

STRATEGY REVIEW

EERO HAUTANIEMI
PRESIDENT & CEO



**STRATEGY
REVIEW**

**LEADER OF THE
REGENERATIVE
SOCIETY**



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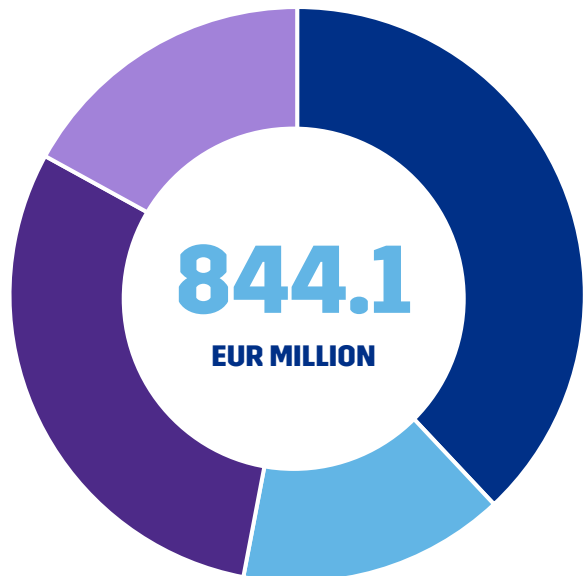
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L&T IN BRIEF

WE MAKE THE CIRCULAR **ECONOMY A REALITY**



**Operations
in Finland
and Sweden**



2022 KEY FIGURES

ADJUSTED OPERATING
PROFIT, EUR MILLION

40.9

OPERATING
MARGIN, %

5.1

RETURN ON CAPITAL
EMPLOYED (ROCE), %

10.4

50,000

corporate customers and over
100,000 households

8,500

employees of whom 85 % are
in Finland Q3/2023

HELPING CUSTOMERS ACHIEVE
THEIR SUSTAINABILITY TARGETS

-534.5 million

tonnes CO₂e. (L&T's CARBON HANDPRINT)

COMMITTED TO
RECYCLING

59.4%

The recycling rate of the materials
collected from our customers

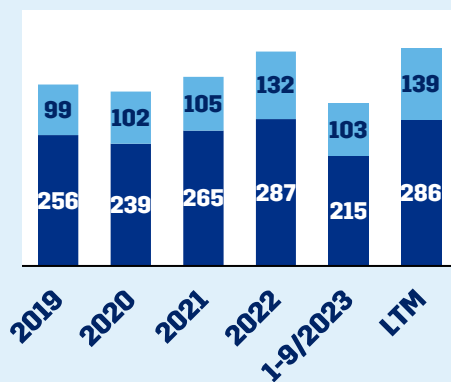


SOLID PERFORMANCE IN CIRCULAR ECONOMY BUSINESSES, TURNAROUND PROGRESSING WELL IN FACILITY SERVICES BUSINESSES

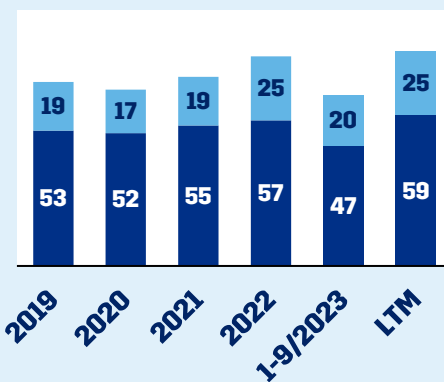
Circular economy businesses*

(Environmental Services** & Industrial Services)

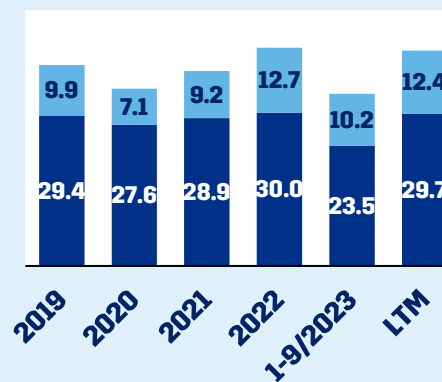
Revenue growth



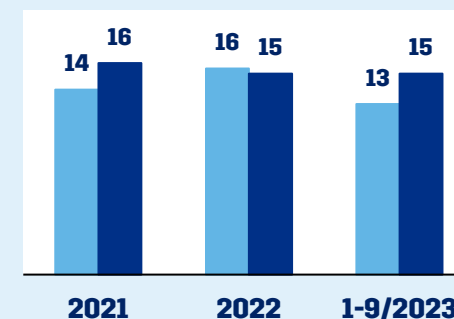
EBITDA (M€)



EBIT (M€)



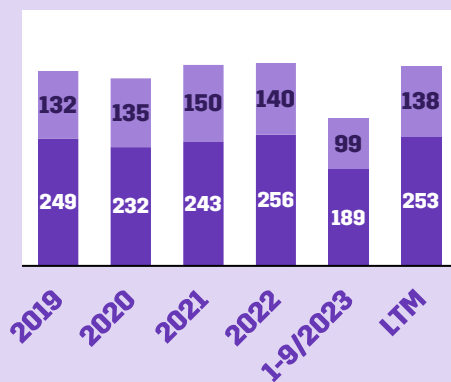
ROCE (%)



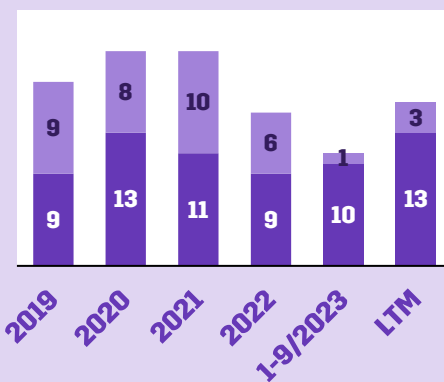
Facility businesses*

(Facility Services Finland & Sweden)

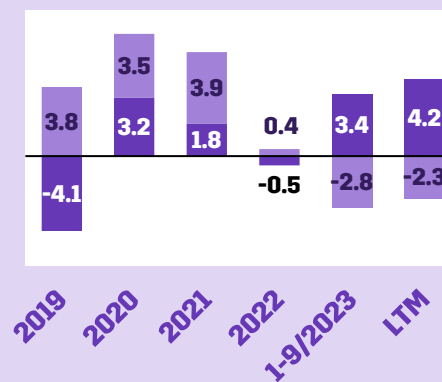
Revenue growth



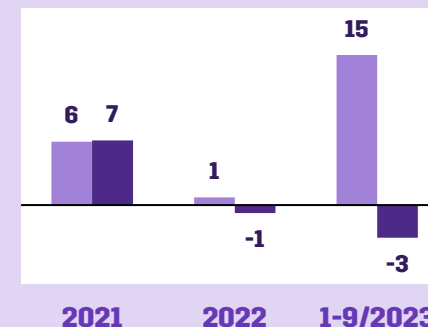
EBITDA (M€)



EBIT (M€)



ROCE (%)



*Numbers for illustrative purposes and do not include eliminations

**Environmental Services excluding Renewable energy sources and Russia



LONG-TERM STRATEGIC TARGETS 2026

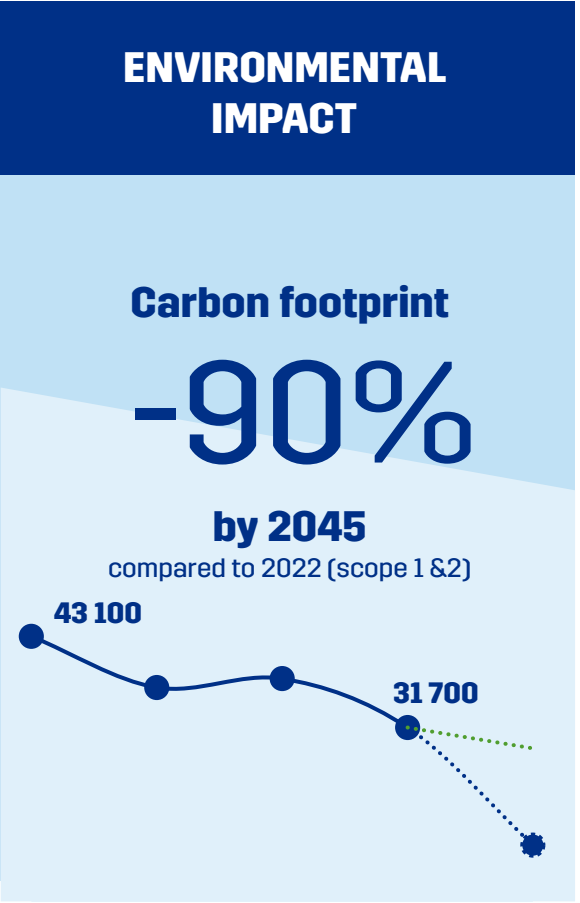
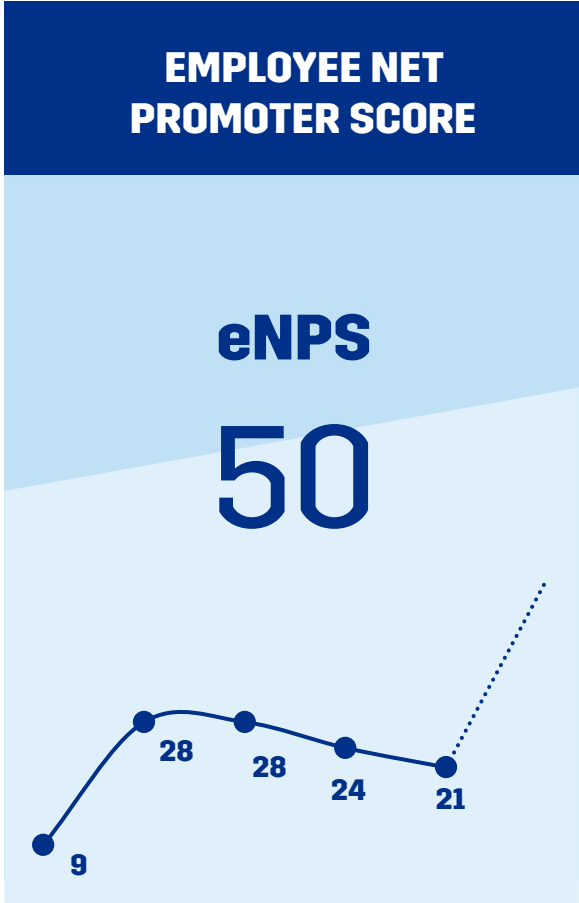
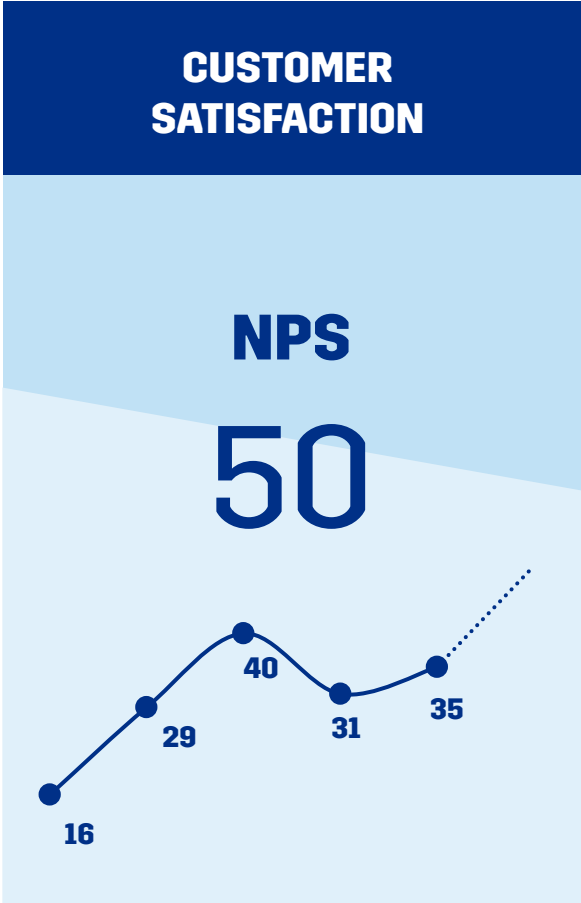
FINANCIAL TARGETS

Net sales growth
over 5%

Return on capital employed
15%

Gearing rate
below 125%

Q3/2023
Net sales **0.4%***
ROCE **11.7%**
Gearing rate **77.9%**



* Excluding Renewable energy sources





TRENDS AND DRIVERS IN CIRCULAR ECONOMY



MITIGATING CLIMATE CHANGE AND BIODIVERSITY LOSS REQUIRES ACTION FROM SOCIETY, BUSINESSES AND INDIVIDUALS

In 50 years, the **use of natural resources has tripled** and will almost **double** again by 2060 without action.

Extraction and processing of materials globally account for **50% of greenhouse gas emissions** and **90% of biodiversity loss**.

As global competition intensifies, **access to raw materials must be secured**. For example, The EU is between 75% and 100% reliant on imports for most metals.

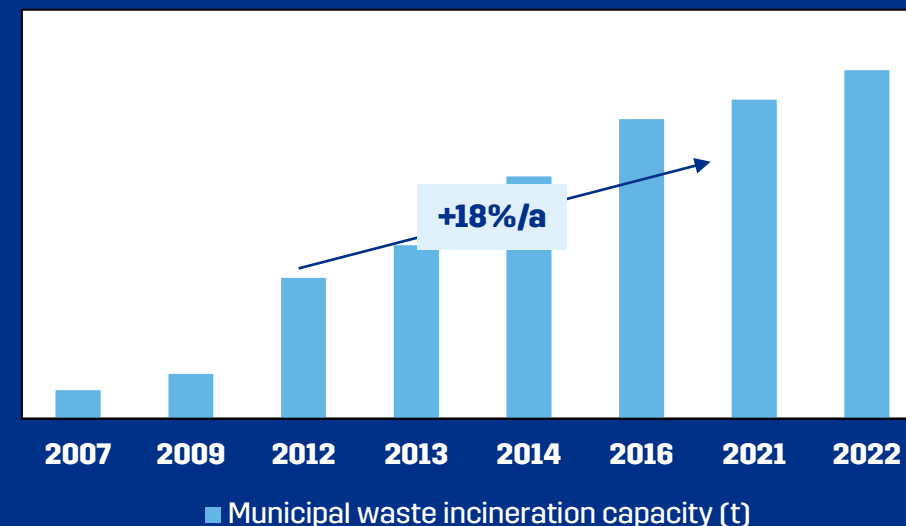
Sources: Ellen McArthur Foundation, Eurostat, Finnish Government, OECD, European Commission



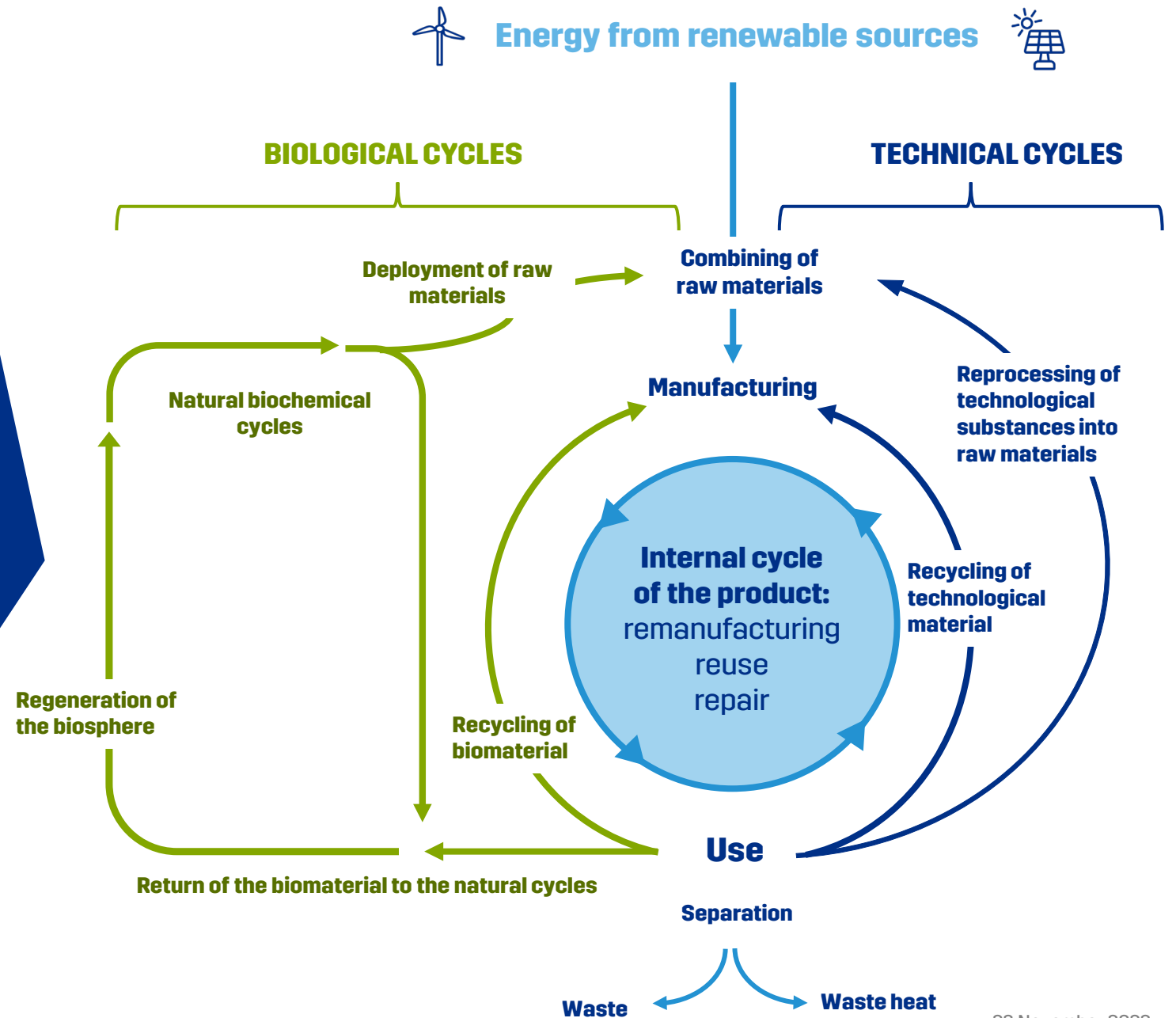
Circular economy still a major upside opportunity - secondary materials account for less than

2%

of all materials used in Finland.



CIRCULAR ECONOMY HAS A CRUCIAL ROLE IN MITIGATING CLIMATE CHANGE AND BIODIVERSITY LOSS



Source: Ellen McArthur Foundation, illustration based on University of Helsinki



STRONG REGULATORY PUSH FOR CIRCULAR ECONOMY

EU

FINLAND

SWEDEN

REGULATION & POLICIES

- Fit for 55
- EU Taxonomy
- Circular Economy Action Plan
- Biodiversity Strategy
- Sustainable products initiative (Ecodesign)
- Waste Shipment Act
- Packaging & Packaging Waste Act
- Critical Raw Materials Act
- Extending EPR (e.g. textiles)

- Finnish Waste Act and recycling targets
- National Circular Economy Action plan
- Plastics roadmap for Finland
- Expanding & increasing waste tax base
- Ecological compensation
- The role of municipalities in waste mgmt. is specified to be limited to household waste, and the activities of municipal companies in waste markets are to be more regulated

- Carbon neutrality by 2045 & The Industrial Leap
- Circular Economy Strategy and Circular Economy Action plan

IMPACT

- Growing pull for use of secondary materials and functioning markets
- Push for circular business models
- Leveling the field considering waste incineration
- Increasing demand for remediation, biodiversity and energy mgmt. services

- Increasing separate collection of waste streams and recycling rates
- Accelerating opportunities in recycling commercial and industrial waste streams, and biodiversity
- Municipalisation of certain waste streams

- Accelerating opportunities in recycling commercial and industrial waste streams, and biodiversity

Sources: Finnish Government, Swedish Government, The European Commission, L&T management



COMPANIES AND FINANCERS RECOGNISE THE POTENTIAL IN CIRCULAR ECONOMY

Social demand has pushed major brands to circular economy commitments - examples



Take back programme, circular services and investing in sustainable materials – by 2030 they will use only responsibly sourced renewable or recycled materials



By 2025 25 % of plastic in their packaging is recycled plastic and 100 % of plastic packaging is designed to be fully reusable, recyclable and compostable



By 2030 halving food waste, by 2025 all packaging own brands will be either recyclable, reusable or biodegradable



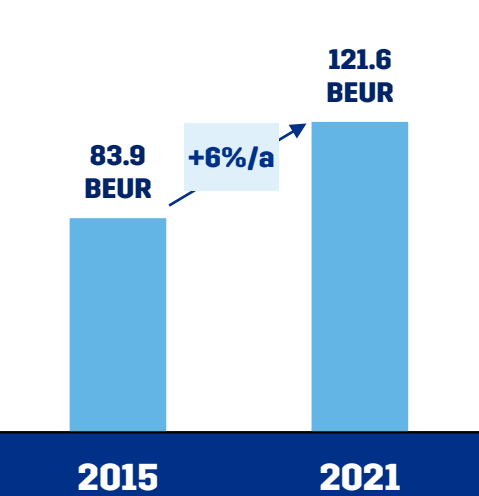
Voluntary Green Deals increase circularity and recycling, agreements for example in construction plastics, oil waste and demolition waste

Sources: Eurostat, McKinsey, Eurplastic, EK, Ikea, Unilever, Kesko, The Ministry of the Environment



INVESTMENTS FROM THE PRIVATE SECTOR ON THE RISE

Private circular economy sector investments in the EU

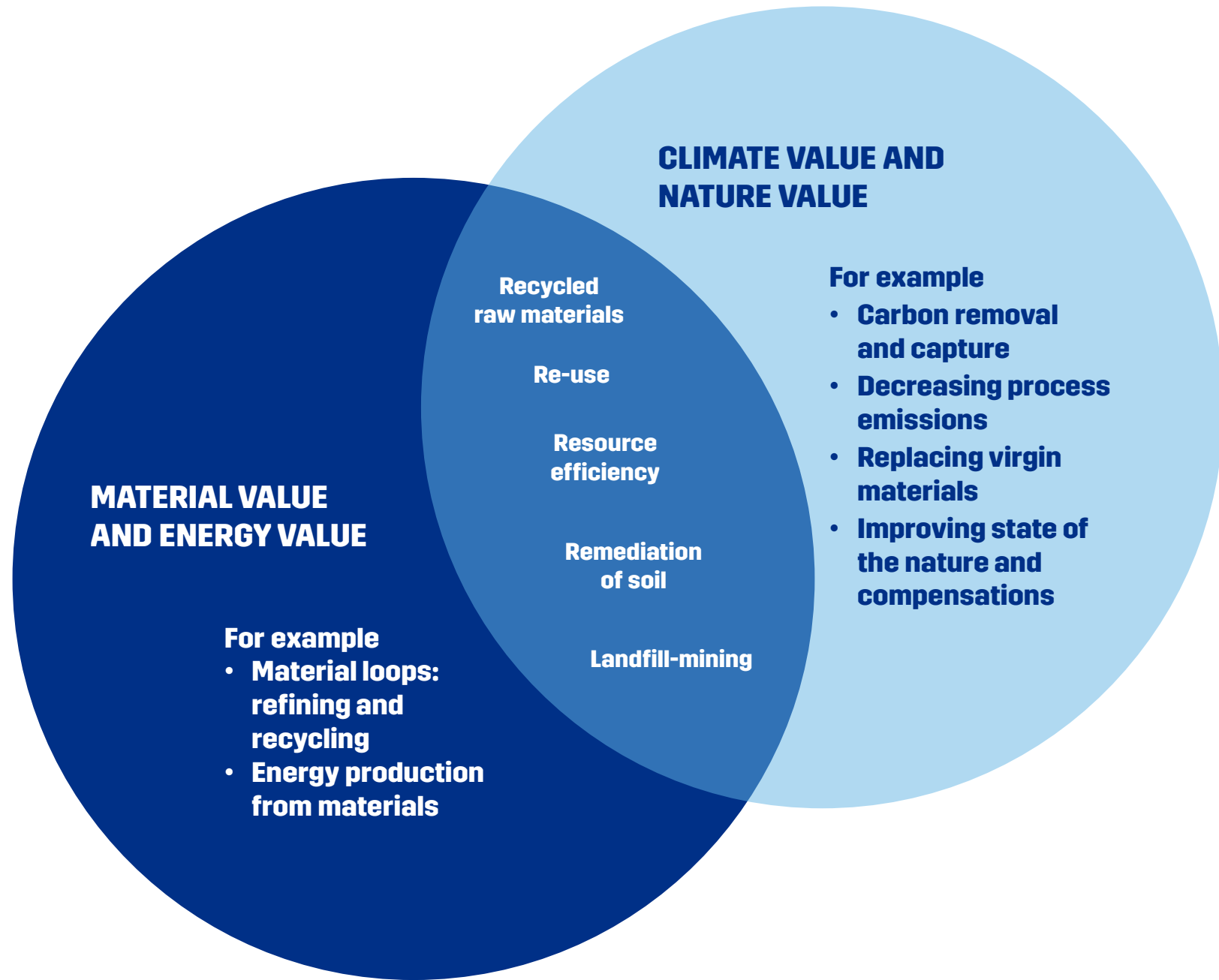


EUR 8 billion
planned investments in
chemical recycling of
plastics by 2030 in Europe

EUR 1.2 billion
of planned investments in
circular economy in Finland

The circular economy offers Europe EUR 1.8 trillion of potential net economic benefit - McKinsey

CLIMATE CHANGE AND BIODIVERSITY LOSS CREATE BUSINESS OPPORTUNITIES



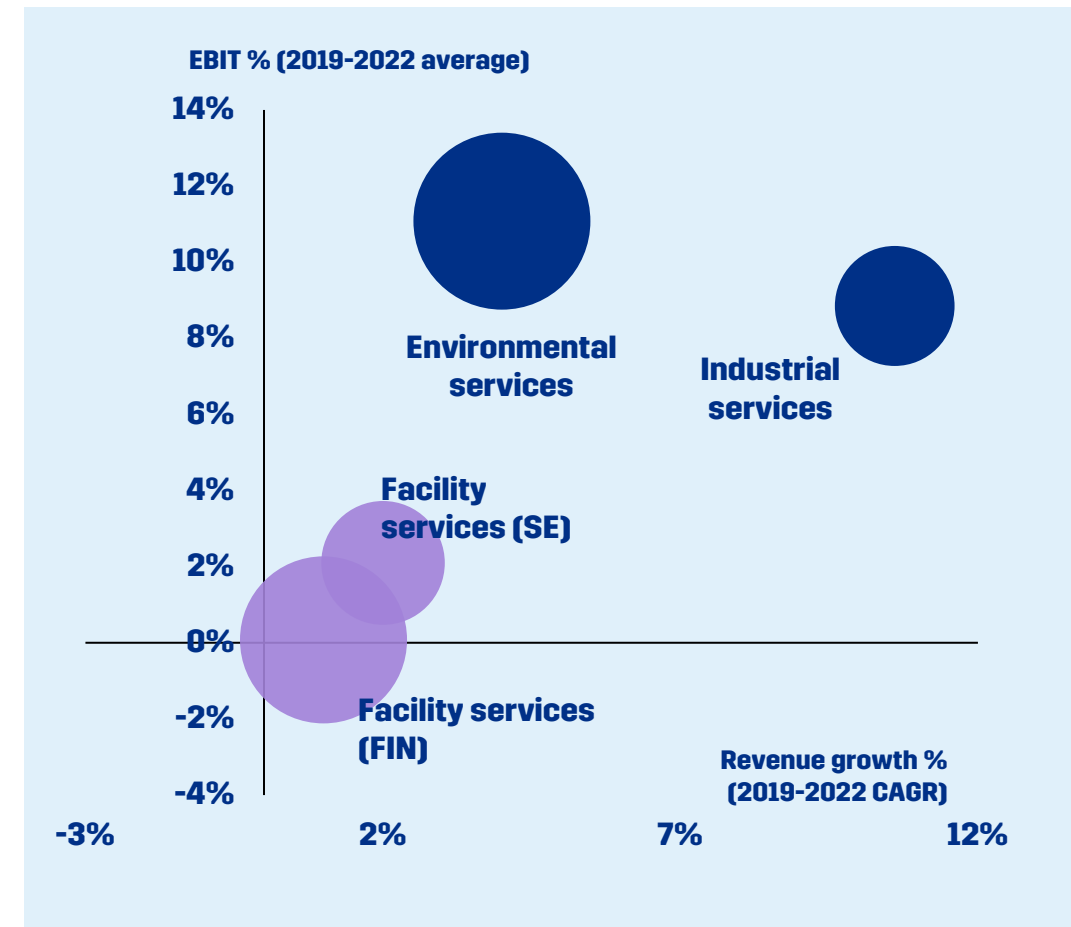
L&T'S BUSINESS PORTFOLIO



ABOVE MARKET PERFORMANCE IN THE CIRCULAR ECONOMY BUSINESSES, FACILITY BUSINESSES AIM FOR PROFITABLE GROWTH

	CIRCULAR ECONOMY BUSINESSES		FACILITY BUSINESSES	
	Environmental Services	Industrial Services	Facility Services Finland	Facility Services Sweden
Market size	€1.8 B	€1.1 B	€5.5 B	€5 B
Market position	#1	#1-2 Fin #3-4 Swe	#2-4** #7-9***	#4*** #>10****
Share of group revenue	38%	15.5%	30%	16.5%
Market growth %	Waste mgmt. 0-3% Material processing 3->5%	2-5%	2-4%	3-5%
Market EBIT-%	Waste mgmt. 5-10% Material processing 5-15%	5-15%*	4-5%	5-10%

*Variance between business lines **Cleaning and property maintenance ***Technical services **** Cleaning



Sources: L&T management

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23 November 2023

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FOCUS ON GROWTH WHILE IMPROVING THE PROFITABILITY OF THE FACILITY SERVICES BUSINESSES

Growth

Focus on growth including organic growth and selective acquisitions

**ENVIRONMENTAL
SERVICES**

**INDUSTRIAL
SERVICES**

Profitability

Focus on improving profitability

**FACILITY SERVICES
FINLAND**

Stable operations

Focus on stabilising performance and operations

**FACILITY SERVICES
SWEDEN**

IN CIRCULAR ECONOMY BUSINESSES FOCUS ON HIGHER VALUE BUSINESS IN FINLAND AND EXPANDING THE PLATFORM IN SWEDEN

FINLAND

- Top of market position in all L&T businesses
- Utilising service business platform in moving forward in the value chain
- Organic growth supported by acquisitions expanding capabilities or service offering

Market size **€2.9 B**

Market potential and L&T revenue

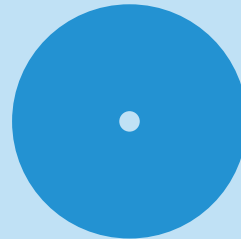


SWEDEN

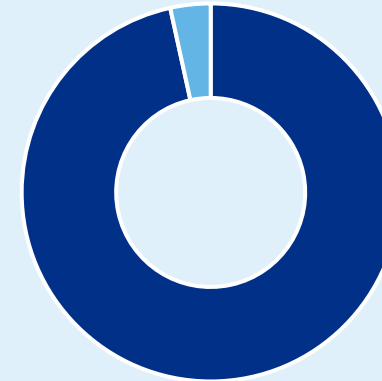
- #3-4 in process cleaning
- Expanding geographical and segment coverage and service offering
- Faster than market growth supported by acquisitions

Market size **> €6 B**

Market potential and L&T revenue



L&T circular economy businesses net sales 2022



■ Finland
■ Sweden



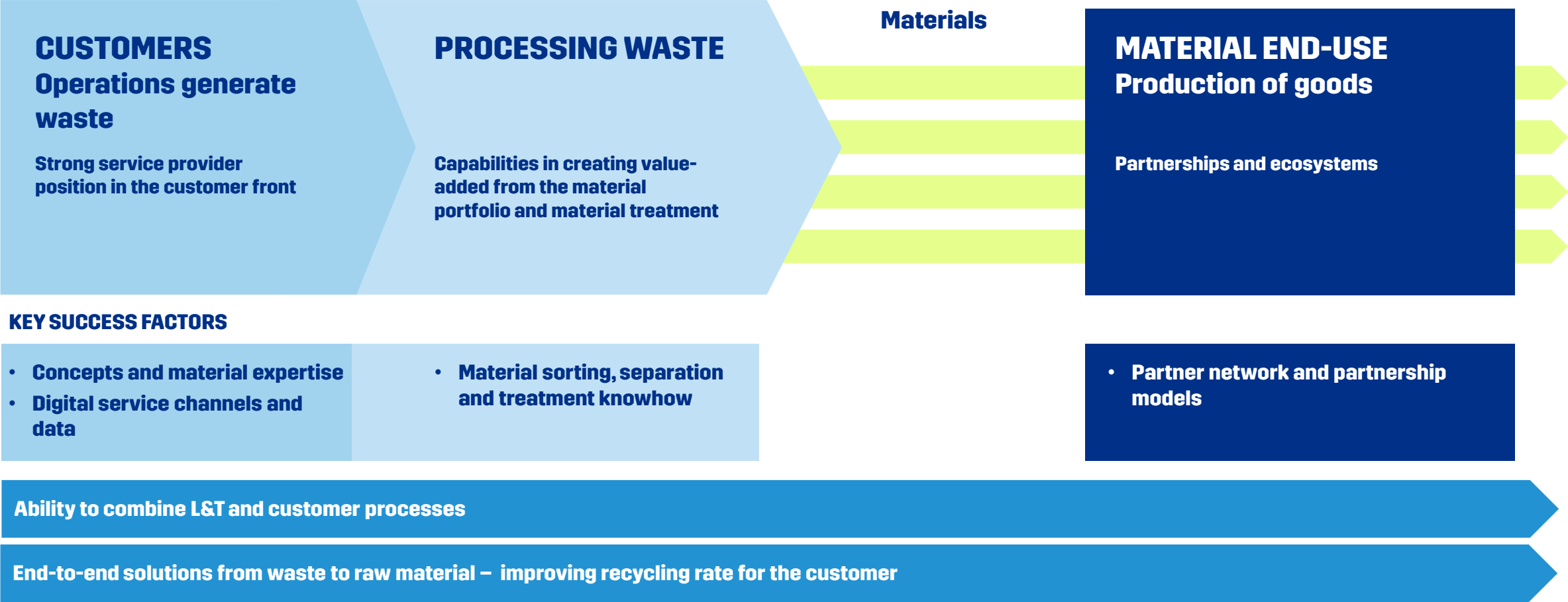
Sources: L&T management estimate



VALUE CHAIN IN CIRCULAR ECONOMY BUSINESSES

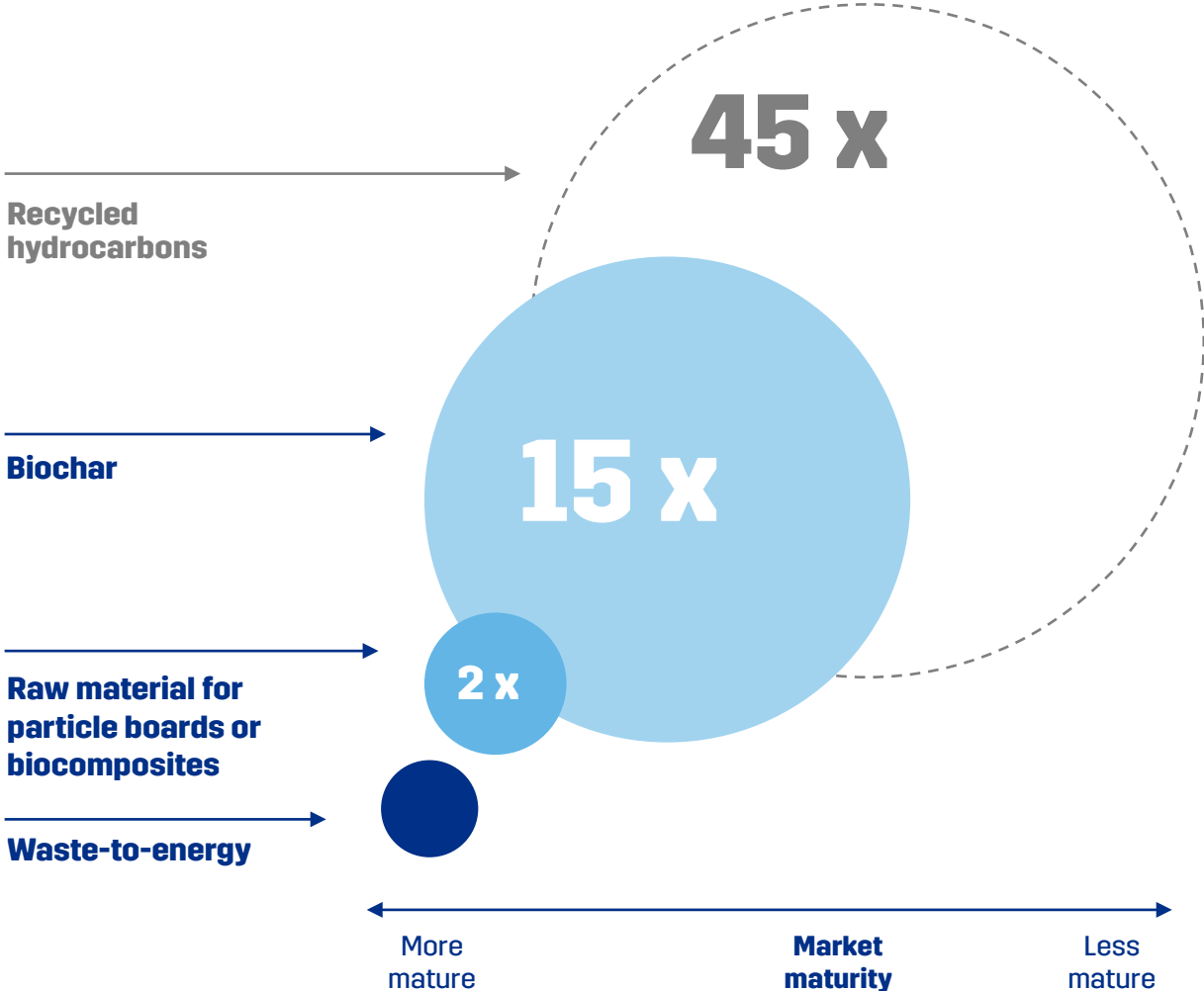
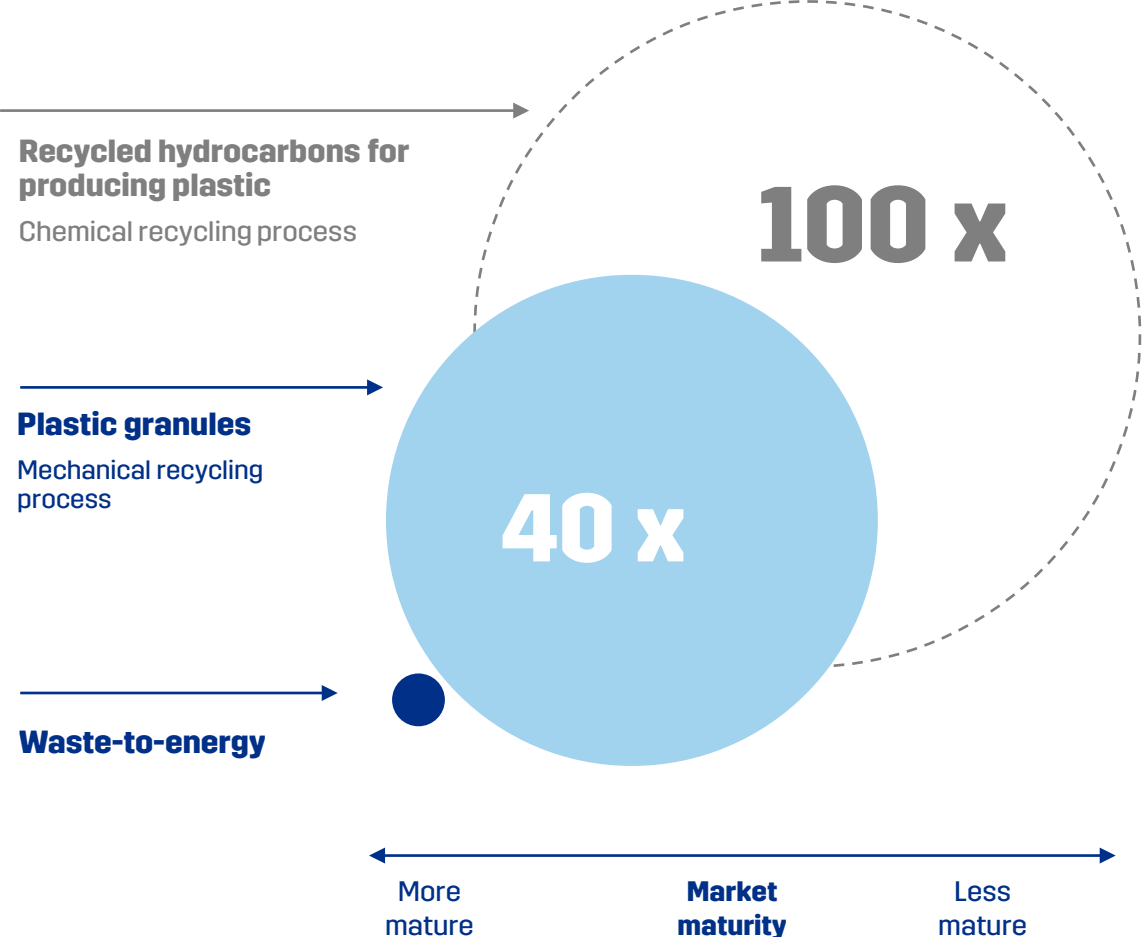


MATERIAL FOCUS TO COMPLEMENT THE STRONG SERVICE FOCUS



POTENTIAL TO INCREASE MATERIAL VALUE

EXAMPLES



Sources: L&T management estimates

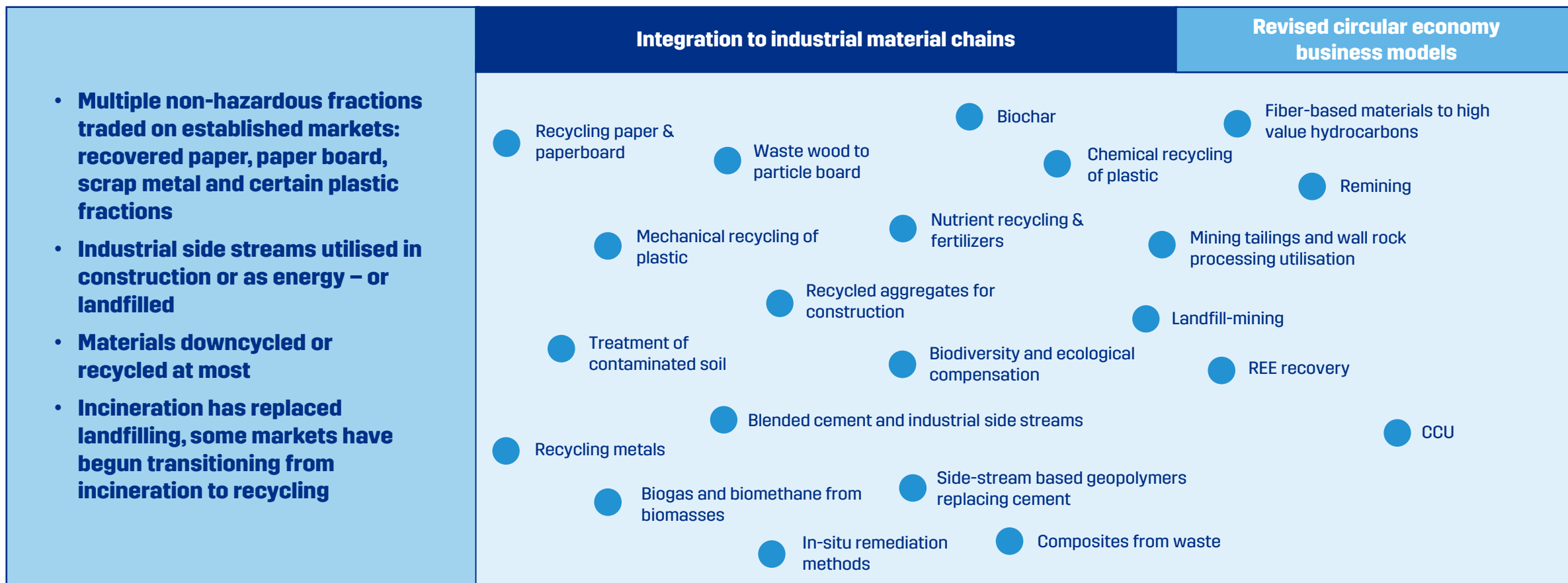


SEVERAL CIRCULAR ECONOMY SOLUTIONS ON THE HORIZON

2023

2026

2030 →



- **Multiple non-hazardous fractions traded on established markets: recovered paper, paper board, scrap metal and certain plastic fractions**
- **Industrial side streams utilised in construction or as energy – or landfilled**
- **Materials downcycled or recycled at most**
- **Incineration has replaced landfilling, some markets have begun transitioning from incineration to recycling**

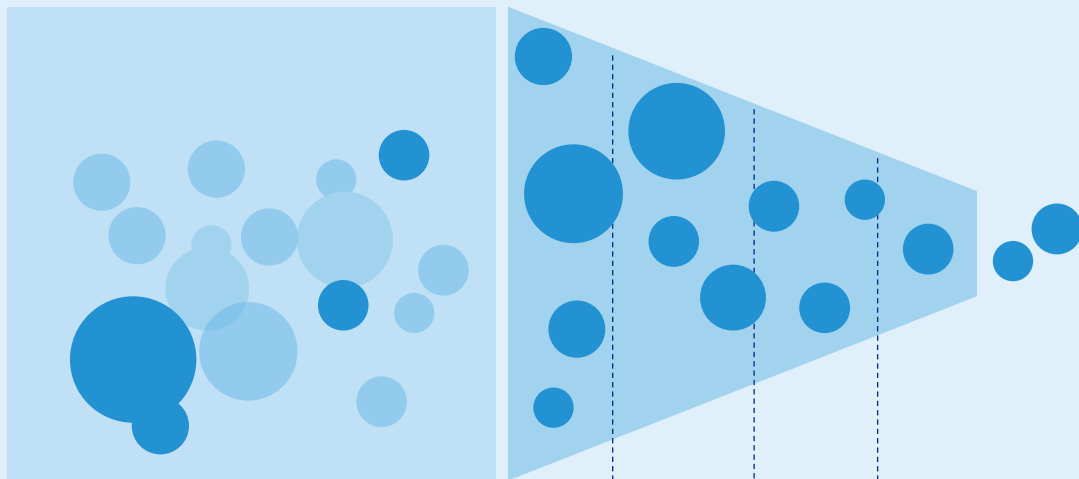
Sources: L&T management estimates

Non exhaustive, examples of identified solutions



CIRCULAR ECONOMY MARKETS DEVELOPING RAPIDLY AND PRIORITISATION OF OPPORTUNITIES NEEDED

MATERIALS & NEW BUSINESS OPPORTUNITIES

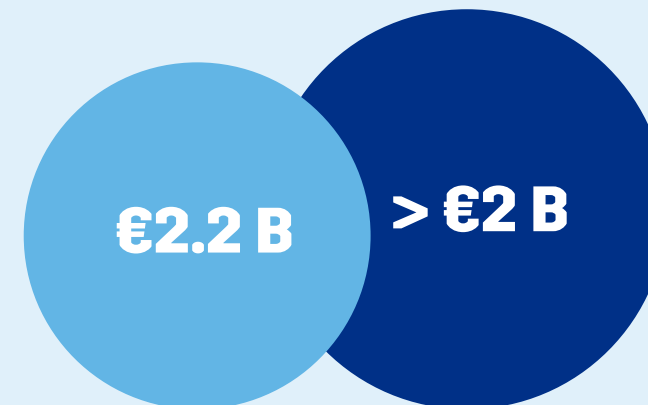


Criteria for prioritisation

Disciplined process for development

- Continuous screening of circular economy opportunities
- New business development based on fit with L&T's growth targets, synergies and capabilities
- Scope and development in the short and longer term

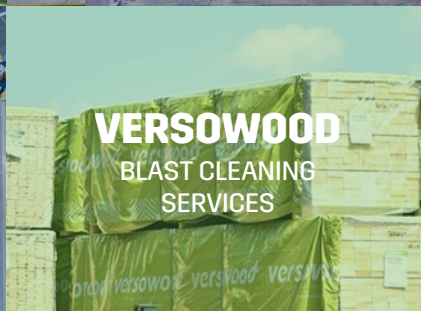
SIZABLE OPPORTUNITIES IN CORE AND ADJACENT CIRCULAR ECONOMY MARKETS



- Current core business markets
- Adjacent opportunity markets

- Access to developing growth markets that balance the more mature businesses in L&T portfolio
- Support for growth in the core business with stronger competitiveness throughout the chain

TOGETHER WITH OUR CUSTOMERS WE HEAD TOWARDS THE FULL CIRCULARITY



SUMMARY

CIRCULAR ECONOMY BUSINESSES



**Development of
service and
methods portfolio**



**Moving forward
in the material
value chains**



**Building competences
for emerging circular
economy markets**



**Growth in Sweden's
industrial segment**

FACILITY BUSINESSES



**Strong focus on
selected
customers and
business areas**



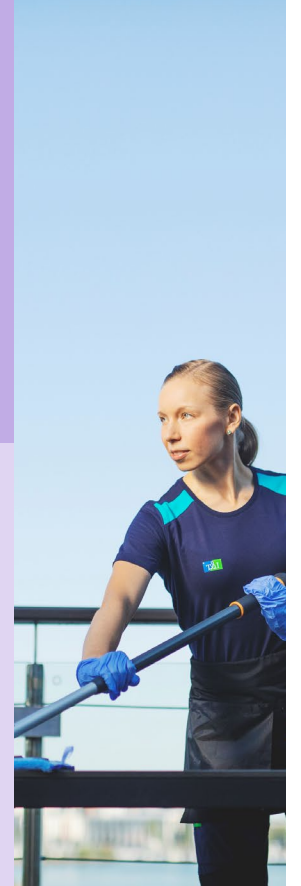
**Customer
acquisition and
additional sales**



**Efficiency and
resource
management**



**Growth in
sustainability, energy
and digitalisation**





THANK YOU



