

REMUNERATION STATEMENT

Lassila & Tikanoja plc complies with the Finnish Corporate Governance Code. This Remuneration Statement is prepared in accordance with recommendation 47.

Remuneration of the Board of Directors

Decision-making process and main principles of remuneration

The General Meeting of Shareholders determines the emoluments payable to the members of the Board of Directors in advance, for one year at a time.

In 2012, the following annual fees were decided to be paid: Chairman EUR 46,250, Vice Chairman EUR 30,500 and each member EUR 25,750. The fees are paid so that 40% of the annual fee is in Lassila & Tikanoja's shares held by the company or, if this is not feasible, shares acquired from the markets, and 60% in cash. Shares are to be issued to Board members and, where necessary, acquired directly from the markets on behalf of Board members within the next fourteen trading days, free from restrictions on trading, from the Annual General Meeting. In addition, the Annual General Meeting decided on the following meeting fees to be paid to the participants of the board and committee meetings: Chairman of the board EUR 1,000, Vice Chairman of the board EUR 700, board member EUR 500, Chairman of the committee EUR 700 and committee member EUR 500 per meeting.

The members of the Board are not included in the share option schemes and they do not have any pension contracts with the company.

Remuneration of the Board of Directors in 2012

In 2012, Board of Directors met 12 times, audit committee met four times and remuneration committee met six times.

Heikki Bergholm is Chairman of the Board. Eero Hautaniemi is Vice Chairman of the Board. Eero Hautaniemi is Chairman of the audit committee and the members are Sakari Lassila and Miikka Majjala. Heikki Bergholm is Chairman of the remuneration committee and the member is Hille Korhonen.

In 2012, the fees decided by the Annual General Meeting were paid to the Board of Directors.

Remuneration of President and CEO and other management

Decision-making process and main principles of remuneration

The Board of Directors determines the salary, bonuses and other benefits of the President and CEO and the direct subordinates of the President and CEO. The Board has established a remuneration committee. The duties of the committee include among others handling and preparing questions related to management and personnel remuneration and drafting statements to the Board regarding them. The duties of the remuneration committee are presented in detail on page 3.

The remuneration of President and CEO and the members of the Group Executive Board consists of a fixed monthly salary and benefits, of a compensation scheme and of a share-based incentive programme.

The President and CEO and the members of the Group Executive Board are included in the share option scheme and in the share-based incentive programmes directed to the key personnel of the company. The basis for the determination of the reward is decided annually by the Board of Directors. Rewards to be paid for the year 2013 will be based on the EVA result of Lassila & Tikanoja Group.

The maximum share-based payment may equal 5–11 months' salary depending on the responsibilities of the member of the Group Executive Board. The decision on the remuneration is done by the Board of Directors based on the statement drafted by the remuneration committee.

The company has also provided a compensation scheme, the criteria of which are determined annually in advance by the Board of Directors. The bonus is based on operating profit excluding non-recurring items and it may equal 3–6 months' salary, at maximum, depending on the responsibilities of the member of the Group Executive Board. The decision on the remuneration is done by the Board of Directors based on the statement drafted by the remuneration committee.

Separate emoluments are not paid to the members of the Group Executive Board for the memberships of Boards of Directors of the subsidiaries.

President and CEO and members of the Group Executive Board are not covered by any supplementary pension scheme.

Service contract of President and CEO

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is 6 months should the company terminate the contract, and 6 months should the President and CEO terminate the contract. In case the company terminates the contract the President and CEO's salary will be paid for 12 months. If the company terminates the President and CEO's employment contract, the severance pay will equal a monthly salary for twelve (12) months. The company has taken out statutory pension and accident insurance for the President and CEO.

Short-term and long-term incentive schemes

Lassila & Tikanoja operates an incentive programme for one year which started in 2012. The option scheme started in 2008 and a one-year share-based incentive programme which started in 2011 ended in 2012. The company has also provided a compensation scheme, which is described in more detail above.

Share-based incentive programme 2013

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 17 December 2012 on a new share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel.

The programme's earnings period began on 1 January 2013 and ends on 31 December 2013. Potential rewards will be paid during the year following the earnings period partly as shares and partly in cash. Potential rewards to be paid for the year 2013 will be based on the EVA result of Lassila & Tikanoja group.

No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment. After that, the Group Executives are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

A maximum total of 53,300 Lassila & Tikanoja plc shares may be paid out on the basis of the programme.

The shares to be paid out as potential rewards will be transferred from the shares held by the company, and therefore the incentive programme will have no diluting effect on the share value. The programme covers 10 persons.

Remuneration paid to the members of the Board of Directors in 2012

	Annual fee*, EUR	Meeting fee, EUR	2012 total, EUR	2011 total, EUR
Heikki Bergholm	46,250	20,400**	66,650	69,750**
Eero Hautaniemi	30,500	14,700**	45,200	40,450**
Hille Korhonen	25,750	8,000	33,750	35,750
Sakari Lassila	25,750	8,500	34,250	33,750
Miikka Majjala	25,750	8,500	34,250	35,250
Matti Kavetvuo				45,300
Juhani Lassila				2,100

* 40% of the annual fee is paid in Lassila & Tikanoja's shares held by the company or, if this is not feasible, shares acquired from the markets.

** Includes a meeting fee from Board meeting of L&T Recoil until 25 June 2012 when L&T sold its share in JV to EcoStream Oy.

Shares held by the members of the Board of Directors

	At 31 December 2012	Percentage of shares and of voting power	At 1 January 2012
Heikki Bergholm	780,758	2.01%	778,807
Eero Hautaniemi	8,286	0.02%	7,000
Hille Korhonen	3,485	0.01%	2,399
Sakari Lassila	8,454	0.02%	7,368
Miikka Majjala	70,358	0.18%	69,272
Yhteensä	871,341	2.25%	864,846

Share-based incentive programme 2012

Lassila & Tikanoja plc's Board of Directors decided on 14 December 2011 on a share-based incentive programme. Rewards were based on the EVA result of Lassila & Tikanoja group without L&T Recoil.

Potential rewards were paid during the year following each earnings period partly as shares and partly in cash. The proportion paid in cash covered taxes arising from the reward. No reward was paid if a key person's employment ended before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment of each reward. After that, the members of the Group Executive Board are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

Based on the programme a maximum of 65,520 shares of the company could be granted. The shares were obtained in public trading. The programme covered 22 persons.

Under the programme, 6,295 shares will be granted for 2012.

Option scheme 2008

Share options were granted to the key personnel belonging to the management determined by the Board of Directors. The subscription period for Lassila & Tikanoja 2008 option rights ended on 31 May 2012.

A total of 230,000 2008 option rights were issued. The outstanding option rights entitled to the subscription of 168,000 shares. No shares were subscribed for pursuant to the option rights and all option rights expired.

Remuneration of President and CEO and other management in 2012

In 2012 the salary on President and CEO totalled EUR 396,000 including salaries and benefits.

The salaries paid to the Group Executive Board totalled EUR 913,000 which includes salaries and benefits EUR 886,000 and bonuses EUR 27,000. The figures include salaries for the period during which the persons in question held an executive position.

Share-based payments of 2,545 shares will be paid for the President and CEO and a total of 3,750 shares for other members of the Group Executive Board will be paid for the year 2012. No options were granted in 2012.

In 2012, EUR 56,000 arising from the pension agreement of the President and CEO, Jari Sarjo, was recognised in the income statement.

Shares held by the Group Executive Board

	Shares	
	31 December 2012	1 January 2012
Pekka Ojanpää	10,230	0
Ville Rantala	12,175	12,175
Kirsi Matero	0	0
Tuomas Mäkipeska *	800	-
Antti Tervo **	500	-

* Member of the Group Executive Board as of 6 February 2012

**Member of the Group Executive Board as of 14 February 2012