



# **WE GROW PROFITABLY BY MANAGING THE ENTIRE WASTE MANAGEMENT VALUE CHAIN**

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# ENVIRONMENTAL SERVICES IN BRIEF

## Financials

	H1/13	H1/12	2012
Net sales, mEUR	<b>126.8</b>	134.6	265.7
EBIT*, mEUR	<b>15.3</b>	13.0	30.6
EBIT%*	<b>12.1</b>	9.6	11.5

\*excl. EO items

## • 200 000 customers

- 20 largest service customers account for 12% of B2B customers' net sales
- Customer base, % of net sales
  - Households 10%
  - Public sector 20%
  - Companies 70%
    - industry
    - retail & logistic centers
    - property managers and owners

# WE MANAGE THE VALUE CHAIN WITH EXCEPTIONALLY STRONG RESOURCES



600 trucks

24 plants and terminals



200 000 customers

Personnel 1 250



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

<b>Environmental Services in total</b>	<ul style="list-style-type: none"><li>• No. 1 – 2</li><li>• Relevant market EUR 1.2 billion</li><li>• Market growth: 2-3 % annually</li></ul>
<b>Subcontractor for municipalities</b>	<ul style="list-style-type: none"><li>• No. 1</li><li>• Relevant market EUR 0.1 billion</li><li>• Market growth: below inflation rate</li></ul>
<b>Waste management</b>	<ul style="list-style-type: none"><li>• No. 1</li><li>• Relevant market EUR 0.65 billion</li><li>• Market growth: inflation rate</li></ul>
<b>Recycling (fibres, plastic &amp; glass)</b>	<ul style="list-style-type: none"><li>• No. 1 or 2 depending on material</li><li>• Relevant market EUR 0.35 billion</li><li>• Market growth: above inflation rate</li></ul>
<b>Environmental products</b>	<ul style="list-style-type: none"><li>• No. 1 – 3 depending on product</li><li>• Relevant market EUR 0.1 billion</li><li>• Market growth: inflation rate</li></ul>

*Market positions and sizes are based on management estimates*

# RECENT DEVELOPMENTS IN ENVIRONMENTAL SERVICES

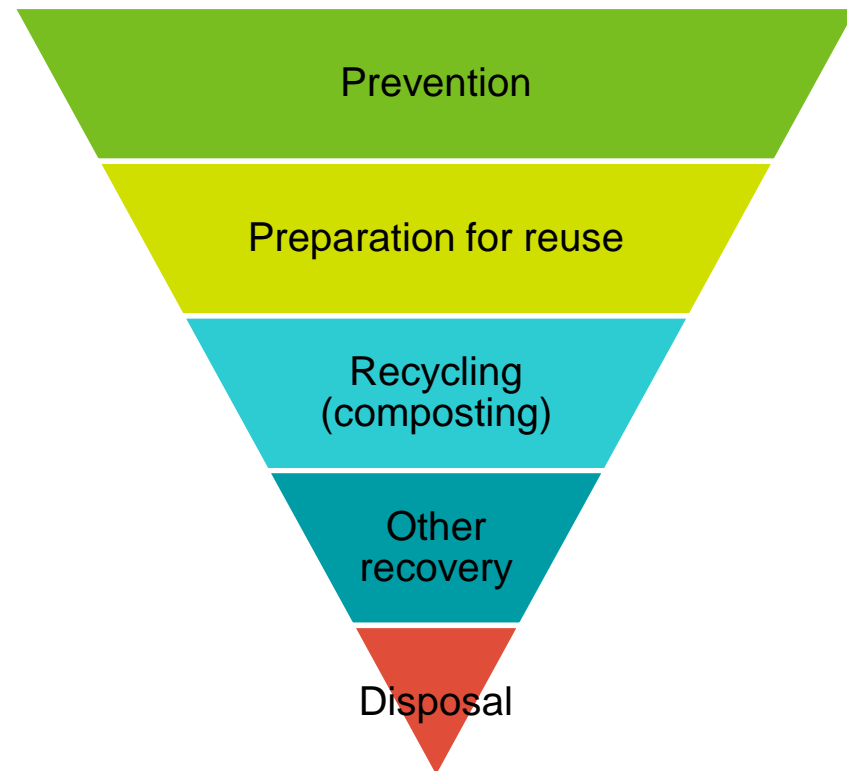


# CHANGES IN OPERATING ENVIRONMENT CREATE GROWTH OPPORTUNITIES

# GROWTH POTENTIAL IN RECYCLING

- Recycling offers growth potential in spite of the decline in the total amount of waste. The total waste amount is not predicted to grow.
  - Scarcity of raw materials and their rising prices
  - Growing consumption and rising prices of energy
- Regulation supports recycling and the creation of new forms of services. Waste management is highly regulated.
  - EU regulation prefers recycling and reusing materials over landfilling
  - The attitudes of Finns support the implementation of regulations. Attitudes towards recycling are positive but Finland is lagging behind its recycling targets
  - More demands on companies' environmental responsibility

## EU's Waste Hierarchy



# EVER-STRICTER ENVIRONMENTAL NORMS SUPPORT RECYCLING

- **2008** The European Parliament adopted the proposed Waste Directive
- **2012** The new Finnish Waste Act entered into force on 1 May 2012
- **2013** The waste tax rose to EUR 50 per tonne
- **2013** The material-specific recycling targets for municipal waste were specified
- **2013** Emissions trade tightened
- **2015-16** Full producer responsibility for packaging waste will be transferred from the municipalities to the producer organisations
- **2016** Ban on the landfill disposal of organic waste will enter into force
- **2016** Under the Waste Decree, no less than 50% of municipal waste must be recycled
- **2016** In the nationwide waste plan, the target is that less than 20% of municipal waste is landfilled
- **2020** Under the Waste Decree, at least 70% of construction/demolition waste must be recycled



# HOW WILL L&T UTILISE THE MARKET DEVELOPMENT?

# STRICTER REGULATION LEADS TO GROWTH IN RECYCLING BUSINESS

Market development

L&T's actions

Market changes and utilising them

- Largest fleet provides sufficient capacity for waste collection
- An extensive network of plants that can process growing material flows
- Proactively offering new processing solutions instead of landfill processing
- Strong know-how and experience of the producer organisations

# L&T HAS THE OPPORTUNITY TO INCREASE ITS MARKET SHARE

Market development


L&T's actions

Utilising  
internal  
capabilities &  
current market  
position

- Expanding our role and coverage in the waste management value chain
- New business opportunities in the environmental business and expansion into new locations
- Good platform for bolt on acquisitions

# SUMMARY

# L&T IS IN POLE POSITION TO TAKE ADVANTAGE OF GROWTH OPPORTUNITIES



L&T is ready to utilise the market opportunities for profitable growth.

## Current situation

- Good profitability
- Comprehensive resources
- Strong market position

**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**

