



CAPITAL MARKETS DAY

Lassila & Tikanoja plc 2019

8 November 2019

L&T IN 2018

NET SALES BY DIVISION



NET SALES BY COUNTRY



Environmental Services	38%
Facility Services Finland	33%
Facility Services Sweden	17%
Industrial Services	12%

Finland	82%
Sweden	17%
Russia	1%

NET SALES GROWTH

13.1%

OPERATING PROFIT, %

5.9%

OPERATING PROFIT

47.6

MEUR

EMPLOYEES

8,600

AT YEAR END

CASH FLOW FROM OPERATIONS

2.35

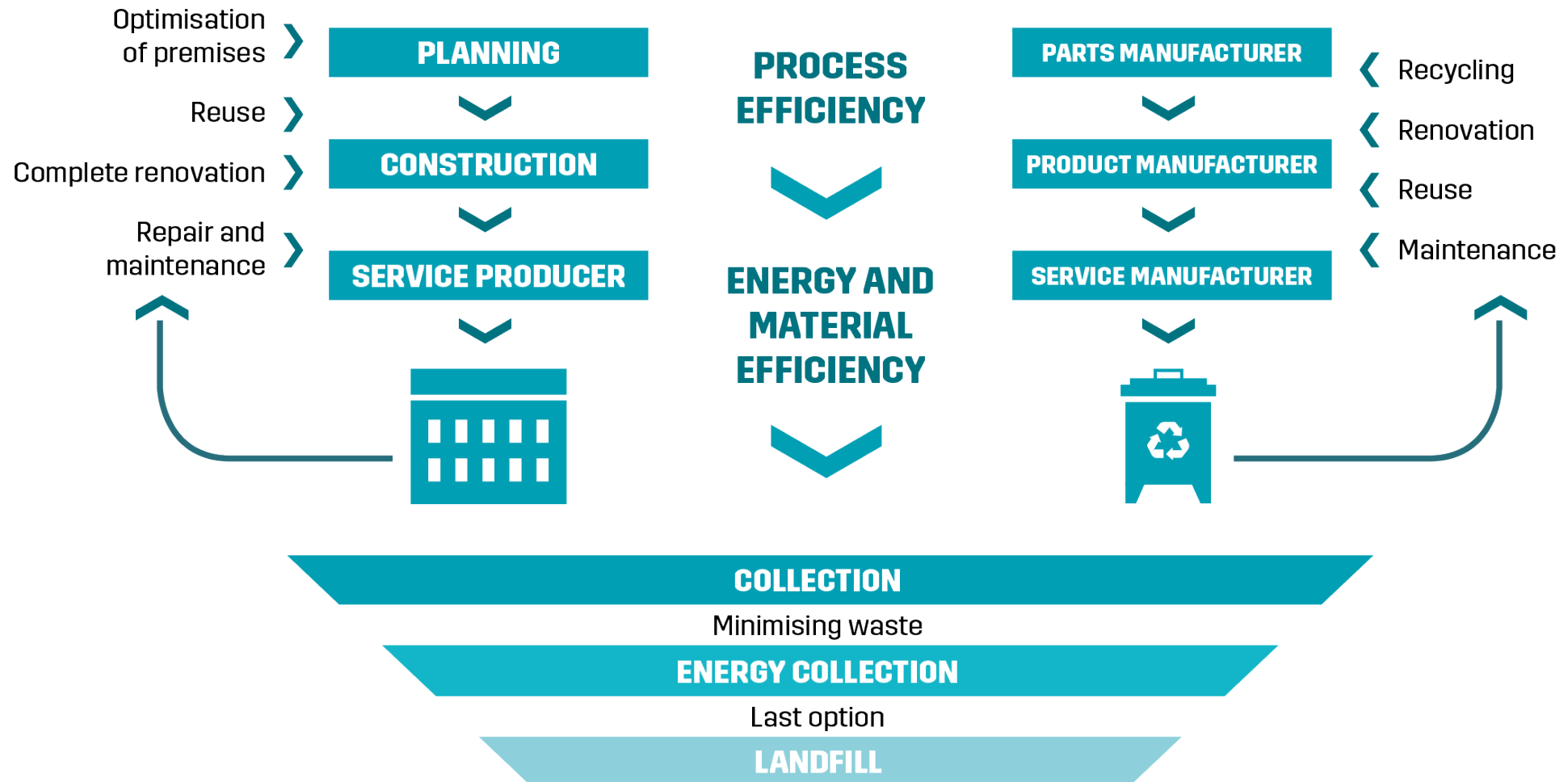
EUR/SHARE



1





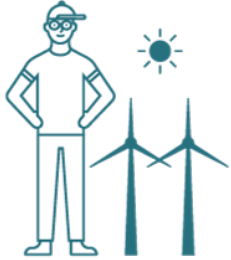


L&T'S PURPOSE:
**WE MAKE CIRCULAR
ECONOMY A REALITY**

THE CIRCULAR ECONOMY – FROM CONSUMPTION TO UTILISATION



L&T IS A SERVICE COMPANY THAT HELPS OUR CUSTOMERS REACH THEIR SUSTAINABILITY GOALS

MATERIAL SERVICES

 <p>ENVIRONMENTAL MANAGEMENT</p>	 <p>RAW MATERIAL COLLECTION</p>	 <p>MATERIAL TREATMENT AND RECYCLING</p>	 <p>SECONDARY RAW MATERIALS</p>	 <p>RENEWABLE ENERGY SOURCES</p>	 <p>SEWER MAINTENANCE</p>	 <p>HAZARDOUS WASTE SERVICES</p>
--	---	---	---	--	---	--

WE CREATE MORE VALUE WITH THE CIRCULAR ECONOMY



 <p>TECHNICAL SERVICES</p>	 <p>PROPERTY MAINTENANCE</p>	 <p>CLEANING SERVICES</p>	 <p>SUPPORT SERVICES</p>	 <p>PROCESS CLEANING</p>	 <p>ENVIRONMENTAL CONSTRUCTION</p>
---	--	--	---	---	---

FACILITY AND MAINTENANCE SERVICES





TOWARDS THE CIRCULAR ECONOMY

Jorma Mikkonen

SVP, Corporate Relations and Sustainability
Capital Markets Day 8 November 2019

CIRCULAR ECONOMY MEANS SUSTAINABLE USE OF RESOURCES

WE ARE THROWING OUT **80%**
OF CONSUMER PRODUCTS AND THEIR MATERIALS
AND USING THEM INEFFICIENTLY.

ON AVERAGE,
MATERIALS ARE ONLY
USED ONCE.

THE UTILISATION RATE
OF CARS IS ABOUT
8%.

IN 2019, THE FINNISH
OVERSHOOT DAY WAS
**FRIDAY
5 APRIL.**

FOOD WASTE CAUSES
FINANCIAL LOSS OF
**EUR 140
BILLION.**

31%
OF FOOD
GOES TO WASTE.

IN FINLAND,
THE RECYCLING RATE
OF MUNICIPAL WASTE IS
41%
THE TARGET FOR 2035
IS 65%.

THE NEED FOR RESOURCES
WILL KEEP GROWING
FOR THE NEXT 20 YEARS

ENERGY
+32%

STEEL
+57%

WATER
+32%

ARABLE LAND
+200%

FINLAND ALONE CONSUMES
**180,000,000
TONNES** OF
MATERIAL EVERY YEAR.

INDUSTRY AND MINING
PRODUCE
80%
OF ALL WASTE.

CIRCULAR ECONOMY ALSO MAINTAINS THE VALUE EMBEDDED IN THE BUILDINGS AND CONSTRUCTED ENVIRONMENT



SOURCES: KTI PROPERTY INFORMATION, RAKLI, PROF. SEPPÖ JUNNILA

WASTE MANAGEMENT IS AN INTEGRAL PART OF CIRCULAR ECONOMY



Landfills

- Mitigation of hygiene problems
- Recovery and safe burial of waste



Recycling

- Sorting and separated collection
- Waste hierarchy
- Producer responsibility
- Less waste to landfills

1960

1980

1990

2000

2010

2020



Mass-burn incineration

- Motive: efficient disposal
- Modest level waste recovery
- Expensive long-term solutions

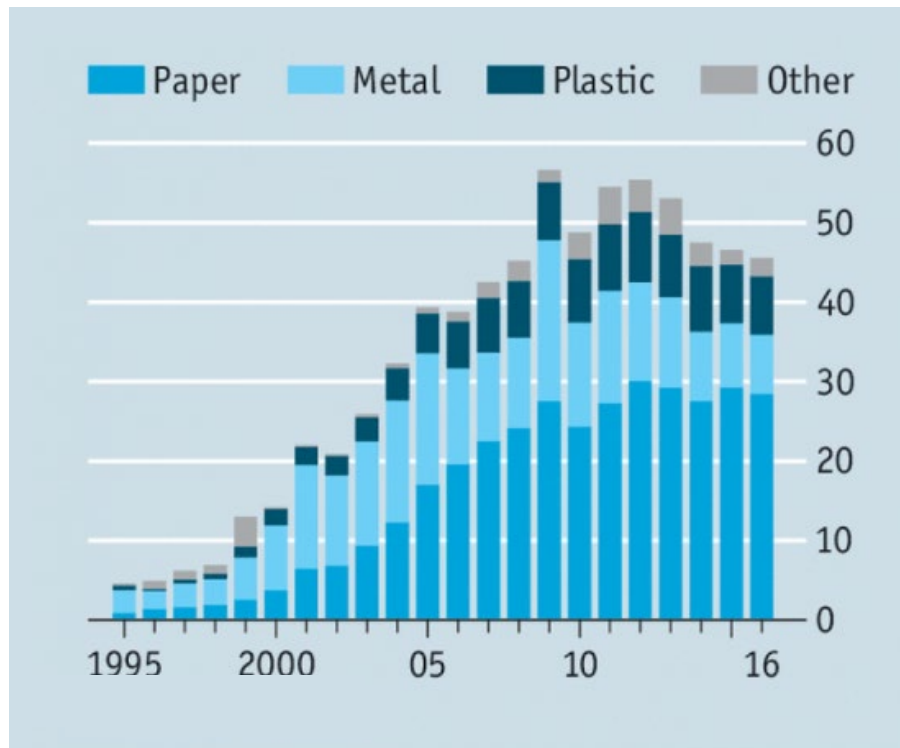
Circular economy

- Integrated closed loops
- Reuse, repair and remanufacture
- From consumption to utilisation

**ONLY 12% OF USED
MATERIALS IN THE
EU ARE RECYCLED**

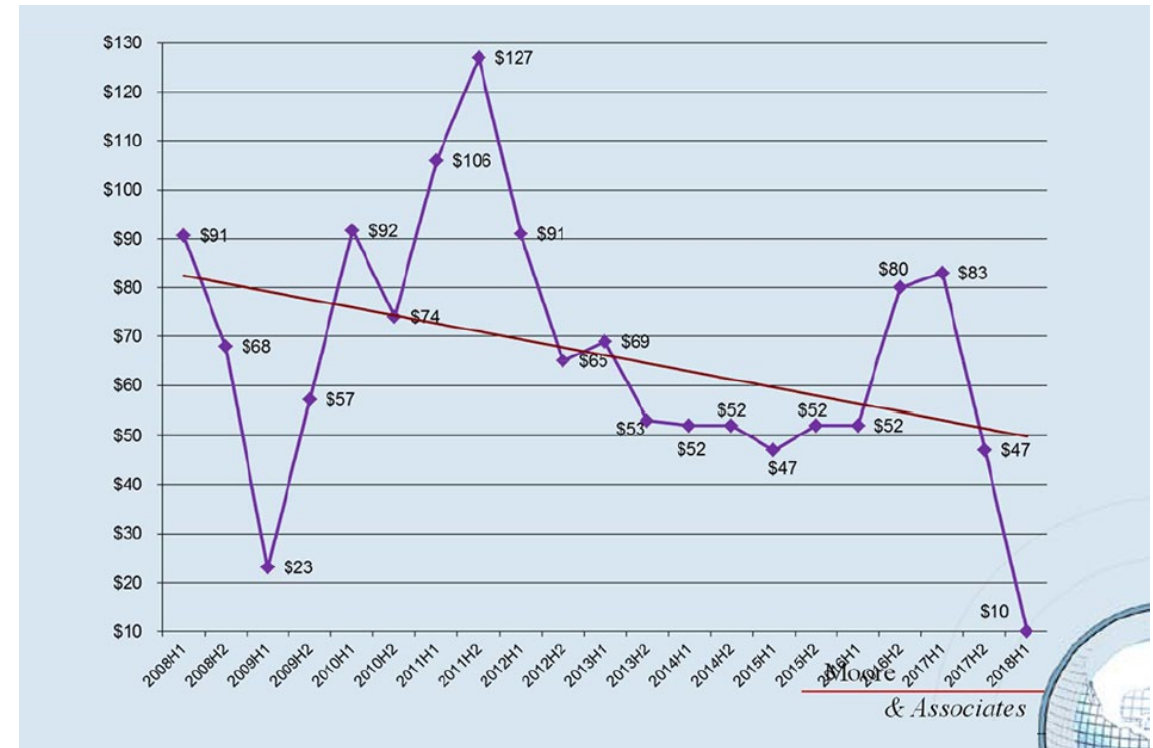
CHINA WASTE BAN ACCELERATES CIRCULARITY DEVELOPMENT IN THE WESTERN ECONOMIES

Waste imports, China (million tons)



Source: UN Comtrade

Mixed paper price index



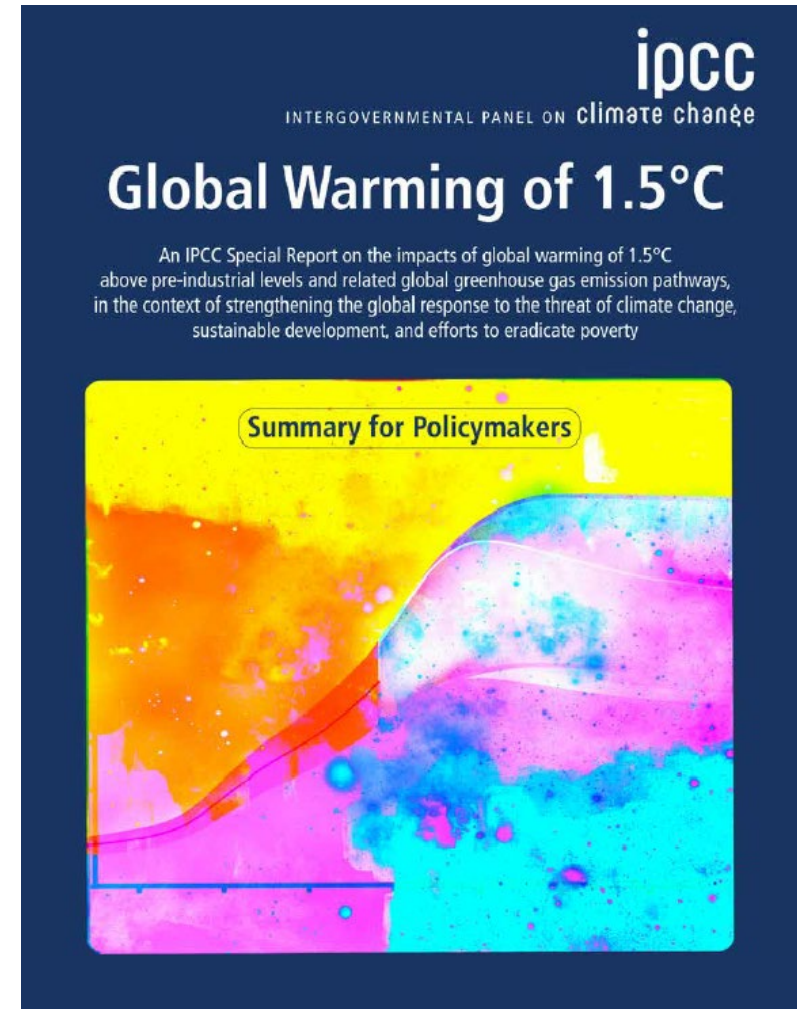
(FOB Generator's Dock, Baled - \$/ton) Source: Moore & Associates



SENSE OF URGENCY FOR CHANGE INCREASES

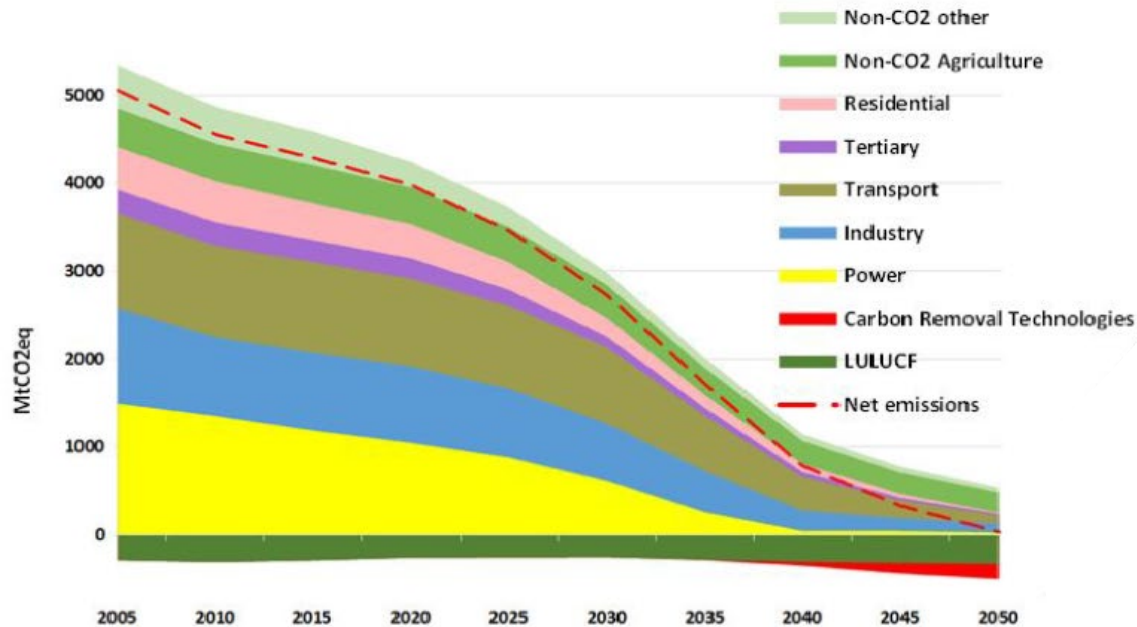
The IPCC report has had a massive boost for circular economy

- ◆ Circular economy has a crucial role in climate mitigation
- ◆ Sustainable investment and financing push companies to take more active role
- ◆ Tightening of emission reduction targets opens industrial waste market



GROWING AND AMBITIOUS TARGETS CREATE MARKET POTENTIAL FOR SUSTAINABLE SOLUTIONS

EU strategy for long-term GHG emission reduction



Source: Ministry of Economic Affairs and Employment of Finland

Finland's realised recycling rate and targets for municipal waste



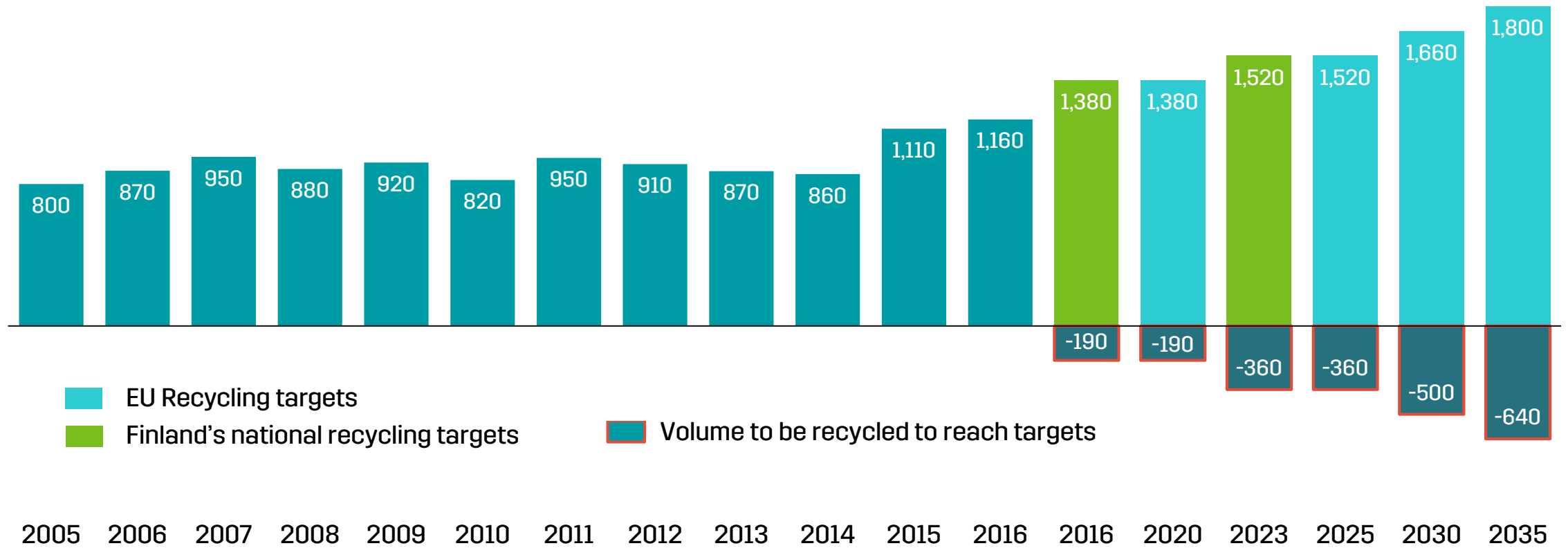
Source: Statistics Finland, VALTSU



OVER 600,000 TONS OF WASTE MATERIAL WILL BE TRANSFERRED FROM INCINERATION TO MATERIAL RECYCLING

Municipal solid waste recycling (1,000 t)

INDICATIVE



EU Recycling targets

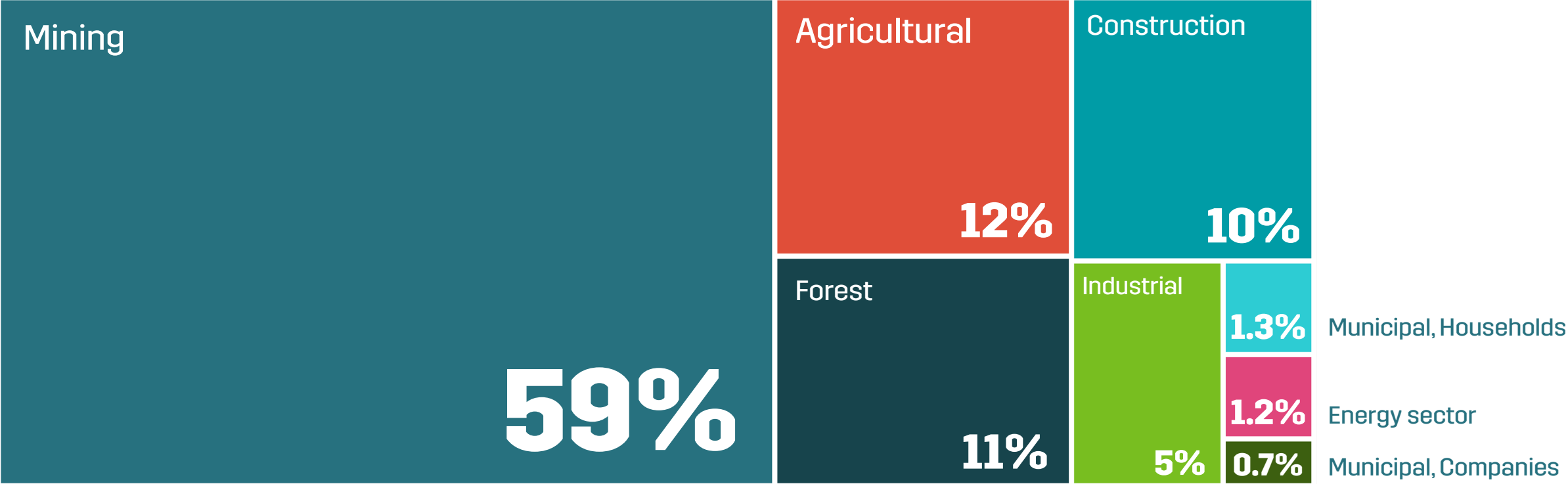
Finland's national recycling targets

Volume to be recycled to reach targets



AMBITIOUS CLIMATE TARGETS SHIFT FOCUS ALSO TO INDUSTRIAL AND AGRICULTURAL STREAMS

Waste and side stream volume in Finland



Source: Statistics Finland 2019



TRANSFORMATION TOWARDS THE CIRCULAR ECONOMY

Next 5 years

Replacing fossils

- Increasing demand for renewable energy and utilisation of waste in the energy sector
- Global consumer brands open markets for sustainable solutions

Next 10 years

Increased value add

- Modularity and ecodesign as guidelines for the manufacturing process
- Recycling reaches the molecular level (chemical recycling)

Beyond 15 years

Integrated ecosystems

- Circular refineries integrated in the energy industry, biotech industry and chemical industry
- Refineries using modular processes to generate electricity, heat, raw materials, nutrients and chemicals

A woman in a black climbing suit and an orange helmet is climbing a steep, grey rock face. She is positioned on the right side of the frame, with her body angled towards the rock. The background shows a blurred forest and a body of water.

L&T'S STRATEGY – CREATING VALUE WITH CIRCULAR ECONOMY

Eero Hautaniemi,
President and CEO
Capital Markets Day 8 November 2019

2

**NEW STRATEGY:
WE CREATE MORE VALUE
WITH CIRCULAR ECONOMY**



WE MAKE CIRCULAR ECONOMY A REALITY

FOR THE CUSTOMERS

We support our customers' responsibility, create excellent customer experiences and develop the best services in our industry.

FOR THE EMPLOYEES

We take care of our personnel and provide them with meaningful work and opportunities for development.

FOR SOCIETY

We combat climate change, bring forward new solutions for the circular economy and promote social responsibility through employment.

FOR THE OWNERS

We aim for rapid growth in our business operations promoting sustainable development with our unique competence in the circular economy. In addition to pursuing organic growth, we invest in the markets of the future.

WE CREATE
MORE VALUE WITH
CIRCULAR ECONOMY



VALUE FOR THE CUSTOMERS

HELPING CUSTOMERS REACH THEIR SUSTAINABILITY TARGETS

54.2%

The recycling rate of L&T's customers is 13 percentage points higher than the average recycling rate in Finland.



CREATING EXCELLENT CUSTOMER EXPERIENCES

L&T developed innovative caretaker services for Kojamo's Lumo rental apartments.

ACHIEVEMENTS:

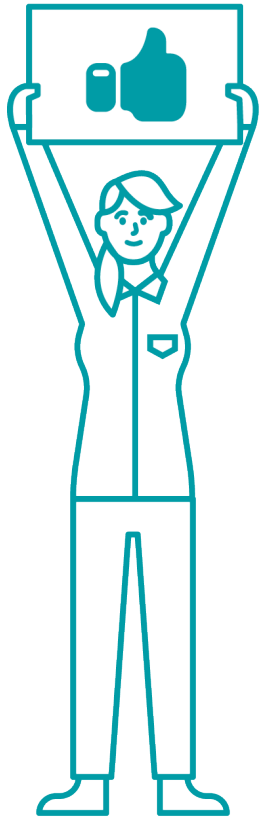


The customer satisfaction of the tenants were taken **TO A NEW LEVEL.**

-50% SHORTER processing time for maintenance requests.



VALUE FOR THE EMPLOYEES



EMPLOYEE RECOMMENDATION

72%

of our personnel in Finland are prepared to recommend L&T as an employer.

87%

of L&T's employees feel that their work is meaningful.

DIVERSITY IN FINLAND

15%

of our employees in Finland have immigrant backgrounds, with 85 different nationalities represented. The age distribution of the personnel is also very broad.

We work actively to employ immigrants, young people and people who are retraining or struggling to find employment.

INCLUSION OF THOSE WITH REDUCED ABILITIES

50 PERSONS ANNUALLY

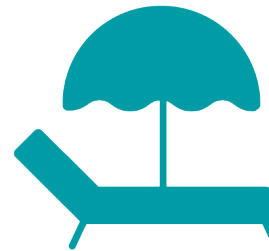
rehabilitated through L&T activities into new occupations, thus avoiding permanent incapacity for work, and at worst, exclusion from working life or social circles. L&T employs several hundred people with reduced working abilities, up to 7% of total personnel.

OUR RETIREMENT AGE

The average age of retirement among L&T employees was

63.2

years, two years higher than the Finnish national average. The average retirement age will rise to 64 years, with a long-term target of 65 years.



OUR OCCUPATIONAL SAFETY

In 2018, L&T employees reported

32,000

observations to improve safety. Our ultimate goal is zero accidents.



12,000 safety walk observation rounds, 10,000 occupational safety sessions and more than 800 hazard assessments.



CARBON HANDPRINT

The carbon footprint focuses on negative climate impacts...



But the carbon handprint stands for GHG reductions i.e. positive climate impacts



L&T generates significant emission reductions for its' customers

= **BIG CARBON HANDPRINT**

OUR CARBON HANDPRINT

Biofuel and recovered fuel deliveries

-806

thousand CO₂ tonnes (eq)

Material recycling

-360

thousand CO₂ tonnes (eq)

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.) in 2018

This corresponds to the annual emissions of approximately 120,000 Finns.

L&T's carbon handprint is an effective measure against climate change.





STRATEGIC DEVELOPMENT IS STEERED BY GUIDELINES MAXIMISING PORTFOLIO VALUE CREATION

PORTFOLIO GUIDELINES

- Aim to markets that outperform GDP growth, and in which
 - Top-3 market position can be obtained
 - L&T's services are not easily substituted
 - Competitive advantages can be achieved
 - There are circular economy synergies

STRATEGIC DEVELOPMENT

- Growth efforts especially focused on the Swedish market and Industrial Services
- Profitability turnaround in Facility Service Finland
- Investments in circular economy businesses
- Monitoring potential acquisitions to accelerate growth inorganically

L&T STRATEGY AIMS AT INCREASED STAKEHOLDER VALUE – L&T STRATEGIC TARGETS FOR THE PERIOD 2019–2024

TO CUSTOMERS	TO EMPLOYEES	TO SOCIETY	TO SHAREHOLDERS
Service promotion	Employee recommendation	Positive environmental impact	Profitable growth Solidity
NPS > 25	> 80%	Carbon handprint growth > Net sales growth Carbon footprint -50% by 2030 (from 2018 baseline)	Net sales growth > 5% ROI 15% Gearing < 125%

