



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

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Capital Markets Day 30 September 2014



ENVIRONMENTAL SERVICES INTRODUCTION AND FINANCIAL PERFORMANCE

ENVIRONMENTAL SERVICES OPERATES WITH EXCEPTIONALLY STRONG RESOURCES IN WASTE MANAGEMENT

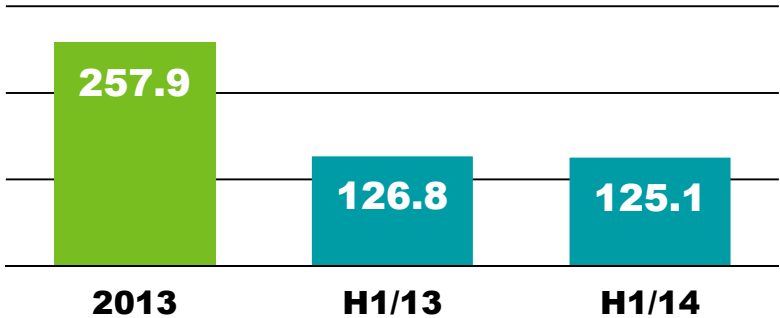


- 1. Sewer maintenance
- 2. Secondary raw materials
- 3. Property maintenance
- 4. Cleaning
- 5. Support services
- 6. Maintenance of technical systems
- 7. Environmental construction
- 8. Process cleaning
- 9. Damage repair services
- 10. Waste treatment and recycling
- 11. Waste collection
- 12. Hazardous waste services

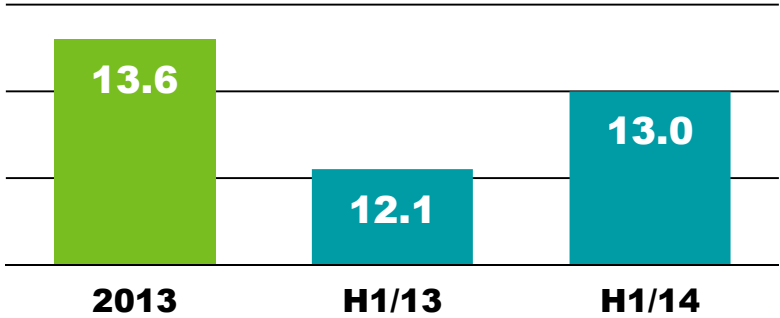
WE HAVE FURTHER IMPROVED PROFITABILITY BY MANAGING THE ENTIRE WASTE MANAGEMENT VALUE CHAIN

Financials

Net sales, mEUR



Ebit%, excl. EO items



Recent developments

- We have achieved 2%* growth and strengthened our market position despite of challenging operating environment
- Profitability has developed favourably, thanks to improved operational efficiency
- Safety culture has further improved
- We have made targeted acquisitions to strengthen our market position

* H1/13 net sales includes EUR 3.9 million of net sales from the Latvian business operations that were divested on 13 March 2014.



OPERATING ENVIRONMENT

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	1–3 depending on product

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, 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

Retail and media industries' business models are changing and digitalising

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

New building construction decreases in the short term

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

Industrial manufacturing is not growing

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

STRATEGY OVERVIEW

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

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

OUR COMPETITIVE ADVANTAGES ARE CUSTOMER INSIGHT AND THE ABILITY TO CAPITALISE ON IT

Competitive advantages

Key initiatives:

- Launch of environmental management services and development of digital services
- Development of the technical equipment business



Competitive advantage



Key initiatives:

- Sales force coaching programme
- Development of sales and customer management operating model

- Increase of the number and skills of expert resources
- Expansion of our geographic coverage



- Improvement of equipment utilisation
- Continuous route optimisation



SUMMARY

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

We have further improved profitability by managing the entire waste management value chain

Changes in legislation create opportunities for developing new business

We expand our value chain and grow within the current value chain by utilising our competitive advantages



**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

