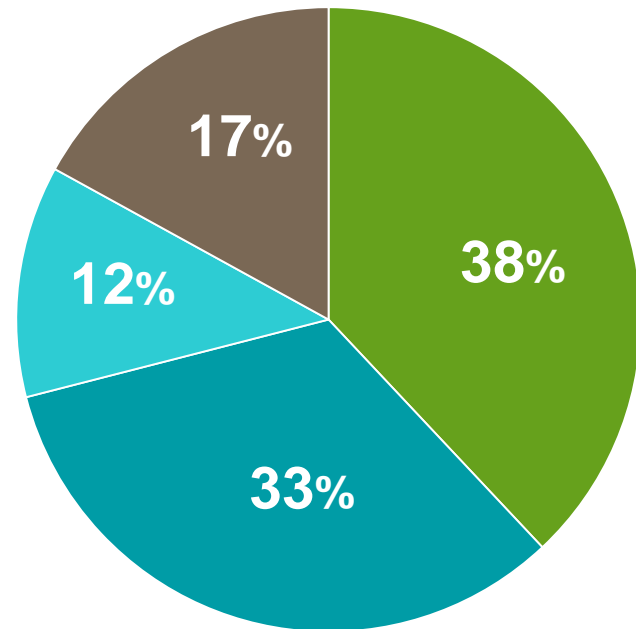
VALUE FOR SHAREHOLDERS

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

BUSINESS SEGMENTS

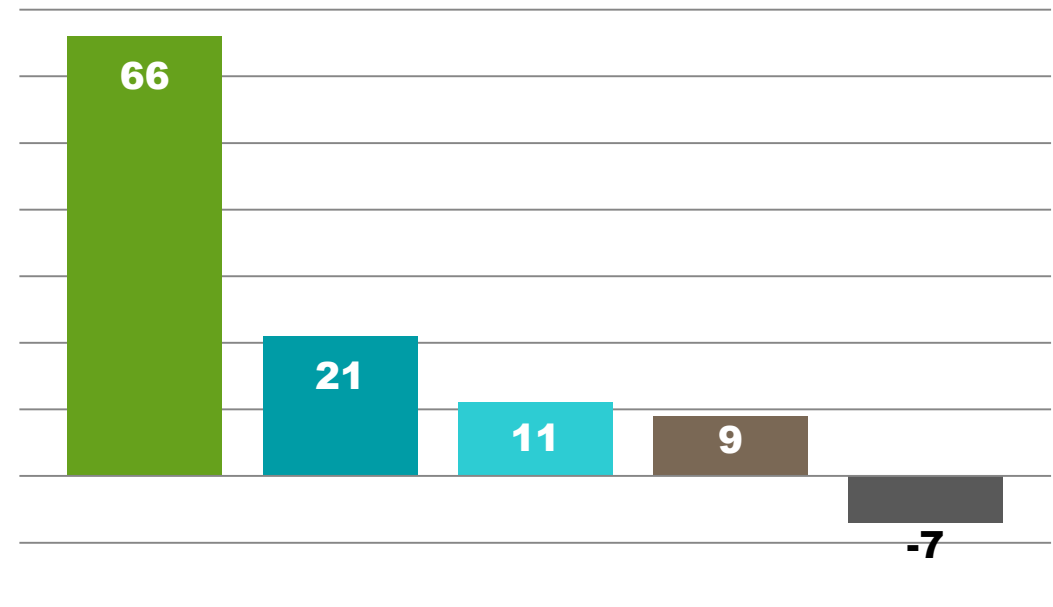
NET SALES AND OPERATING PROFIT BY DIVISION 2018

Net sales



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

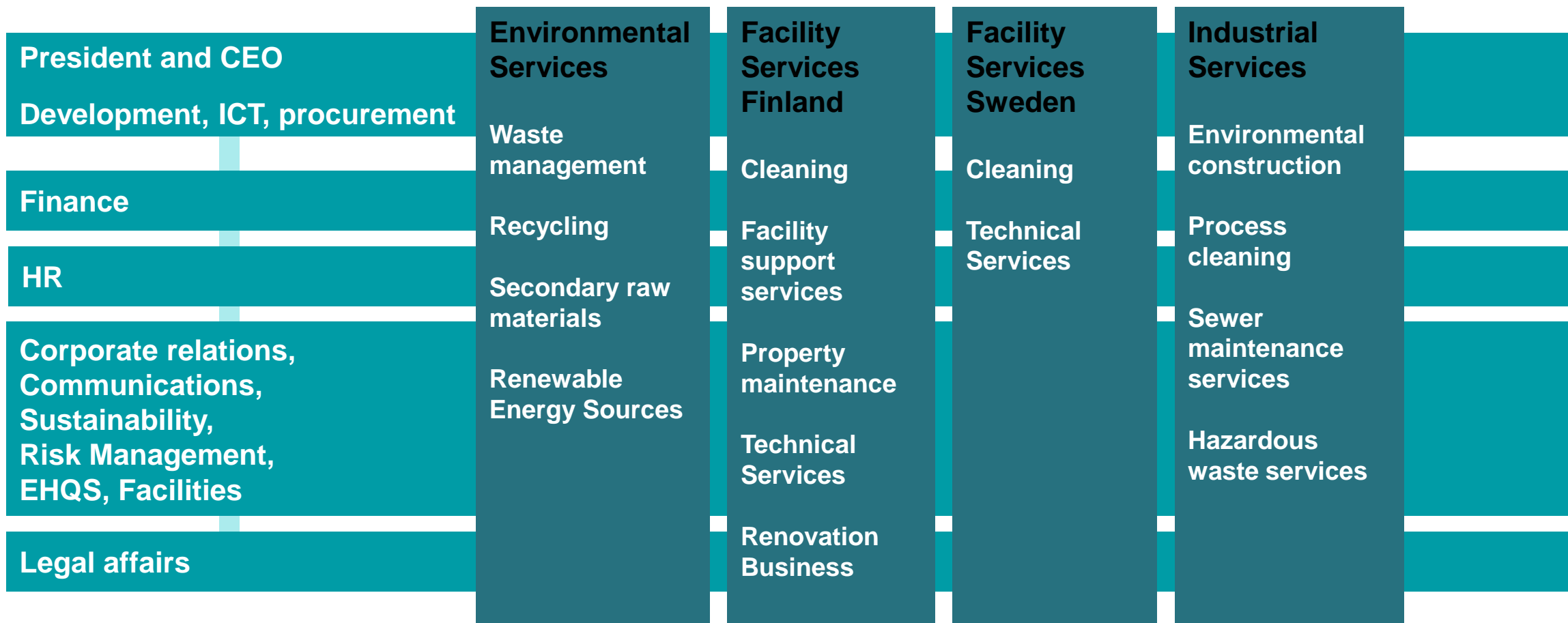
Operating profit, % of Group total



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



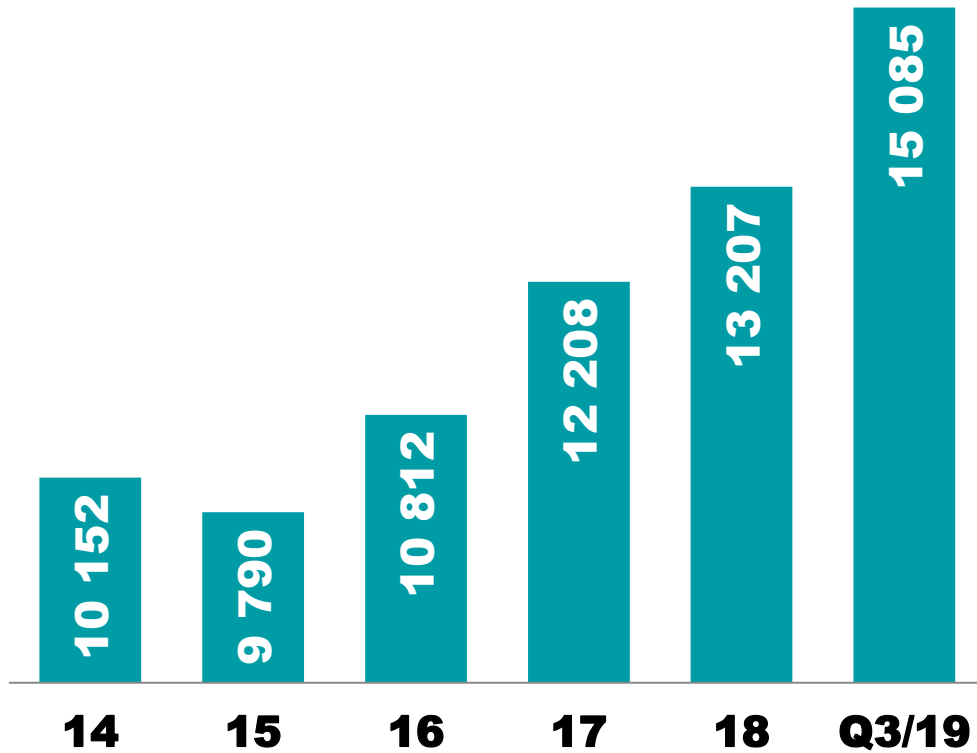
L&T'S ORGANISATION 2019



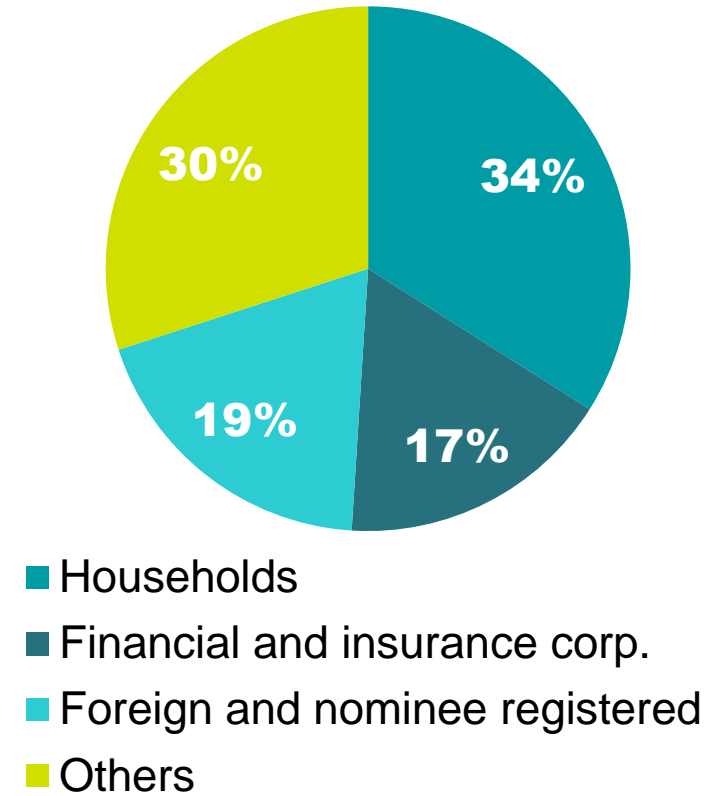
SHAREHOLDERS

SHAREHOLDER STRUCTURE

Number of shareholders



Shareholder structure



MAJOR SHAREHOLDERS AT 30 SEPTEMBER 2019

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2,413,584	6.22
Mandatum Life Insurance Company Limited	2,367,684	6.10
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	7,109,310	18.32
Number of shares	38,798,874	100.00
Number of shareholders	15,085	

According to Kaboutar 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**