

LASSILA & TIKANOJA

Interim Report Q1 2017

Pekka Ojanpää, President and CEO
27 April 2017



HIGHLIGHTS OF Q1/2017

- ◆ Net sales EUR 161.9 million (EUR 160.7 m) 0.8% (yoy)
 - ◆ Net sales grew in Environmental Services and Industrial Services
 - ◆ Net sales decreased in Facility Services and Renewable Energy Sources
- ◆ Operating profit EUR 5.1 million (EUR 6.8 m)
 - ◆ Operating profit improved in Environmental Services and Industrial Services
 - ◆ Profitability of Facility Services and Renewable Energy Sources declined year-on-year

KEY FIGURES

	Q1/17	Q1/16	Change%	2016
Net sales, EUR million	161.9	160.7	0.8	661.8
Operating profit, EUR million	5.1	6.8	-24.5	50.5
Operating margin, %	3.2	4.2		7.6
Profit before tax, EUR million	5.2	6.9	-24.0	50.1
Earnings per share, EUR	0.11	0.14	-24.0	1.13
EVA, EUR million	0.1	1.8	-95.2	30.7

KEY FIGURES

	Q1/17	Q1/16	Change%	2016
Capital expenditure, EUR million	10.2	7.9	29.8	41.6
Depreciation, amortisation and impairment, EUR million	9.9	9.9	0.0	38.8
Net cash from operating activities, EUR million	6.8	-18.9	136.0	76.4
Return on equity (ROE), %	8.0	11.0		20.0
Return on invested capital (ROI), %	7.8	9.4		17.4
Equity ratio, %	42.3	40.0		50.4
Gearing, %	37.8	52.4		17.3
Total number of employees at the end of the period	7,959	8,034		7,931

OPERATING PROFIT

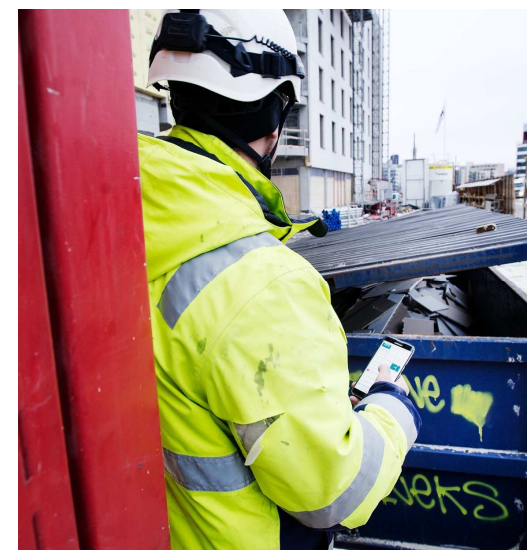
EUR million	Q1/17	Q1/16	Change%	2016
Environmental Services	5.9	5.4	9.5	31.3
Industrial Services	-0.2	-0.3	35.2	7.8
Facility Services	-0.3	1.2	-122.8	13.5
Renewable Energy Sources	0.3	0.7	-55.2	1.5
L&T Group	5.1	6.8	-24.5	50.5

FINANCIAL TARGETS

Key figure	Target 2020	Actual Q1/17	Actual Q1/16	Actual 2016
Growth, %	5	0.8	2.1	2.4
Return on investment (ROI), %	20	7.8	9.4	17.4
EBIT, %	9	3.2	4.2	7.6
Gearing, %	0–70	37.8	52.4	17.3

ENVIRONMENTAL SERVICES

- Net sales grew 1.7% organically and amounted to EUR 62.9 million (EUR 61.8 million).
- Operating profit was EUR 5.9 million (EUR 5.4 million). Operating profit was boosted by improvements in production efficiency and growth in net sales.



EUR million	Q1/17	Q1/16	Change%	2016
Net sales	62.9	61.8	1.7	264.8
Operating profit	5.9	5.4	9.5	31.3
Operating margin, %	9.4	8.8		11.8

INDUSTRIAL SERVICES

- Net sales increased by 12.2% to EUR 17.9 million. Net sales grew in all service lines, particularly in environmental construction and hazardous waste management.
- Operating profit was EUR -0.2 million (EUR -0.3 million). Operating loss was reduced by improved profitability of hazardous waste management. Profitability of process cleaning business remained at the comparison period's level. Profitability declined in sewer maintenance and environmental construction.



EUR million	Q1/17	Q1/16	Change%	2016
Net sales	17.9	15.9	12.2	82.1
Operating profit	-0.2	-0.3	35.2	7.8
Operating margin, %	-1.1	-2.0		9.5

FACILITY SERVICES

- Net sales were down by 1.1% to EUR 71.4 million. Net sales grew in renovation services but declined in cleaning, property maintenance and maintenance of technical systems.
- Operating profit was EUR -0.3 million (EUR 1.2 million). Operating profit of cleaning services grew due to previously implemented efficiency improvement measures. Operating profit of division's other service lines declined. Decline in profitability was mainly caused by weak profit performance of renovation business.
- Deployment of a new ERP system also affected negatively to the result of property maintenance.




EUR million	Q1/17	Q1/16	Change%	2016
Net sales	71.4	72.2	-1.1	288.3
Operating profit	-0.3	1.2	-122.8	13.5
Operating margin, %	-0.4	1.6		4.7

RENEWABLE ENERGY SOURCES

- Net sales decreased by 5.3% to EUR 12.1 million.
- Operating profit was EUR 0.3 million (EUR 0.7 million).
- Decline in division's net sales and operating profit was mainly caused by weak demand for forest energy and low price of competing fuels.

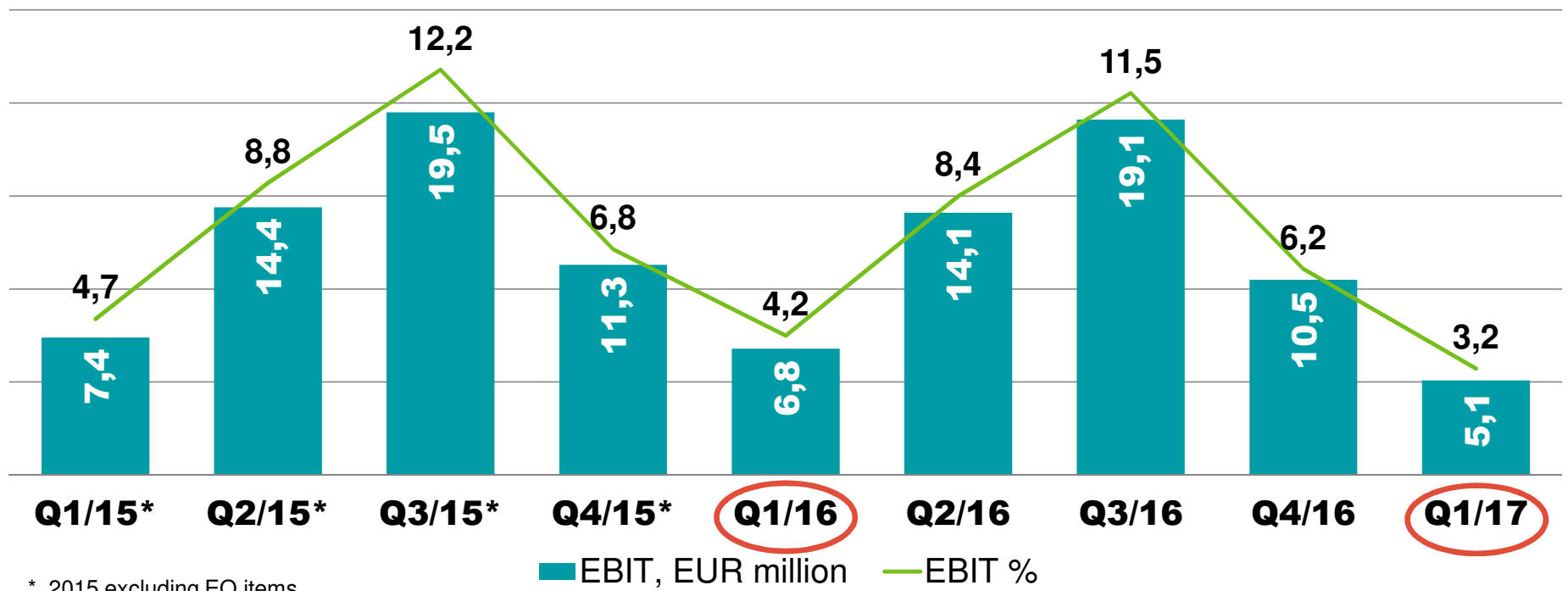


EUR million	Q1/17	Q1/16	Change%	2016
Net sales	12.1	12.8	-5.3	36.8
Operating profit	0.3	0.7	-55.2	1.5
Operating margin, %	2.4	5.1		4.1

A photograph of five workers in high-visibility yellow and blue safety gear and white hard hats standing in a warehouse. They are surrounded by tall stacks of wooden pallets. A forklift is visible on the left. The workers are smiling and looking towards the camera. The text is overlaid on the bottom left of the image.

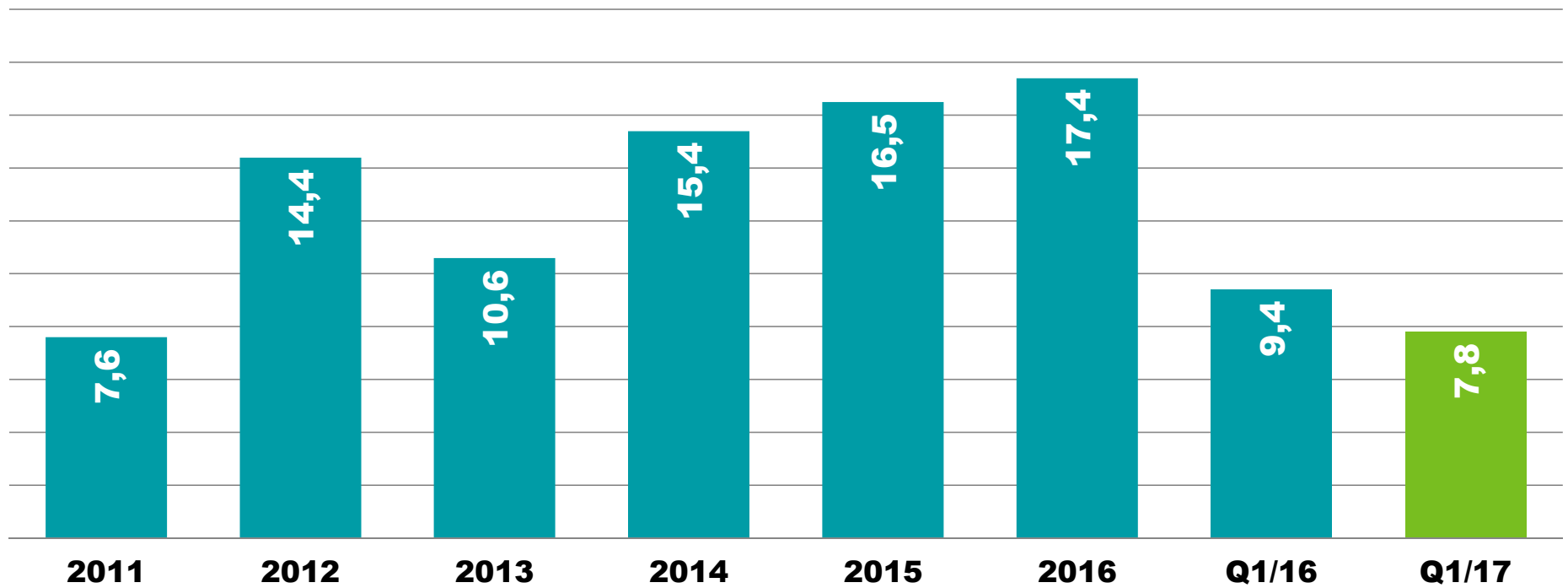
We continue to focus on strengthening our market position and ensuring profitability and strong cash flow through development of our business operations and by business acquisitions.

OPERATING PROFIT

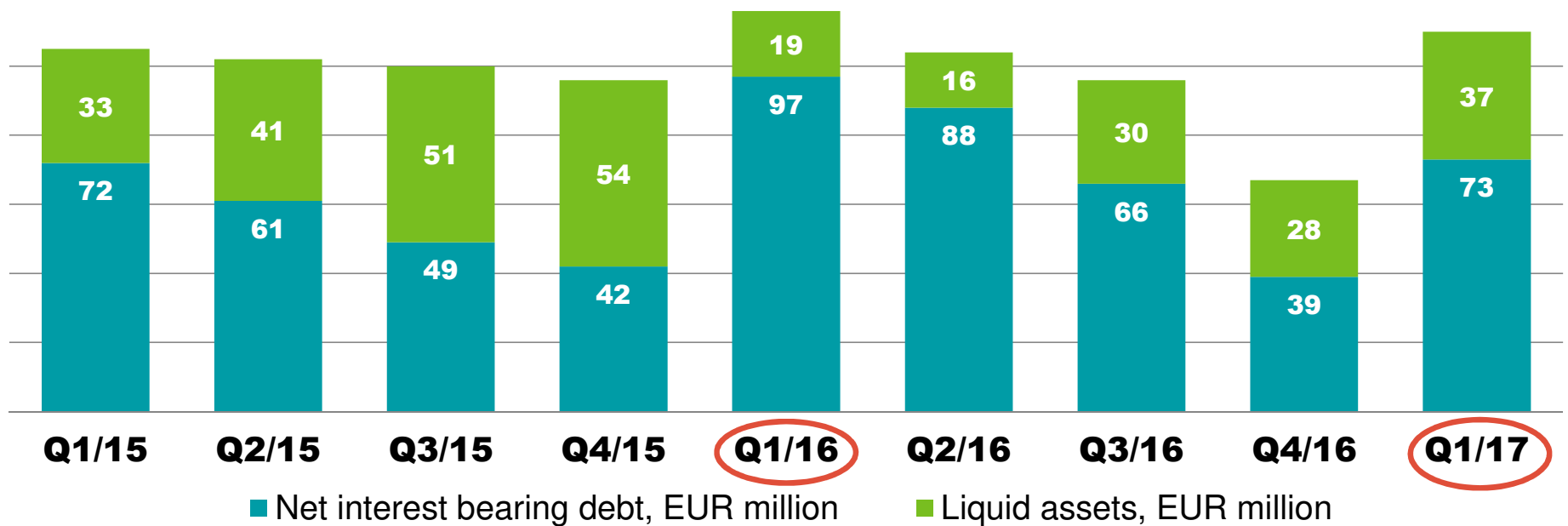


RETURN ON INVESTMENT

STRATEGIC TARGET 20%

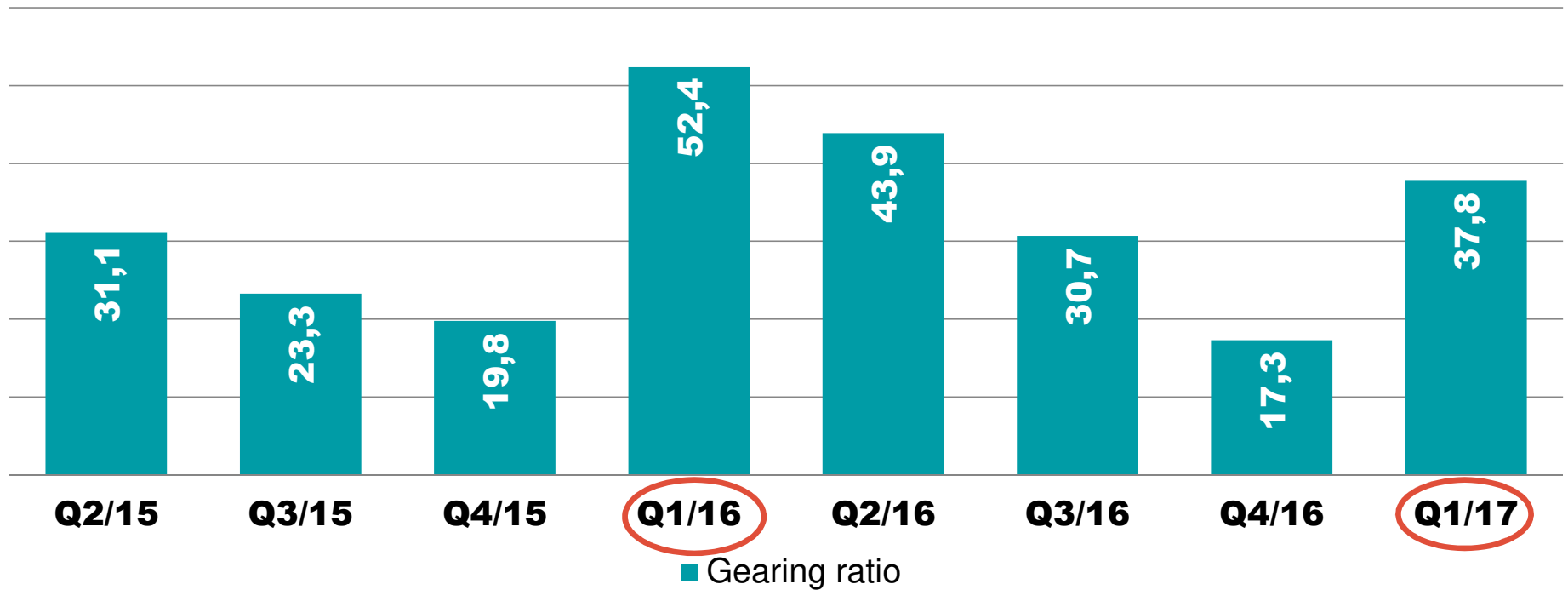


INTEREST BEARING DEBT

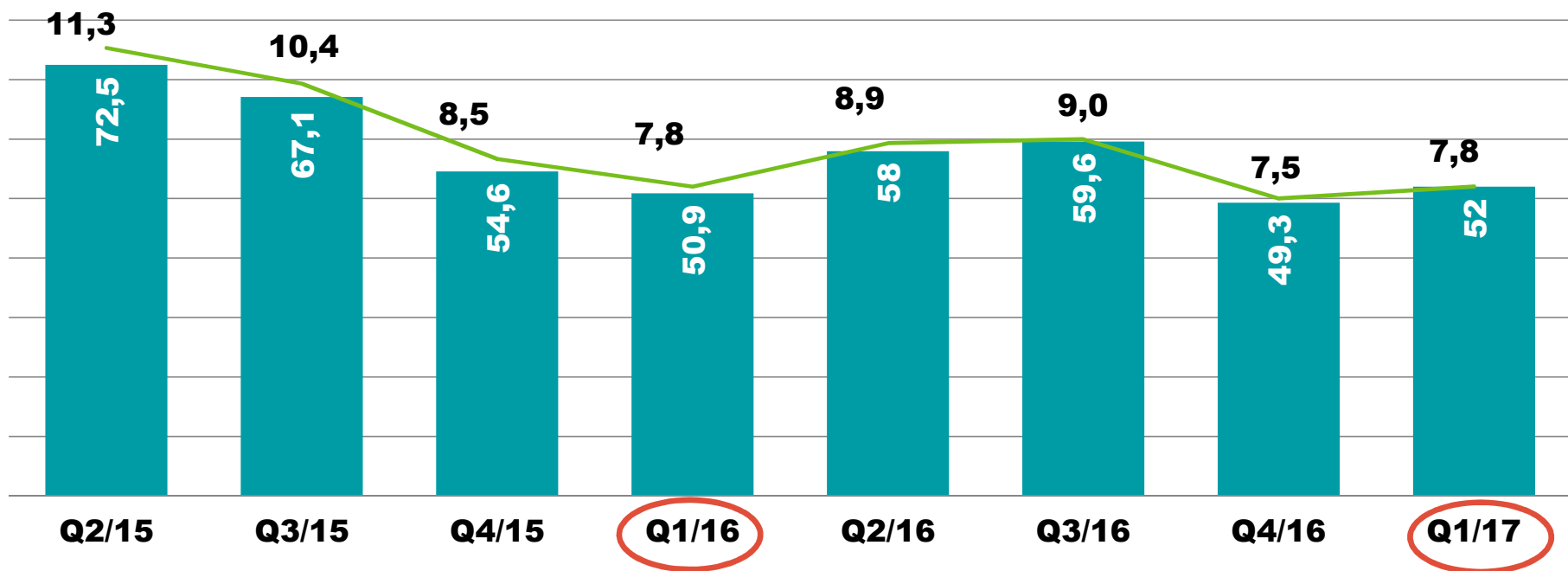


GEARING

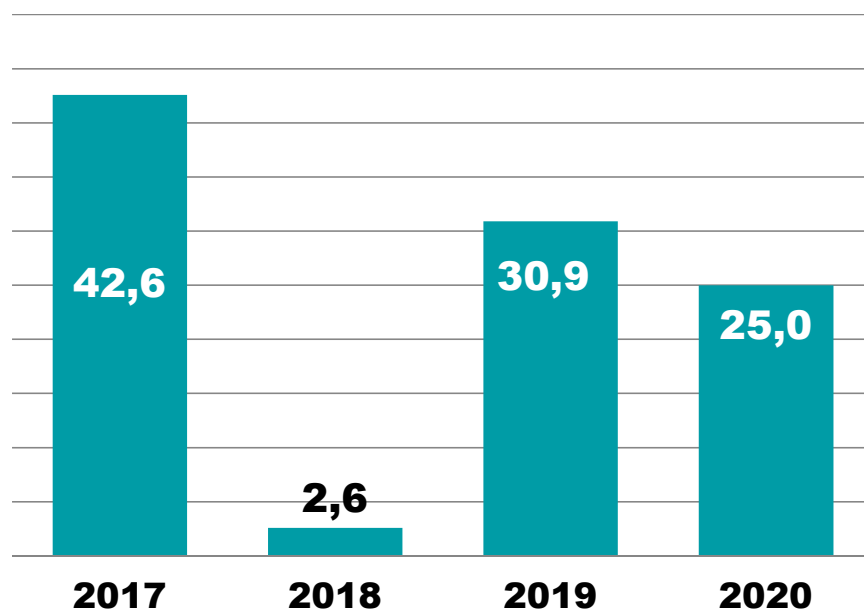
STRATEGIC TARGET 0–70%



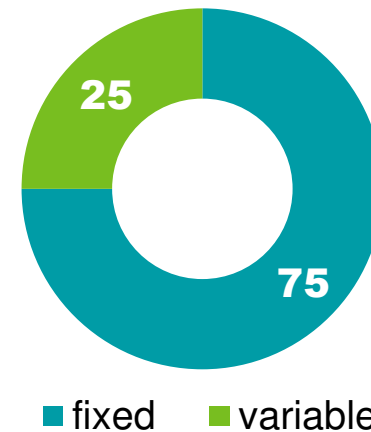
NET WORKING CAPITAL



MATURITY STRUCTURE OF LOANS

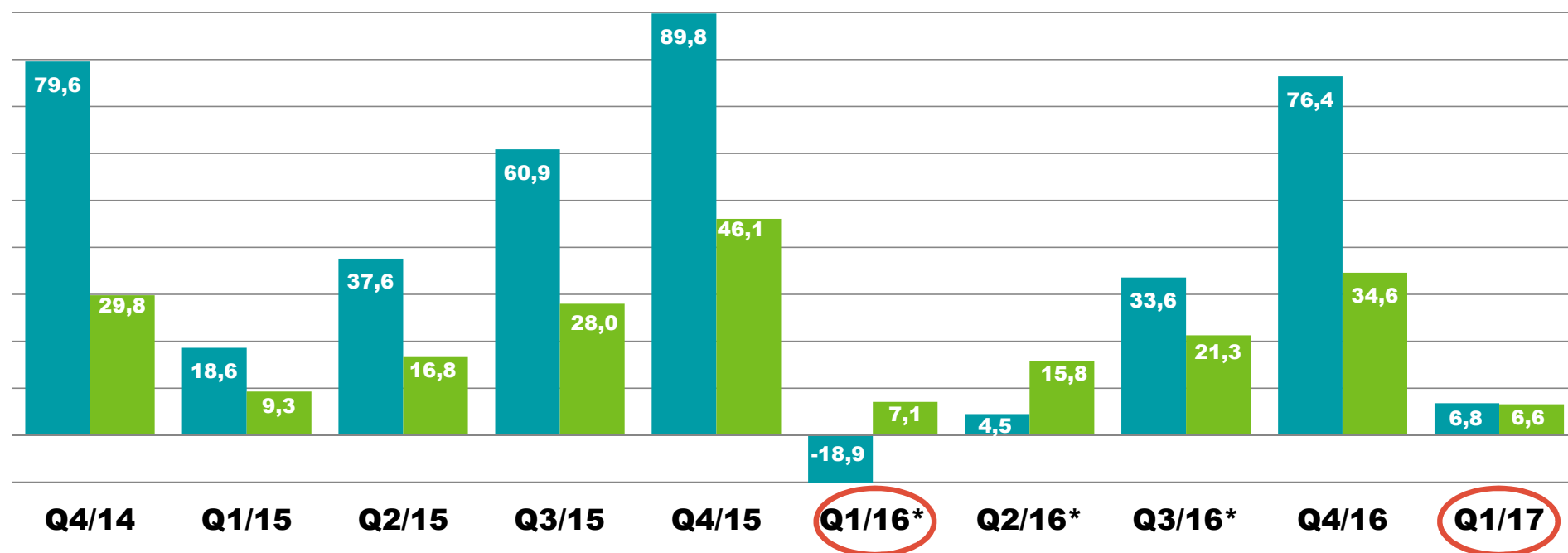


■ Loans, EUR million ■ Repaid, EUR million



Weighted average of effective interest rate 1.1%

CASH FLOW AND INVESTMENTS



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

* Includes EUR 52 million in advance payments of employment pension contributions



OUTLOOK FOR THE YEAR 2017

Full-year net sales and operating profit in 2017 are expected to remain at the 2016 level.

This estimate was included in the Financial Statements Release for 2016 released on 1 February 2017.

CONTACT INFORMATION



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L&T IN BRIEF

L&T YEAR 2016

NET SALES BY DIVISION



FACILITY SERVICES 43%
Cleaning and support services, property maintenance, maintenance of technical systems and renovation business

ENVIRONMENTAL SERVICES 39%
Waste management, recycling services and environmental management

INDUSTRIAL SERVICES 12%
Process cleaning, environmental construction, sewer maintenance and hazardous waste management

RENEWABLE ENERGY SOURCES 6%
Forest services

WE HAVE ABOUT

50 000 business and public sector customers plus about

170 000 household customers in Finland.

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

74%

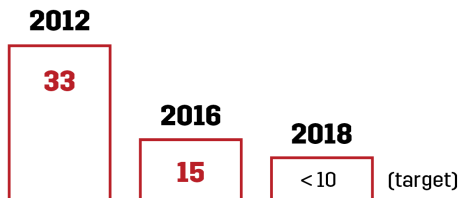
of our personnel would recommend L&T as a workplace.



Customer satisfaction improved from the previous year.

WE PAID MORE THAN 140 MILLION IN TAXES

or tax-like payments. It is about as much as the Finnish government's soft drink tax return.

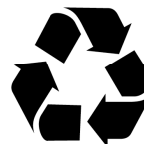


WE HAVE HALVED OUR ACCIDENT FREQUENCY IN FINLAND IN 4 YEARS.

RECYCLING RATE

54%

This is significantly higher than the average recycling rate in Finland, which is 41%.



RECOVERY RATE

94%

Only 6% of the waste managed by L&T ended up in end treatment.



IN 2016, WE EMPLOYED APPROXIMATELY

8,000

PEOPLE IN FINLAND, SWEDEN AND RUSSIA.

SICKNESS -RELATED ABSENCE RATE IN FINLAND

4.8%

A year earlier it was still 5.2.

OUR AVERAGE RETIREMENT AGE IN FINLAND IS

63.8

YEARS

It is significantly higher than the Finnish average.

OPERATING ENVIRONMENT

L&T'S RELEVANT MARKET OFFERS ROOM FOR GROWTH AND STRENGTHENING OF MARKET POSITION

Market size and development



- ◆ The market is large and offers room for growth as the economy stabilises
- ◆ The relevant market is growing at a compound annual rate of ~2% during the strategy period
- ◆ Focus on strengthening market positions in businesses
- ◆ A healthy balance sheet enables investments and business acquisitions

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

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24



L&T HAS A STRONG MARKET POSITION RANKING IN THE TOP 3 IN ALL BUSINESSES

Market sizes and L&T's positions

	Relevant market size*	Annual market growth	L&T market position
Environmental Services	1.2 Billion €	1%	1–2
Industrial Services	0.4 Billion €	3%	1–3
Facility Services	3.4 Billion €	2%	2
Renewable Energy Sources	0.5 Billion €	5%	3–4

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25

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



OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

Changes in the operating environment

Description

National regulation tightens

Importance of services related to energy efficiency increases

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

Retail and media industries' business models are changing

New building construction decreases and switches to renovation in the short term

Industrial manufacturing is not growing, but outsourcing is increasing

Impact on L&T

Increase in producer responsibility for waste and the ban on the disposal of organic waste in landfills create opportunities in recycling

Demand for energy efficiency services grows, customers' purchasing criteria focus more on optimisation of total property maintenance costs

Conditions to develop new technology and waste management solutions improve

Amount of recyclable fibres diminishes, but e-commerce-related opportunities emerge

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

Decreases waste volumes, but brings opportunities in value-added solutions. Outsourcing potential is increasing especially in municipal sector

WE HAVE LONG TERM GROWTH POTENTIAL DESPITE OF THE ECONOMIC DOWN TURN IN SHORT TERM

Growth potential during strategy period

Division	Service line	Short term organic growth potential	Long term organic growth potential	Growth potential by acquisitions
Environmental Services	Recycling	+	++	Targeted acquisitions to support market position
	Waste management	+	+	
Facility Services	Property maintenance	+	++	
	Cleaning and support services	+	++	
	Maintenance of technical systems	+++	+++	
	Renovation services	+	+	
Industrial Services	Process cleaning	+	++	
	Environmental construction	++	++	
	Hazardous waste services	+	+	
	Sewer maintenance	+	++	
Renewable Energy Sources		++	++	

STRATEGY OVERVIEW

OUR VISION IS TO BE OUR CUSTOMERS' PREFERRED PARTNER

CIRCULAR AND BIOECONOMY

PROFITABLE GROWTH

CUSTOMER BENEFITS

MATERIAL EFFICIENCY



ENERGY EFFICIENCY



COST EFFICIENCY

STRATEGIC EMPHASES

Customer and employee experience | Workforce management | Efficient operating model

Customer orientation

KEY SUCCESS FACTORS

Cost efficiency

Skilled and sufficient personnel

Uniform and safe corporate culture

WORLD DIGITALISES

SIGNIFICANCE OF CORPORATE RESPONSIBILITY IS EMPHASISED



OUT-SOURCING INCREASES

RECYCLING AND ENERGY OBJECTIVES BECOME TIGHTER

CENTRAL RAW MATERIALS BECOME MORE EXPENSIVE

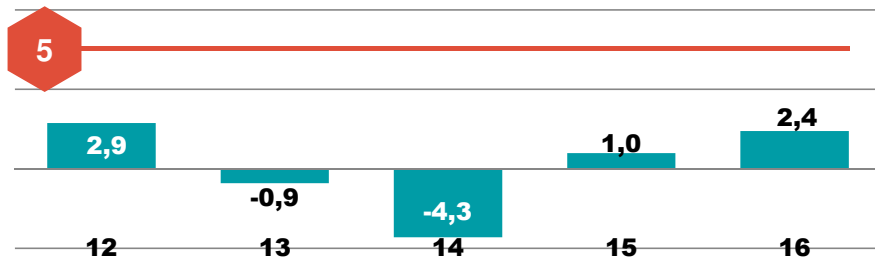
COMPETITIVENESS OF EUROPE AND FINLAND DECREASES

CLIMATE GETS WARMER

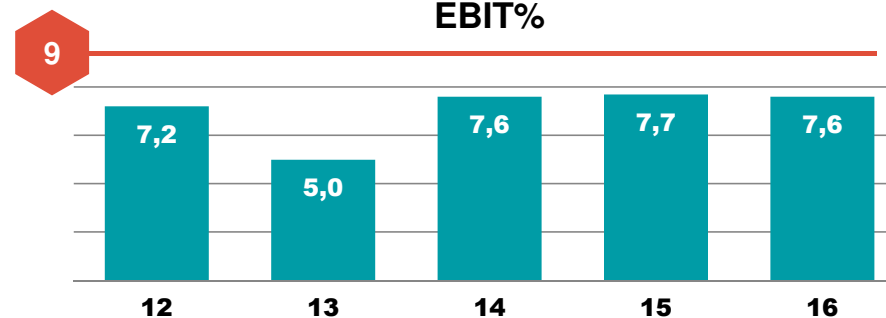


FINANCIAL TARGETS

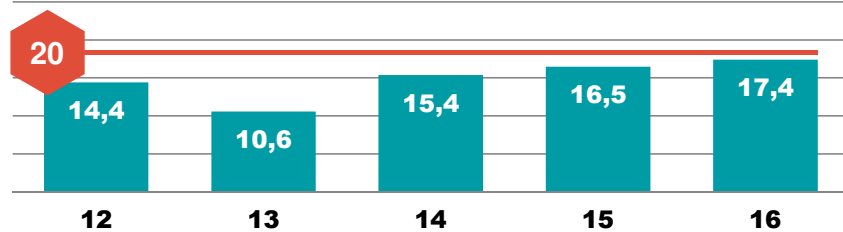
Growth, %



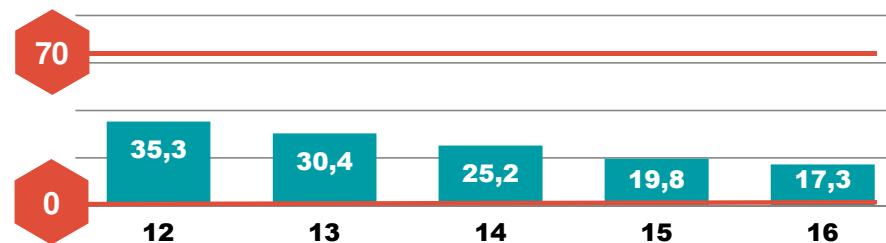
EBIT%



ROI, %



Gearing, %



L&T STRENGTHENS ITS MARKET POSITION WITH FOCUS PROFITABILITY AND CASH FLOW

Main phases of the strategy

2014-2015

Profitability and strength-ening of market position

Main actions:

- Business portfolio rationalisation
- Development of sales and customer management
- Workforce and equipment efficiency improvement
- Bolt on acquisitions in core businesses

2016-2017

Organic growth and acquisitions

Main actions:

- Bolt on acquisitions in core businesses
- Investments in business development
- Building competitive advantage and growth by service digitalisation and professional services

2020

Customers' preferred partner in our businesses

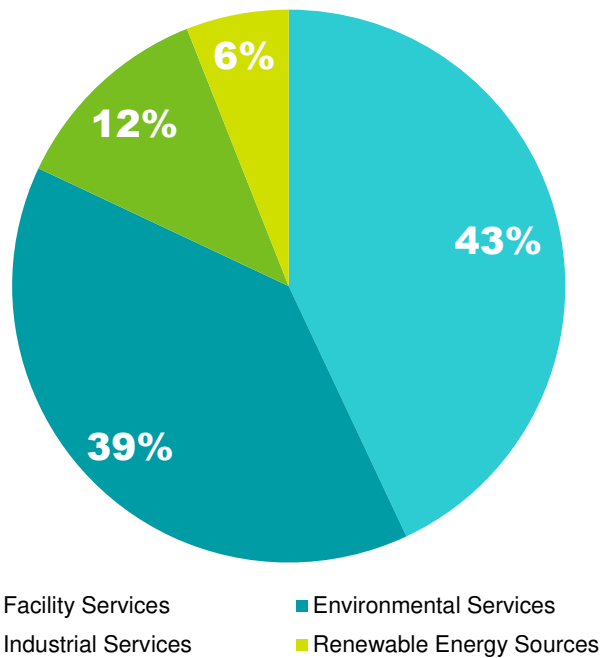
Strategic target:

- Recognized in improving customers' energy, material and cost efficiency
- The pioneer in work safety and the best employer in the industry
- Systematic management of reputation and responsible business
- Financial and operational resources enable continuous business expansion

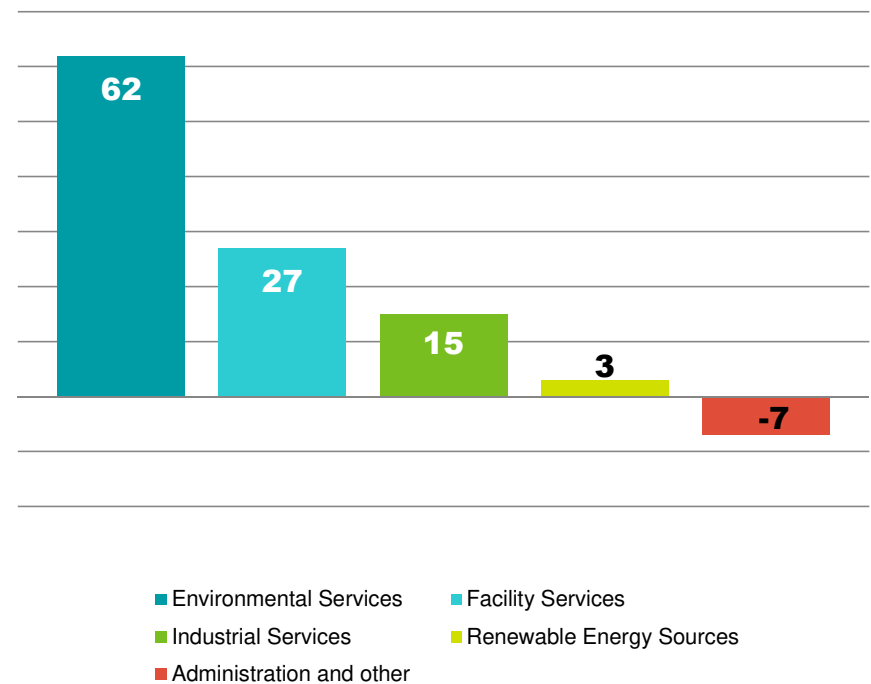
BUSINESS SEGMENTS

NET SALES AND OPERATING PROFIT BY DIVISION 2016

Net sales

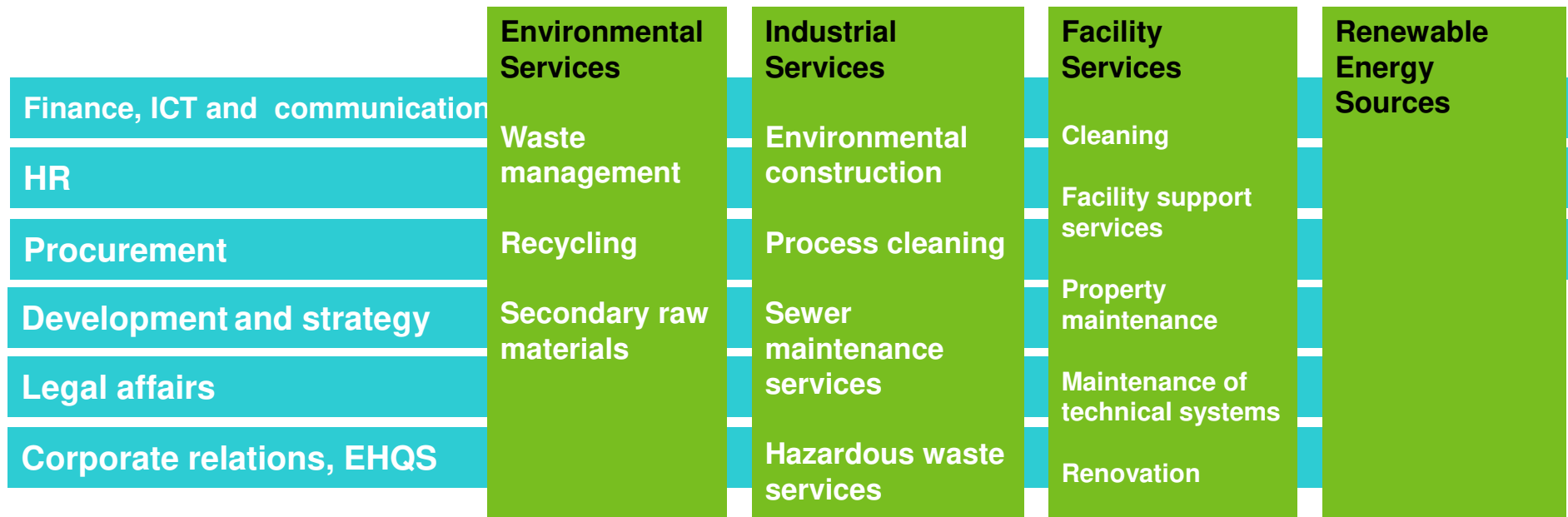


Operating profit, % of Group total



L&T'S ORGANISATION

President and CEO



CYCLICALITY OF L&T'S BUSINESS



ENVIRONMENTAL SERVICES



◆ SOCIETY & LEGISLATION

- Landfill disposal of organic waste banned as of 2016
- Packaging waste to be covered by producer responsibility
- Waste taxation amended to support recycling



◆ BUSINESS OPERATIONS

Environmental Management



◆ CUSTOMERS

- Companies
- Producer associations
- Households
- Public sector



Technical
collection
equipment

Maintenance
services

Collection
products

Collection
and
transport
services

Treatment
of recyclable
material and
waste

Secondary
raw material
sales and final
treatment
of waste

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
Environmental Services	1.2 Billion €	1%	1–2
Waste management		~ inflation	1
Recycling		> inflation	1–2 depending on material
Subcontracting for municipalities		~ inflation	1
Environmental products		~ inflation	1–2 depending on product

37

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



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

CHANGES IN LEGISLATION CREATE OPPORTUNITIES FOR DEVELOPING NEW BUSINESS

Changes in legislation

Description

Waste producer responsibility increases

Impact on L&T

- A packaging waste collection network, for instance, must be built in Finland, creating new business opportunities in the waste management market

The ban on the landfill disposal of organic waste

- Will come into force in 2016 and prohibit the disposal of waste containing organic material in a landfill
- This will bring a large amount of new waste to the recycling market, increasing demand for processing capacity

ENVIRONMENTAL SERVICES MAINTAINS HIGH PROFITABILITY AND STRENGTHENS ITS POSITION IN THE ENVIRONMENTAL SERVICES VALUE CHAIN

Main elements of the strategy

We expand our value chain

- We launch Environmental Management professional services
- We invest in the technical waste management equipment business

We grow within our current value chain

- We strengthen our position in current and new geographical areas in Finland
- We utilise the business opportunities brought about by stricter legislation

We focus on corporate, producer responsibility and household segments

- We increase our market share in the corporate sector by focusing on selected customer segments
- We grow by creating comprehensive solutions for producer responsibility organisations and digital services for household customers

We build competitive advantage by service development and operational efficiency

- We actively develop new services
- We develop operating model to improve operational efficiency

INDUSTRIAL SERVICES

• Maintenance

• Collection, treatment and final disposal

SEWER MAINTENANCE



HAZARDOUS WASTE SERVICES

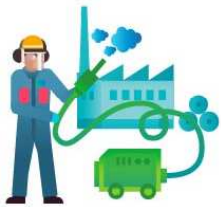


Collection and transport services

Treatment Intermediate storage

Final disposal Utilisation

PROCESS CLEANING



ENVIRONMENTAL CONSTRUCTION



No increase in industrial production

Landfill disposal of organic waste banned

Increased importance of environmental responsibility

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
Industrial Services	0.4 Billion €	3%	2
Industrial process cleaning		~ inflation	2
Sewer maintenance services		> inflation	3
Hazardous waste management		< inflation	2
Environmental construction		~ inflation	3

42

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



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 FOCUSES ON OPERATIONAL EFFICIENCY AND STRENGTHENING ITS MARKET POSITION

Main elements of the strategy

Effective and centralised operating model

Effective and centralised operating model, including nation-wide resource planning and management supported by ICT solutions

Effective sales and account management

Active and well planned sales efforts and account management combined with segment-oriented responsibilities and growth plans

Deep integration to selected accounts

Deep integration into selected clients' processes and operating models with a customer-oriented development view

Growth in industrial customer segment

Industrial customer segment growth in both current and new key accounts by expanding the range of services provided and securing new clients with customer segment specific planning

Capacity utilisation

Profitability improvement by more efficient capacity utilisation and systematic growth also in small / middle-sized clients by utilising possibilities provided by existing resources

FACILITY SERVICES

Increasing requirements of reporting and transparency with regard to energy, property and environmental matters

Customers expect cost efficient service packages

As customers focus on their core businesses, the service provider's responsibility for the outcome increases



Cleaning

Property maintenance

Maintenance of technical systems

Support services

Energy management

Facility planning, HVAC and construction, renovation business

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
Facility Services	3.4 Billion €	2%	2
Cleaning services		< inflation	2
Property maintenance		~ inflation	1
Renovation services		~ inflation	2
Maintenance of technical systems		> inflation	4

46

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



FACILITY SERVICES FOCUSES ON OPERATIONAL EFFICIENCY AND SEEKS PROFITABLE GROWTH IN SELECTED BUSINESSES

Main elements of the strategy

We improve our competitive advantage by developing our operating model

- We invest heavily in the development of our operating model
- We harmonise processes and develop workforce management to improve operational efficiency

We grow business with our current customers through service development

- We productise current services to improve operational efficiency and create added value with service packages
- We reduce customer relationship terminations through better customer relationship management

We invest in growth in the maintenance of technical systems

- We strengthen our service offering in our current operating locations
- We acquire special expertise through targeted business acquisitions, but do not pursue extensive acquisitions in the short term

We expand to professional services in the value chain

- We productise current expert know-how into professional services.
- We utilise professional services also as a sales channel for other Facility Services.

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

RENEWABLE ENERGY SOURCES

VISION

We will become the most competent and efficient operator in the field and double our net sales by 2020



Competent supply chain improves efficiency



New growth in biofuel deliveries to power plants



New business in operating power plants



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.

THE FOCUS OF THE CURRENT STRATEGY ON COST EFFICIENCY AND PROFITABILITY HAS YIELDED RESULTS

Main elements of the strategy

Clarifying the customer and product portfolio and improving the efficiency of procurement

Procurement will be geographically centralised and the product portfolio updated on the basis of demand. The focus will be on improving profitability.

Making the production chain more efficient

Improved production management will make production more cost-efficient and increase energy content. Production chains of forest energy will be optimised for each major client.

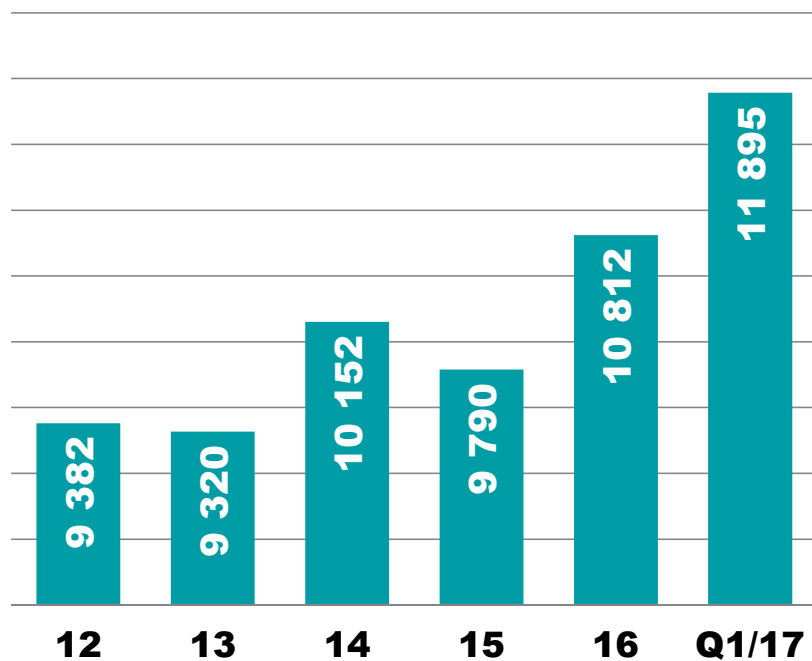
Reducing tied up capital

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

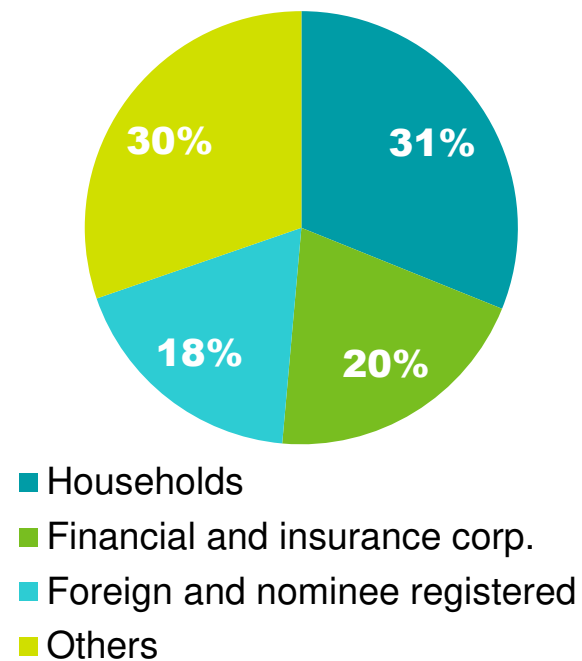
SHAREHOLDERS

SHAREHOLDER STRUCTURE

Number of shareholders



Shareholder structure



MAJOR SHAREHOLDERS AT 31 MARCH 2017

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2,413,584	6.22
Mandatum Life Insurance Company Limited	2,311,238	5.96
Nordea Investment Funds	2,305,763	5.94
Maijala Juhani	1,529,994	3.94
Elo Mutual Pension Insurance Company	1,229,073	3.17
Ilmarinen Mutual Pension Insurance Company	934,836	2.41
Evli Investment Funds	834,757	2.15
Berholm Heikki	828,053	2.13
Maijala Mikko	720,000	1.86
The State Pension Fund	562,000	1.45
Nominee-registered shares	6,632,631	17.09
Number of shares	38,798,874	100.00
Number of shareholders	11,895	



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

**PROFITABLE
GROWTH.**

