



TIKANPESÄ

LASSILA & TIKANOJA

Financial Statements 2018

Eero Hautaniemi, President and CEO
Tuomas Mäkipeska, CFO
30 January 2019

Q4 & FY2018

HIGHLIGHTS

- Lassila & Tikanoja's net sales for 2018 grew by 13% from the previous year, while operating profit increased by more than 8%.
- Full-year net sales grew in all divisions except Facility Services.
- The net sales and operating profit of Facility Services decreased particularly due to intensified price competition in the cleaning business and the ERP system's deployment phase.
- In the Technical Services division, business developed favourably, particularly in Sweden, thanks to strong demand and improved productivity.
- The Group's net cash flow from operating activities improved year-on-year due to successful measures to improve the efficiency of working capital management.

“Of the net sales' growth, 3% was organic and the remainder was due to the L&T FM acquisition.”



KEY FIGURES

NET SALES



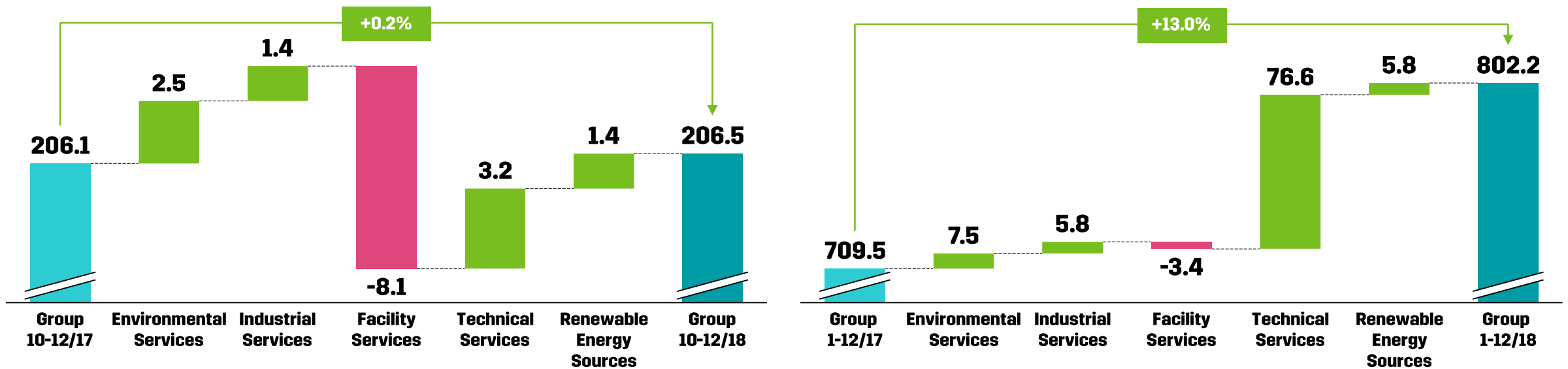
Environmental Services **33%**
 Facility Services **32%**
 Technical Services **18%**
 Industrial Services **12%**
 Renewable Energy Sources **5%**

	Q4/18	Q4/17	Change %	2018	2017	Change %
Net sales, EUR million	206.5	206.1	0.2	802.2	709.5	13.1
Operating profit, EUR million	11.7	11.4	2.8	47.6	44.0	8.2
Operating margin, %	5.7	5.5		5.9	6.2	
Profit before tax, EUR million	10.6	10.0	6.6	42.7	42.5	0.6
Earnings per share, EUR	0.23	0.22	1.4	0.89	0.87	1.6
EVA, EUR million	6.0	4.5	34.3	24.0	21.1	13.7

KEY FIGURES

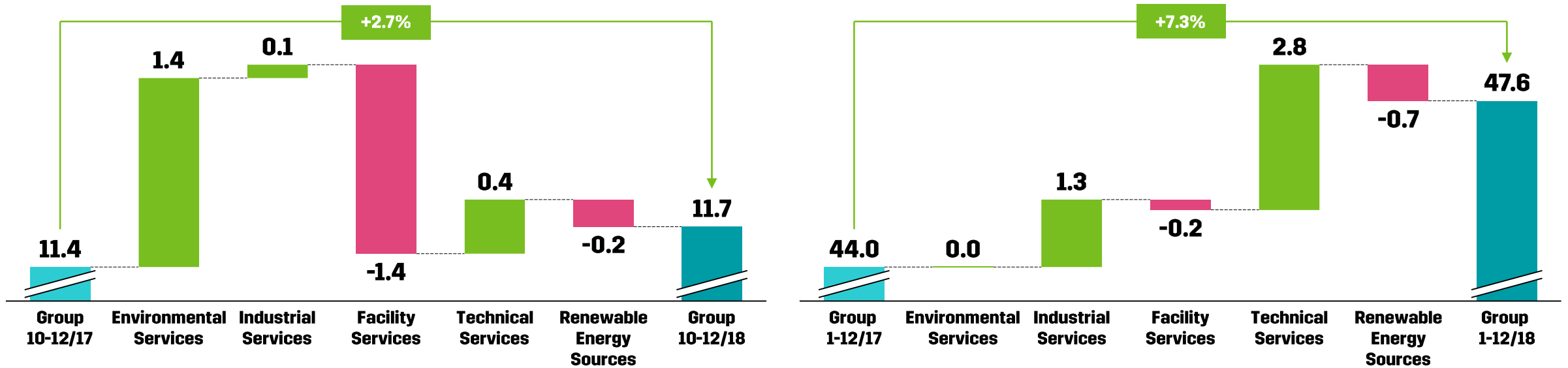
	Q4/18	Q4/17	Change %	2018	2017	Change %
Capital expenditure, EUR million	16.2	15.9	2.1	37.8	113.2	-66.6
Depreciation, amortisation and impairment, EUR million	10.7	11.1	-3.1	42.5	41.1	3.3
Net cash from operating activities, EUR million				90.1	61.8	45.9
Return on equity (ROE), %				15.9	15.2	
Return on investment (ROI), %				12.7	13.3	
Equity ratio, %				38.6	38.6	
Gearing, %				46.1	54.2	
Total number of employees at the end of the period				8,600	8,663	

NET SALES



EUR million	Q4/18	Q4/17	Change%	2018	2017	Change%
Environmental Services	68.5	66.0	3.7	270.2	262.8	2.8
Industrial Services	25.2	23.9	5.7	96.5	90.7	6.5
Facility Services	62.1	70.2	-11.5	257.2	260.6	-1.3
Technical Services	41.6	38.4	8.3	148.4	71.8	106.6
Renewable Energy Sources	12.1	10.7	12.7	40.7	34.9	16.6
L&T Group	206.5	206.1	0.2	802.2	709.5	13.1

OPERATING PROFIT



EUR million	Q4/18	Q4/17	Change%	2018	2017	Change%
Environmental Services	8.3	6.9	20.2	31.6	31.6	-0.1
Industrial Services	2.6	2.6	2.3	10.0	8.7	15.3
Facility Services	0.0	1.4	-99.2	5.0	5.2	-4.5
Technical Services	1.6	1.2	34.1	4.5	1.6	172.4
Renewable Energy Sources	0.1	0.2	69.9	0.0	0.7	-99.1
L&T Group	11.7	11.4	2.7	47.6	44.0	8.2

ENVIRONMENTAL SERVICES

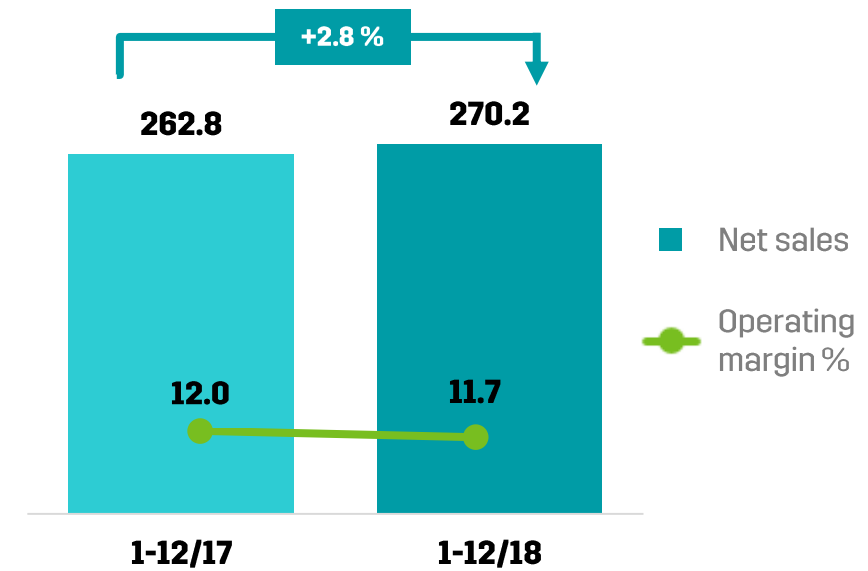
The division's net sales grew and its market position improved particularly in the retail and industrial segments.



KEY MESSAGES

- Higher fuel costs compared to the previous year were covered with other measures.
- Operating profit and net sales improved in the final quarter year-on-year due to profitability improvement measures taken earlier in the year.

EUR million	Q4/18	Q4/17	Change %	2018	2017	Change %
Net sales	68.5	66.0	3.7	270.2	262.8	2.8
Operating profit	8.3	6.9	20.2	31.6	31.6	-0.1
Operating margin, %	12.0	10.4		11.7	12.0	



Q4 & FY2018

INDUSTRIAL SERVICES

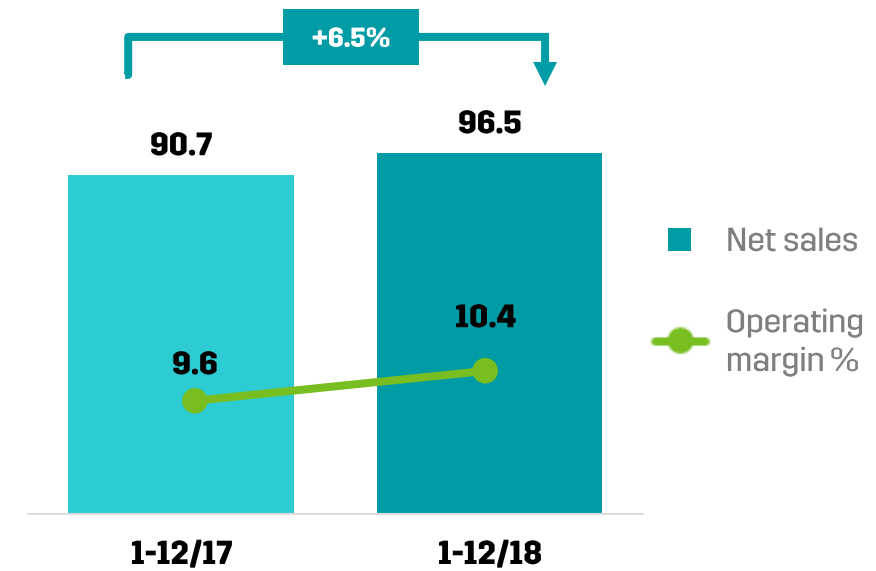
Improvements in service development and the efficiency of operations increased operating profit and supported new customer acquisition, which was reflected in a higher market share.



KEY MESSAGES

- ◆ The division's net sales increased by 5.7% in the final quarter. Net sales increased particularly in the project business.

EUR million	Q4/18	Q4/17	Change %	2018	2017	Change %
Net sales	25.2	23.9	5.7	96.5	90.7	6.5
Operating profit	2.6	2.6	2.3	10.0	8.7	15.3
Operating margin, %	10.4	10.7		10.4	9.6	



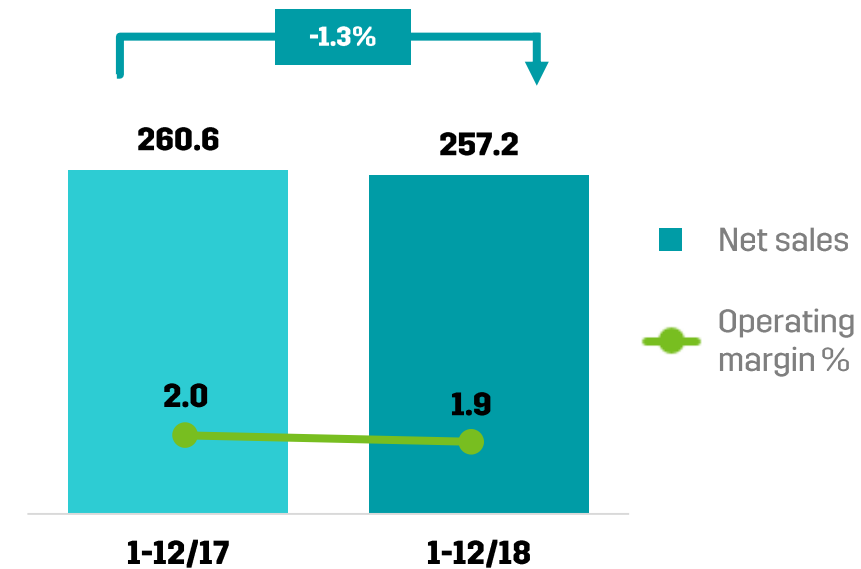
FACILITY SERVICES

The division focused on major changes in its operating model in 2018 to improve its competitiveness.

KEY MESSAGES

- ◆ In the cleaning business, increased price competition led to the loss of customers, which decreased net sales and operating profit.
- ◆ In the renovation business, operating profit increased year-on-year due to the improved efficiency of operations.

EUR million	Q4/18	Q4/17	Change %	2018	2017	Change %
Net sales	62.1	70.2	-11.5	257.2	260.6	-1.3
Operating profit	0.0	1.4	-99.2	5.0	5.2	-4.5
Operating margin, %	0.0	2.0		1.9	2.0	



Q4 & FY2018

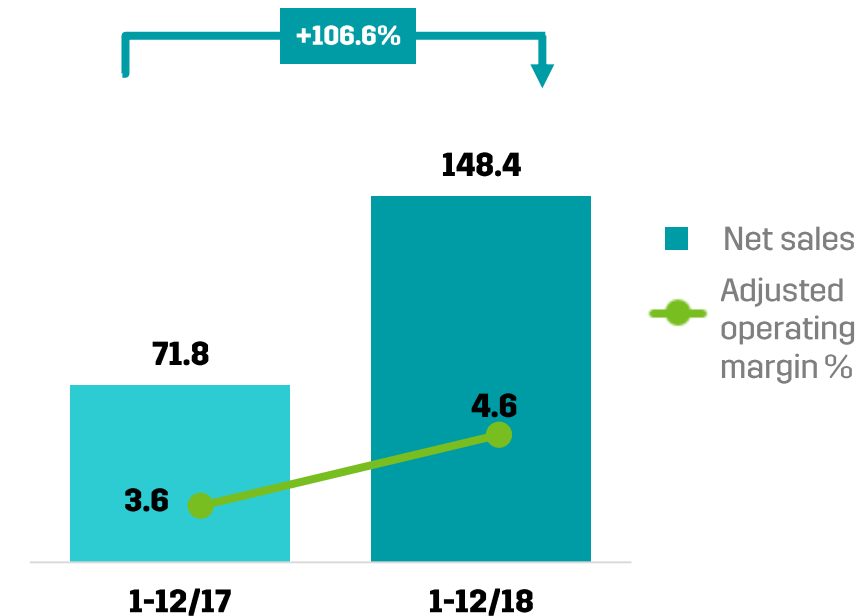
TECHNICAL SERVICES

Particularly in Sweden Technical Services' business developed favourably thanks to strong demand and improved productivity.

KEY MESSAGES

- The order book remained strong and the contract portfolio strengthened in both Finland and Sweden in 2018.
- In the division's Finnish operations, the deployment phase of the ERP system decreased operating profit in the final quarter. In Sweden, net sales and operating profit increased year-on-year.

EUR million	Q4/18	Q4/17	Change %	2018	2017	Change %
Net sales	41.6	38.4	8.3	148.4	71.8	106.6
Operating profit	1.6	1.2	34.1	4.5	1.6	172.4
Adjusted operating profit	2.2	2.0	8.7	6.8	2.6	164.0
Operating margin, %	3.8	3.1		3.0	2.3	
Adjusted operating margin, %	5.2	5.2		4.6	3.6	



RENEWABLE ENERGY SOURCES

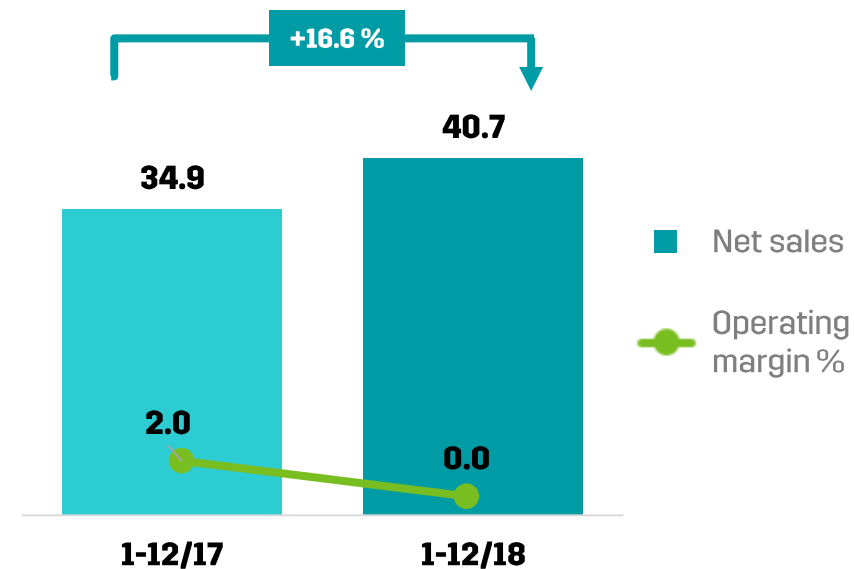
The market for renewable energy sources remained challenging in 2018.

KEY MESSAGES

- Operating profit was lower than in the comparison period during the early part of the year due to the low energy content of fuels caused by the large amount of rain in 2017. Operating profit was also decreased by higher wood procurement prices and contracting costs.
- Net sales increased in the final quarter from the comparison period due to growing demand.

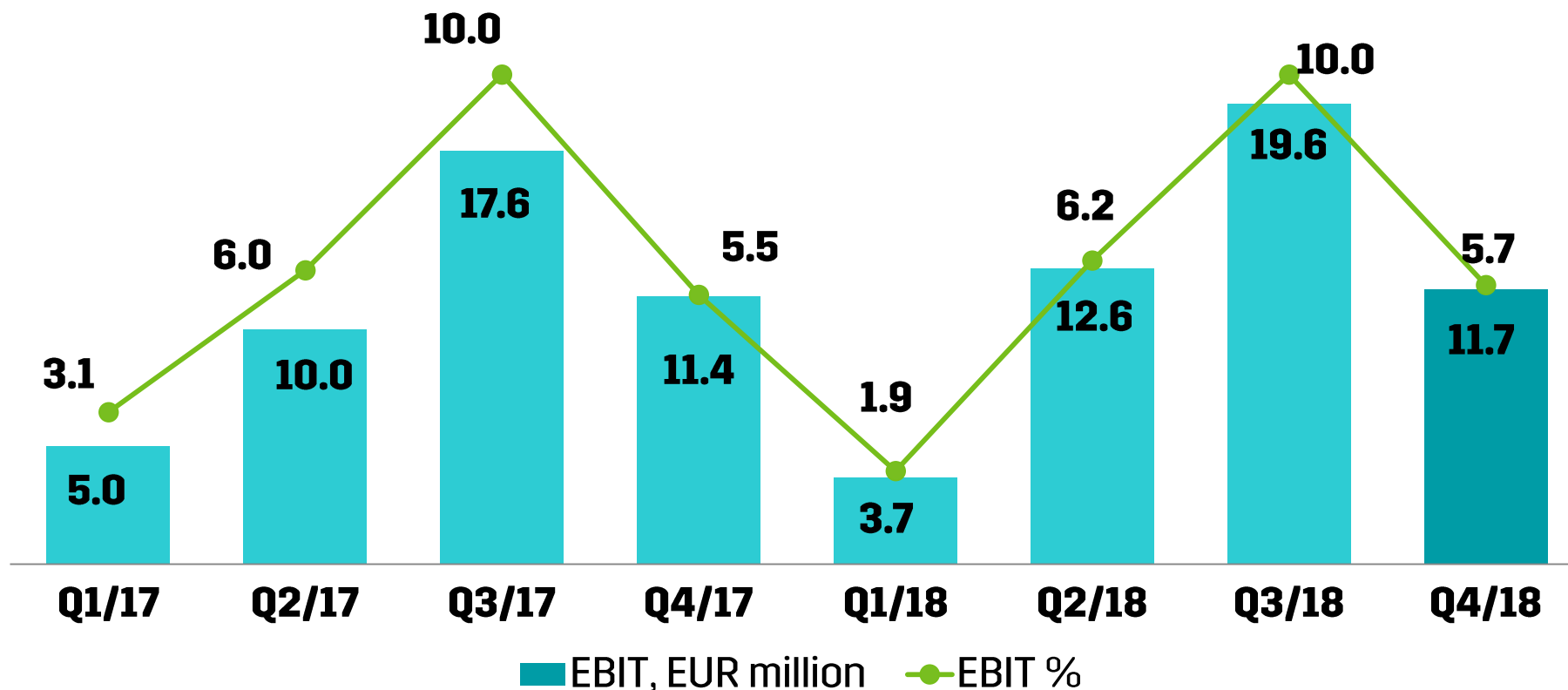


EUR million	Q4/18	Q4/17	Change %	2018	2017	Change %
Net sales	12.1	10.7	12.7	40.7	34.9	16.6
Operating profit	0.1	0.2	-69.9	0.0	0.7	-99.1
Operating margin, %	0.6	2.1		0.0	2.0	



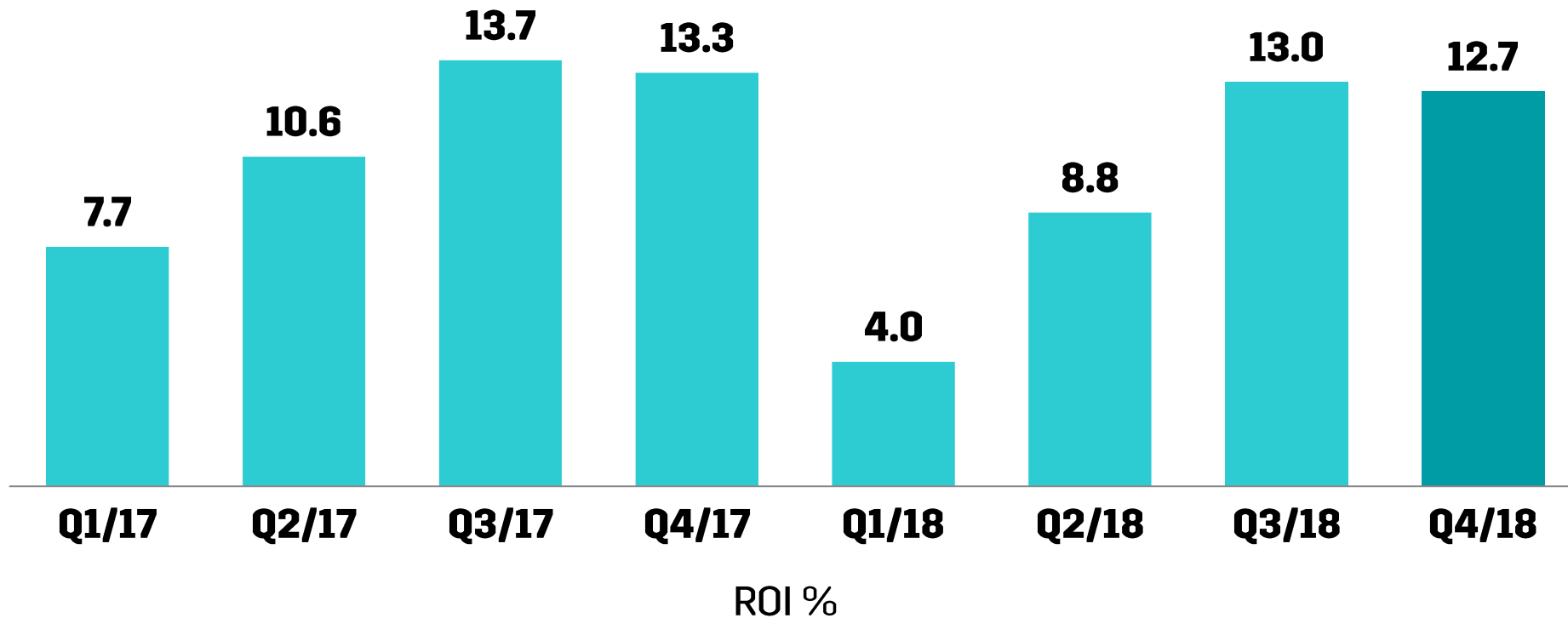
OPERATING PROFIT

Operating profit increased year-on-year both absolutely and relatively due to the acquisition of L&T FM and the increase in profit margins.



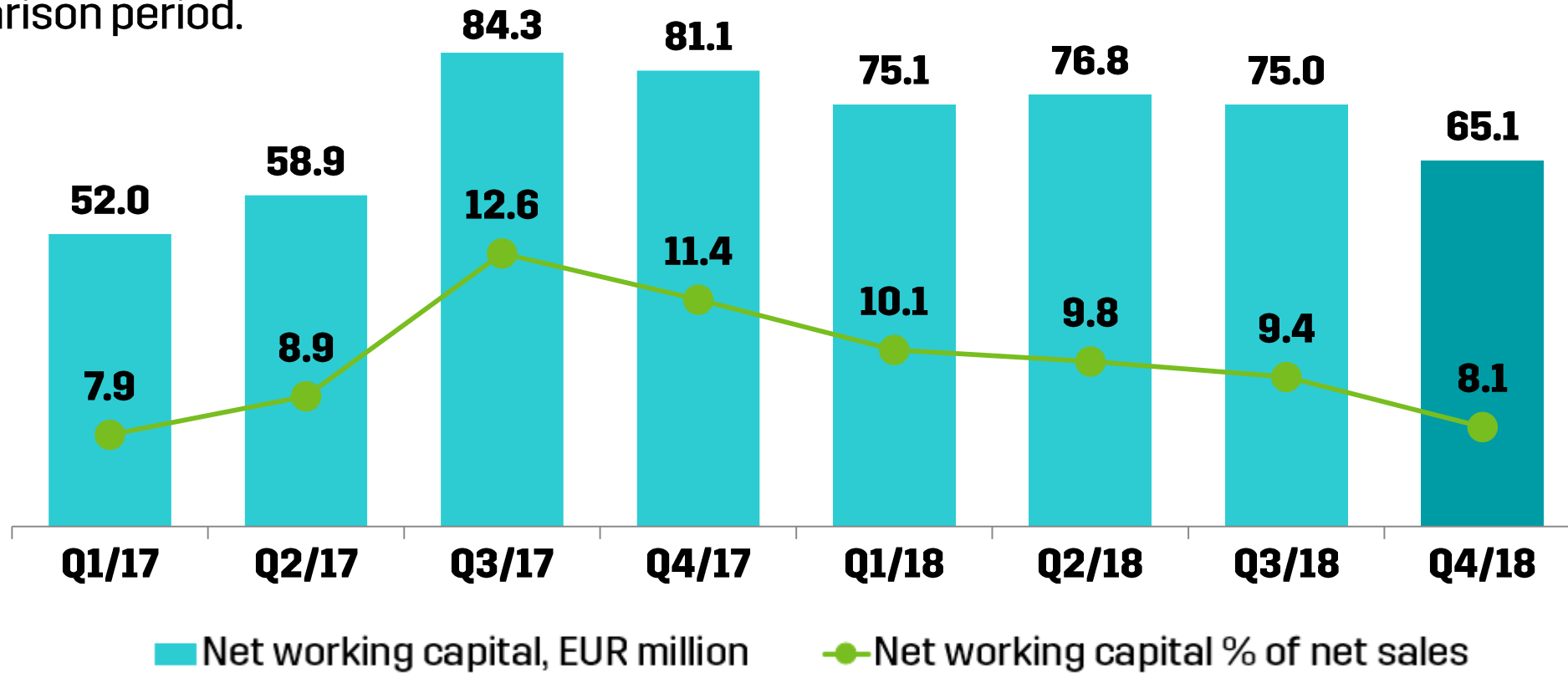
RETURN ON INVESTMENT

The return on investment declined compared to the previous year despite of favourable development of net working capital. This was mainly due to the intangible assets related to the acquisition of L&T FM AB.



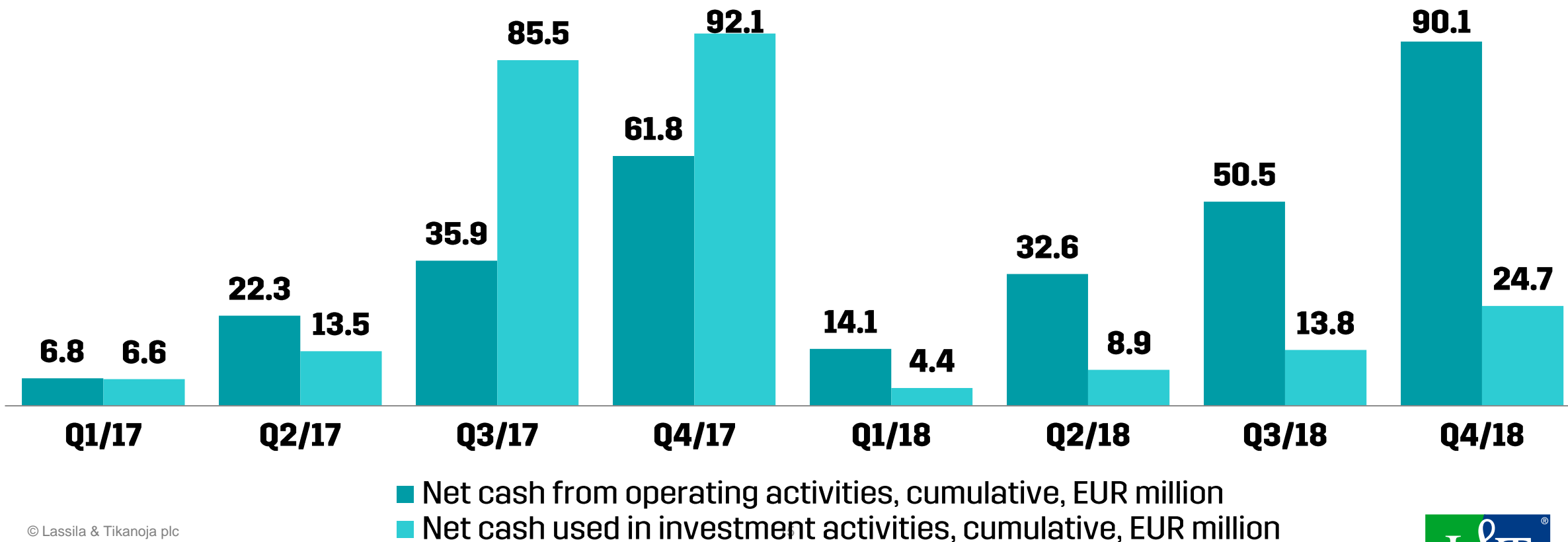
NET WORKING CAPITAL

Net working capital % has decreased five quarters in a row. Net working capital has decreased by 16 EUR million from the comparison period.



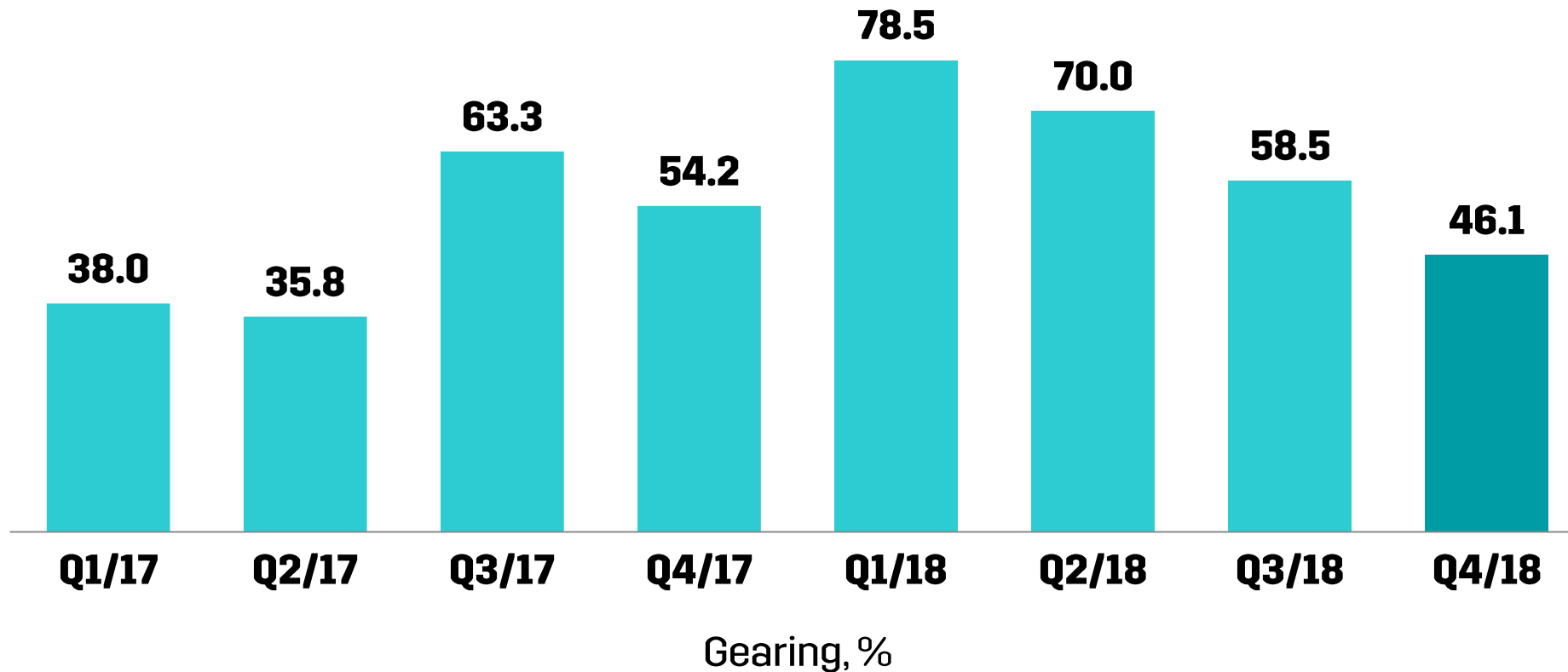
CASH FLOW AND INVESTMENTS

Net cash flow from operating activities improved year-on-year throughout 2018 due to successful measures to improve the efficiency of working capital management.



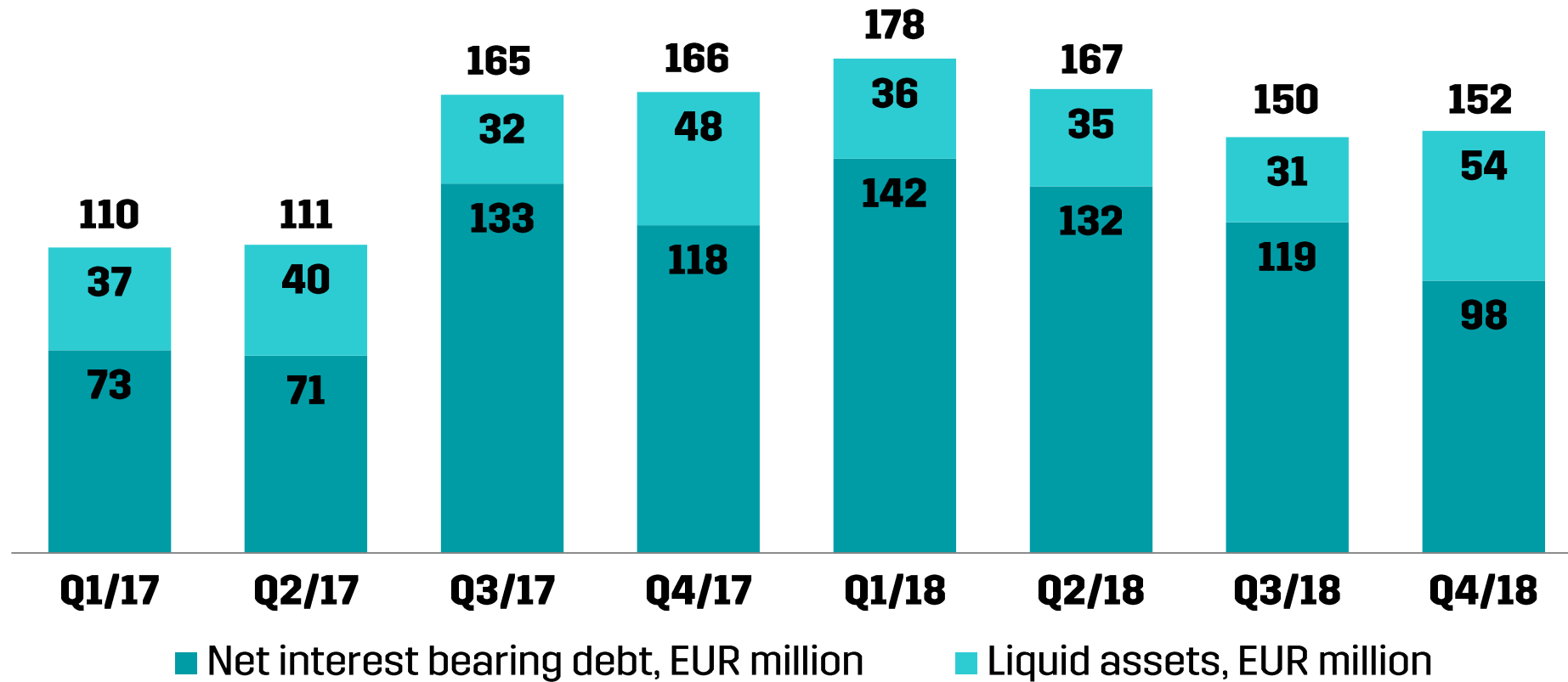
Q4 & FY2018 **GEARING**

Gearing decreased from the comparison period due to strong accumulated EBIT and lower interest bearing debt.



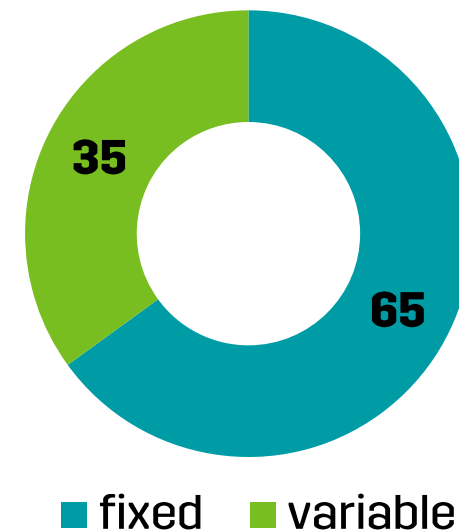
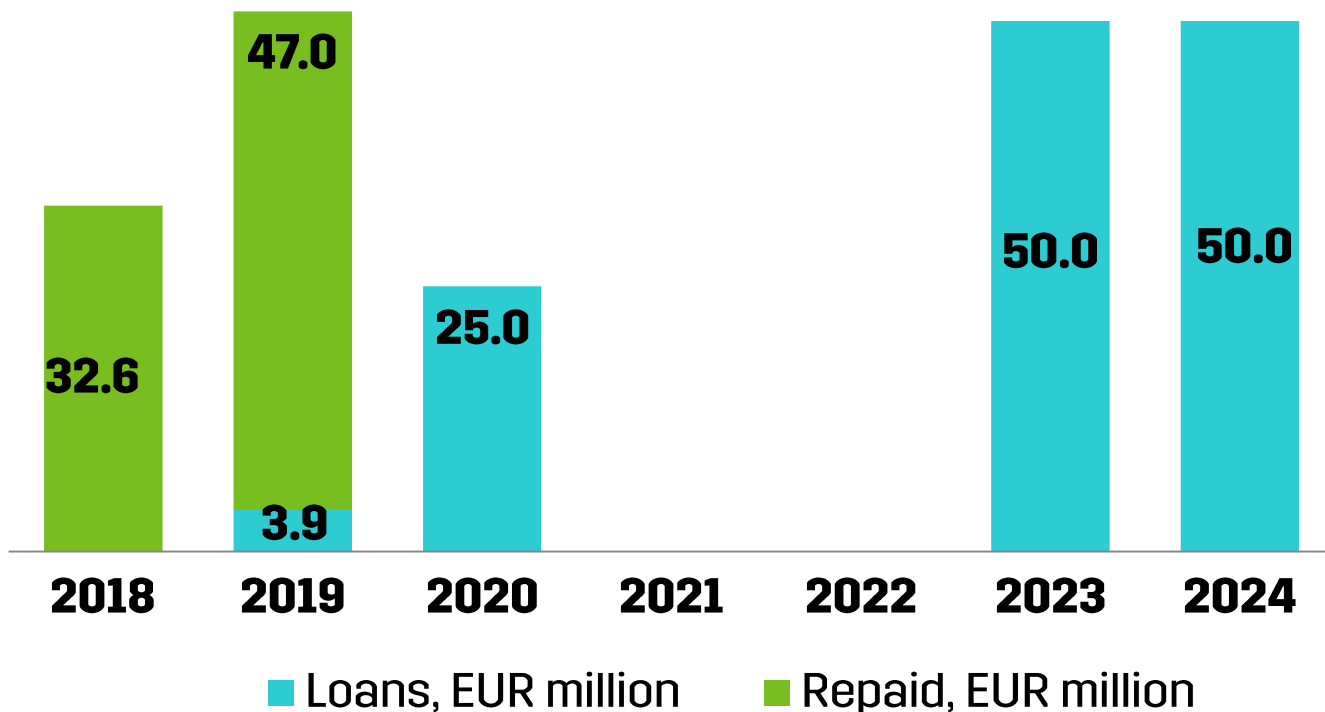
INTEREST BEARING DEBT

Net interest-bearing debt decreased significantly from Q3. Increase in liquid assets was due to strong cash flow.



MATURITY STRUCTURE OF LOANS

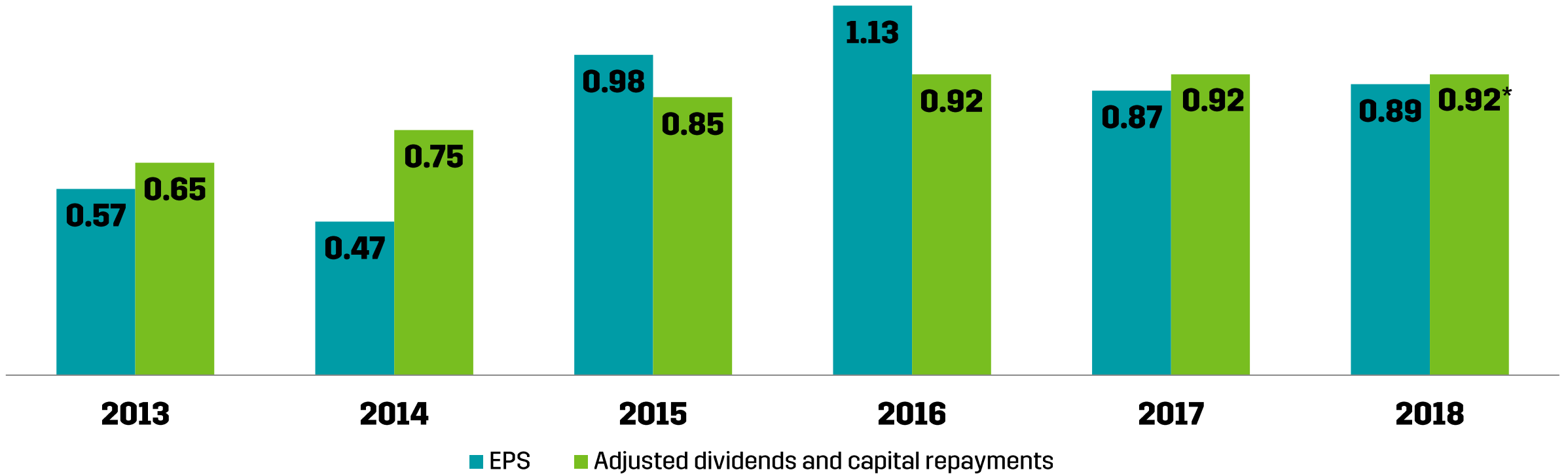
Lassila & Tikanoja plc issued on September EUR 50 million notes due 2023; EUR 27 million was used for redemption of the outstanding notes due 2019 and repayment of an EUR 20 million bank loan due 2019.



Weighted average of effective interest rate 1.2 %

DIVIDEND AND DIVIDEND POLICY

The amount of dividend is tied to the results for the financial year. Profits not considered necessary to ensure the healthy development of L&T will be distributed to shareholders. The Board of Directors proposes a dividend of EUR 0.92 per share.



IFRS 15 Standard was applied retrospectively from 1 January 2018 onwards. Data from the financial year 2017 has been adjusted according to the new standard.

**Proposal by the Board of Directors*



OUTLOOK FOR THE YEAR 2019

All of Lassila & Tikanoja's divisions except Facility Services have good outlook for 2019. Net sales and operating profit of Facility Services are expected to decrease compared to 2018 due to costs related to implementation of the new operating model and decrease in the division's contract base.

Lassila & Tikanoja's full-year net sales and operating profit in 2019 are expected to be on par with 2018.

This estimate was included in the Financial Statements released on 30 January 2019.

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L&T IN BRIEF

L&T YEAR 2017

NET SALES BY DIVISION



ENVIRONMENTAL SERVICES 37%

Waste management, recycling services and environmental management

FACILITY SERVICES 36%

Cleaning and support services, property maintenance and renovation business

INDUSTRIAL SERVICES 12%

Process cleaning, environmental construction, sewer maintenance and hazardous waste management

TECHNICAL SERVICES 10%

Maintenance of technical systems

RENEWABLE ENERGY SOURCES 5%

Forest services

WE HAVE ABOUT

50,000

business and public sector customers

plus about

100,000

household customers in Finland.

We also offer Facility Services in Sweden and Environmental Services in Russia.

L&T'S OFFICES



IN 2017, WE EMPLOYED APPROXIMATELY

8,700

people in Finland, Sweden and Russia.

OUR EMISSION SAVINGS

Together with our customers, we were able to reduce CO₂ emissions by approximately

1.1 MILLION

CO₂ equivalent tonnes.

This corresponds to approximately the emissions from food wastage in Finland.

WE PAID TAXES

167

 MEUR

Jobs for people. Tax revenue for municipalities.

NET PROMOTER SCORE OF OUR PERSONNEL

70%

We do meaningful and sustainable work.

OUR ACCIDENT FREQUENCY

2012

33

2017

15

2018

Target

10

Final target: 0

In just five years, we have halved our accident frequency.

OUR CUSTOMERS RECOMMEND US MORE THAN BEFORE

The area for which we received the most praise was our knowledgeable and flexible service.



OPERATING ENVIRONMENT

RELEVANT MARKET TOTALS EUR 6.2 BILLION AND IS GROWING AT 2.6% ANNUALLY



- ◆ The market is large and offers room for growth especially now as the Finnish GDP is growing fast
- ◆ The EUR 6.2 billion relevant market in Finland is expected to grow at a compound annual rate of ~2.6%² during the years 2017 – 2020
- ◆ Focus on strengthening market positions in the business segments
- ◆ A healthy balance sheet enables investments and business acquisitions, as also indicated by the recent Veolia FM AB acquisition in Sweden
- ◆ The relevant market size in Sweden is estimated at EUR 5.5 billion, mainly consisting of property cleaning, maintenance and technical services
 - ◆ The relevant Swedish market is expected to grow at ca. 3% annually

¹Based on L&T's estimate and research data on the size of relevant markets in Finland. Outsourcing potential in municipal sector not included

²Company estimate. The net sales weighted average of market growth in different segments

L&T HAS STRONG MARKET POSITIONS IN ITS OPERATING SEGMENTS

Market sizes and market positions in Finland

	Relevant market size ¹	Annual market growth ²	L&T's market position
Environmental Services	EUR 1.2 billion	1 – 3%	1
Industrial Services	EUR 0.6 billion	~ 3%	1 – 3
Facility Services	EUR 2.4 billion	~ 2%	2 – 3
Technical Services	EUR 1.3 billion	3 – 4%	4
Renewable Energy Sources	EUR 0.7 billion	5 – 6%	4 – 5

OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY FOR 2017 – 2020

Changes in the operating environment

Environment regulation tightens, ambition in climate change mitigation grows

Expected changes in the public sector governance and financing disrupts the market

Urbanization and demographic change continues, availability of labor decreases and changes focus

Digitalization disrupts business models and creates new demand

Property construction decreases and switches to renovation in the short term

Process industry continues strong, but GDP growth expected to rely more on consumers

Impact on L&T

Increased producer responsibility for waste as well as requirements for sustainability create business opportunities.

Outsourcing in the public sector increases business opportunity creation. Competition emerges from previously public operations.

Higher competition for labor demands focus on employee experience. New service opportunities emerge in growing cities.

Amount of recyclable fibers diminishes, but also new e-business opportunities emerge throughout the businesses.

The amount of construction waste decreases and competition intensifies in renovation.

Industrial segment demand for support services stays strong, changes in consumption drive service needs and waste creation in retail.

STRATEGY OVERVIEW



AIM Profitable growth

VISION
We are the most advanced and useful service company in our industry

CUSTOMER PROMISE
We'll keep our word
We'll make your everyday life easier
We'll help you succeed

STRATEGIC FOCUS AREAS

Development of services and channels

Customer and employee experience

Productivity

New growth opportunities



CLIENT BENEFITS
We maintain value
We create efficiency
We improve everyday life

KEY SUCCESS FACTORS

Skilled personnel and a good service attitude

Ability to renew

Sustainable and safe operations

TRENDS

Transition of work life
Sustainability

Digitalisation
New business models



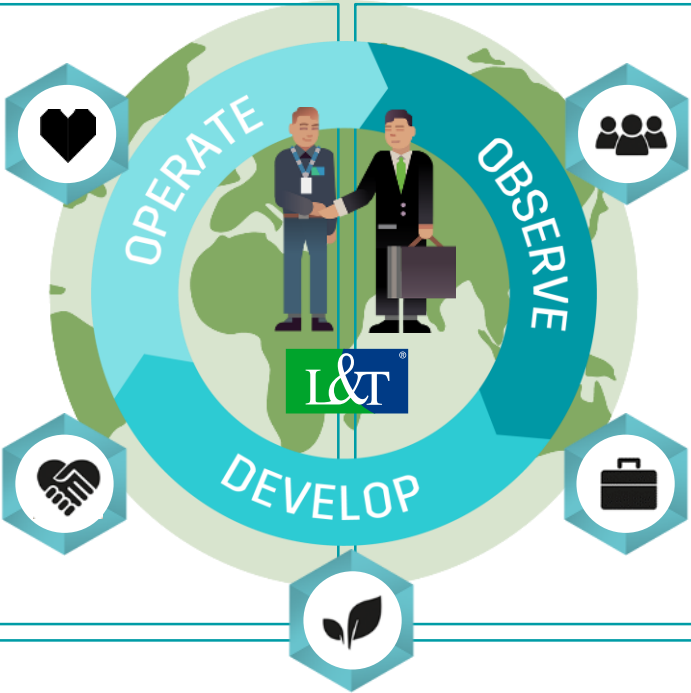
SERVICISATION

URBANISATION

CLIMATE CHANGE

DIMINISHING NATURAL RESOURCES

L&T creates value with the circular economy's practical measures



FOR THE PERSONNEL

- Meaningful work
- Safe work
- Length of careers

FOR THE CUSTOMERS

- Material, energy and cost efficiency
- Increased asset value
- Better conditions, healthy and productive employees

- Haulage over 13 million
- More than 1 million maintenance tasks
- 400,000 tons of treated soil
- 8,000 ha of treated forests
- 27,000 security operations

FOR THE SOCIETY

- Income taxes
- Employment
- Young people and special groups

FOR THE ENVIRONMENT AND CLIMATE

- Natural resources saved: 3.5 million trees, 72,000 tons of oil
- Reduced emissions equal to the impact of 100,000 Finns
- Smaller environmental and health risks and damages

FOR THE OWNERS

- Market value of the company
- Dividends paid

Assets invested in the company: MEUR 220

- 430,000 tons of secondary raw material
- Over 2,000 GWh of renewable bioenergy
- 50,000 tons of waste treated un-hazardous

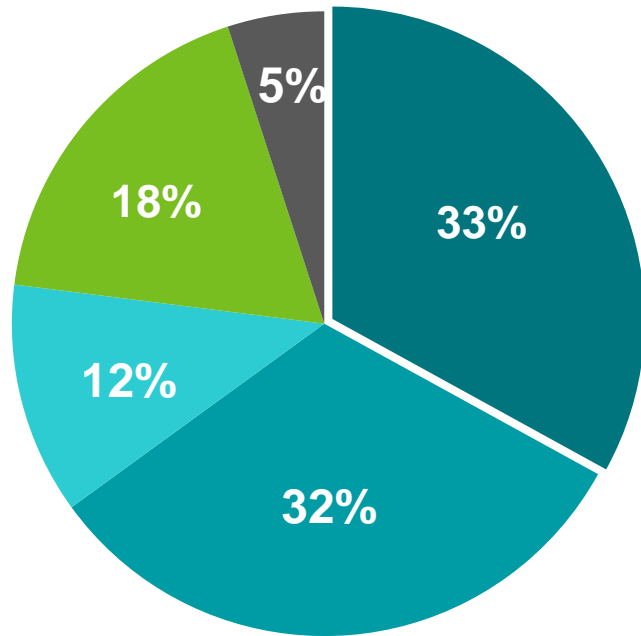
- Investment in work ability and well-being MEUR 8.6
- 33,000 hours of education
- Benefits paid from the sickness fund: MEUR 1.3

- 8,700 employees
- Paid wages: MEUR 300
- Purchased goods and services: MEUR 340
- Investments: MEUR 110

BUSINESS SEGMENTS

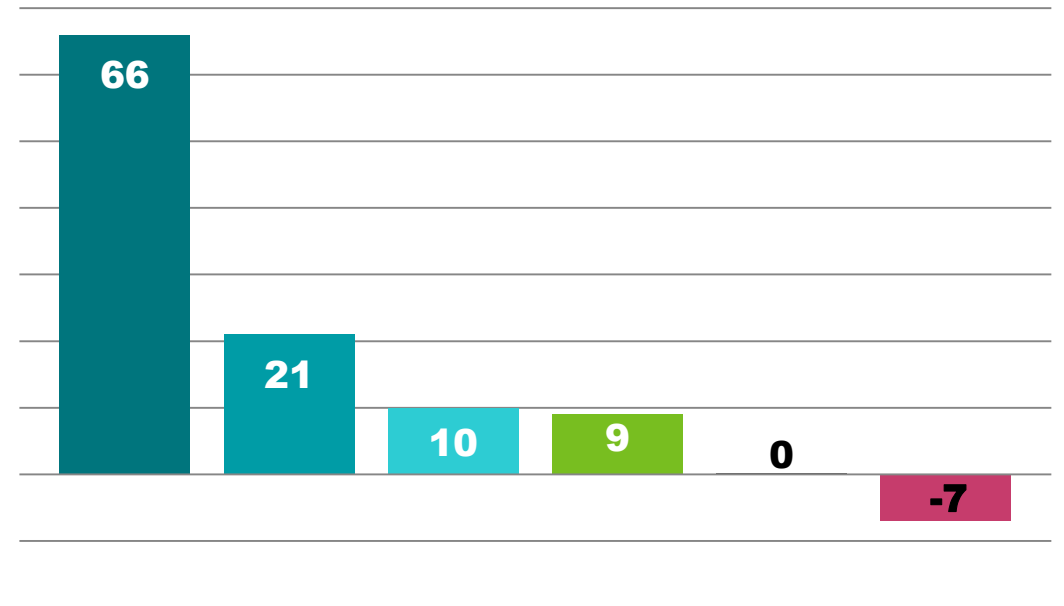
NET SALES AND OPERATING PROFIT BY DIVISION 2018

Net sales



- Environmental Services
- Facility Services
- Industrial Services
- Technical Services
- Renewable Energy Sources

Operating profit, % of Group total



- Environmental Services
- Facility Services
- Renewable Energy Sources
- Industrial Services
- Technical Services
- Administration and other

L&T'S ORGANISATION 1.1.2019



ENVIRONMENTAL SERVICES

OUR STRATEGIC FOCUS AREAS ARE NEW SERVICES THAT PROMOTE THE CIRCULAR ECONOMY, THE BEST CUSTOMER EXPERIENCE IN THE INDUSTRY AND PRODUCTIVITY.



OUR PERSONNEL IS OUR MOST IMPORTANT RESOURCE.



WE TAKE PRACTICAL STEPS FOR THE CIRCULAR ECONOMY TOGETHER WITH OUR CUSTOMERS.

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	1–2 depending on product

OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

Changes in the operating environment

Description

Importance of environmental responsibility increases

European Union sets long-term targets to create a Circular Economy

Retail and media industries' business models are changing and digitalising

New building construction decreases in the short term

Industrial manufacturing is not growing

Impact on L&T

Demand for environmental services grows, purchasing criteria focus more on environmental responsibility

Conditions to develop new technology and waste management solutions improve

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

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

Decreases waste volumes, but brings opportunities in value-added solutions

ENVIRONMENTAL SERVICES LOOKS INTO STRENGTHENING POSITION IN THE VALUE CHAIN AND GROWTH IN SELECTED SEGMENTS WHILE HAVING THE BEST RESOURCES

Strategic choices

Expanding the value chain

We look into new business opportunities to strengthen our position in the value chain as well as offer new professional services in environmental management.

Focusing on corporate, producer responsibility and household segments

We increase our market share in corporate sector by focusing on selected segments. We grow by creating comprehensive solutions for producer responsibility organizations and digital services for households.

Building competitive advantage by service development and operational efficiency

We actively develop new services to create growth and competitive advantages. We develop operating model to improve operational efficiency.

Improving employee experience

We ensure that we have the most skilled and service oriented employees in our field of business by workforce development and innovative organization.

Environmental Services

Waste management

Recycling

Subcontracting for municipalities

Environmental products

INDUSTRIAL SERVICES



THE MOST BENEFICIAL PARTNER OF AN INDUSTRIAL COMPANY

Industrial services

CUSTOMER EXPECTATIONS

Continuous development and promotion of the customer's business operations

Strong professionalism and cost efficiency

Understanding the changes of the customer's markets

Responsible operations



L&T'S SOLUTIONS

We produce support services efficiently and extensively for the entire industrial area

Proactive safety and environmental activities are at centre stage of our operations

We produce transparency and ease into management

We develop services and operations for the benefit of our customer

CUSTOMER BENEFITS

COST EFFICIENCY

- Synergetic support service packages
- Joint work planning

EFFICIENCY

- Proactiveness and systematicness
- One contact point and management for support services

DEVELOPMENT OF OPERATIONS

- Based on the customer's KPIs
- More focused operational analysis
- Best practices at the L&T level

RESPONSIBILITY

- Proactive EHSQ culture
- Support and competence to meet the requirements by the authorities

L&T HAS A STRONG MARKET POSITION RANKING IN THE TOP 3 IN ALL SERVICE LINES

Market size and L&T's positions by business lines

	Relevant market size	Annual market growth	L&T market position
Industrial Services	0.4 Billion €	3%	2
Industrial process cleaning		~ inflation	2
Sewer maintenance services		> inflation	3
Hazardous waste management		< inflation	2
Environmental construction		~ inflation	3

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, customers' 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.

Businesses linked to landfilling are changing

Ban on the landfill disposal of organic waste creates opportunities in recycling. As incineration increases, the need for ash processing and recycling solutions increase as well.

Industrial manufacturing is not growing

Industrial companies seek cost efficiency by support service outsourcing, which creates opportunities for Industrial services.

INDUSTRIAL SERVICES GROWS BY EXPANDING OFFERING AND THROUGH CUSTOMER INTEGRATION WHILE IMPROVING INTERNAL CAPABILITIES

Strategic choices

Growing and integrating with industrial customers

We grow in current and new key accounts by expanding the range of services, developing new services and methods as well as integrating into clients' processes and operating models.

Improving sales and account management

We create and execute customer specific responsibilities and growth plans by improving segment specific skills and customer understanding.

Developing an effective and centralized operating model

We develop an effective and centralized operating model, including nation-wide resource planning and management supported by modern ICT solutions.

Industrial Services

Environmental construction

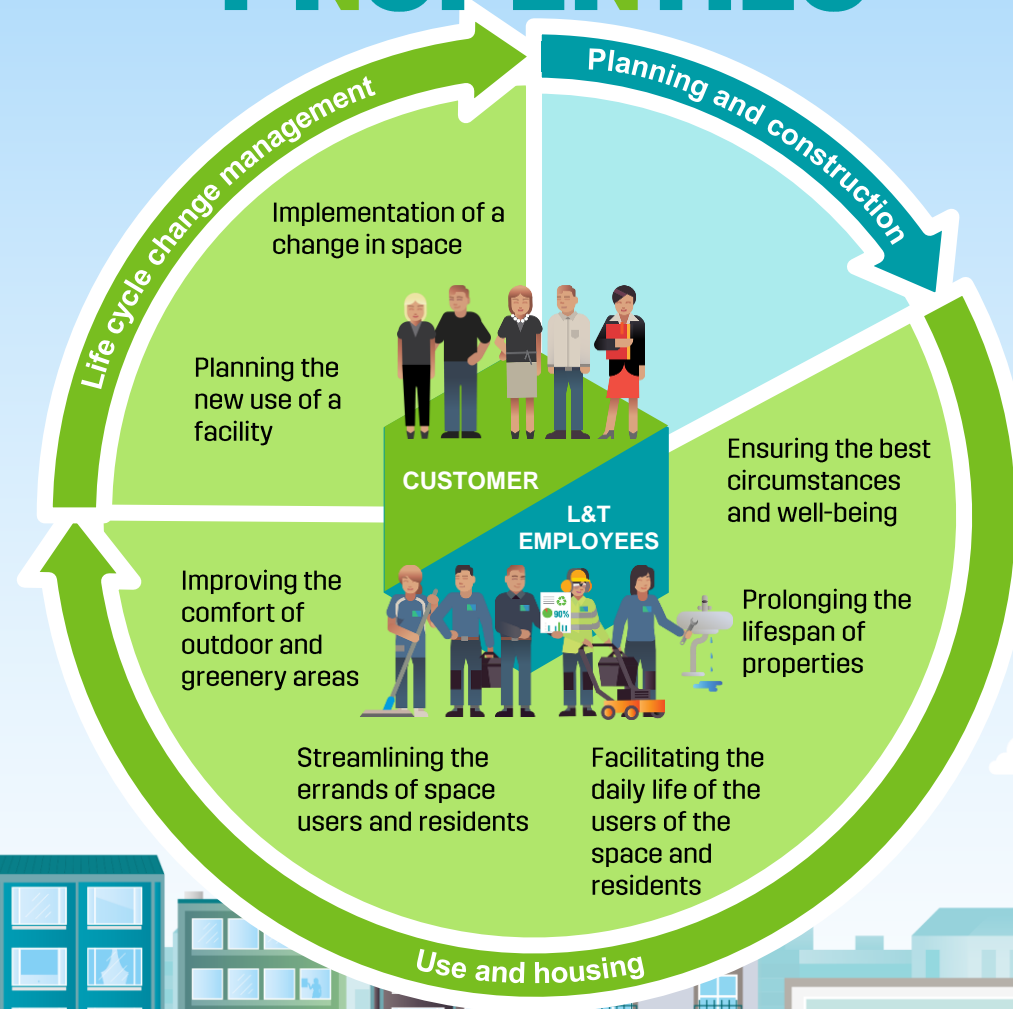
Process cleaning

Sewer maintenance services

Hazardous waste services

CIRCULAR ECONOMY OF PROPERTIES

OUR CUSTOMERS



OUR FOCAL POINTS

- 1 Efficient and agile operating model
- 2 Personnel experience and ensuring the availability of employees
- 3 Customer experience and customer-oriented solutions



WE HAVE A STRONG MARKET POSITION RANKING IN THE TOP 2 IN MOST BUSINESSES

Market size and L&T's positions by business lines

	Relevant market size	Annual market growth	L&T market position
Facility Services	3.4 Billion €	2%	2
Cleaning services		< inflation	2
Property maintenance		~ inflation	1
Renovation services		~ inflation	2

OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

Changes in the operating environment

Description

Industrial manufacturing in Finland is not growing

Demand for office modifications increases

Repair construction volume is growing while new construction remains at low level

E-commerce changes requirements for retail property

Availability of skilled workforce is a challenge

Impact on L&T

Overall industrial manufacturing volume decreases, but outsourcing of non-core functions opens up new opportunities for Facility Services

Remote work becomes more commonplace, which creates opportunities in providing modern office solutions

Competition in repair construction intensifies as construction companies seek growth outside their traditional domain

Amount of retail property decreases and competition intensifies

Workforce management, employer image and efficient recruitment continue to grow in importance

CHANGES IN CUSTOMER BEHAVIOUR OPENS UP OPPORTUNITIES FOR FACILITY SERVICES

Changes in customer behaviour

Description

Centralisation and professionalisation of service sourcing

Increased outsourcing of non-core activities in public sector

Growing role of technology in Facility Management

Need for transparency and reporting

Impact on L&T

Growing requirement for sales competencies and efficiency of operations, also opportunities in providing integrated services

Business development possibilities in Facility Management and services to the public sector, with growing importance of operational efficiency to cope with price competition

Need to grow offering in technological systems maintenance

Opportunities for professional services to support our clients

FACILITY SERVICES CREATES COMPETITIVE ADVANTAGES FROM ITS OPERATING MODEL AND SERVICE DEVELOPMENT

Strategic choices

Improve competitive advantages by developing our operating model

We invest in operating model development and related ICT-systems to gain competitive advantages in operations management, service quality and customer insights.

Enhancing customer experience through service development

We increase our customer understanding and develop new services concepts to better meet customer needs in different segments.

Improving leadership and employee experience

We develop flexible workforce solutions, invest in good managerial skills and improve employee experience to ensure competitiveness and availability of skilled resources.

Facility Services

Cleaning

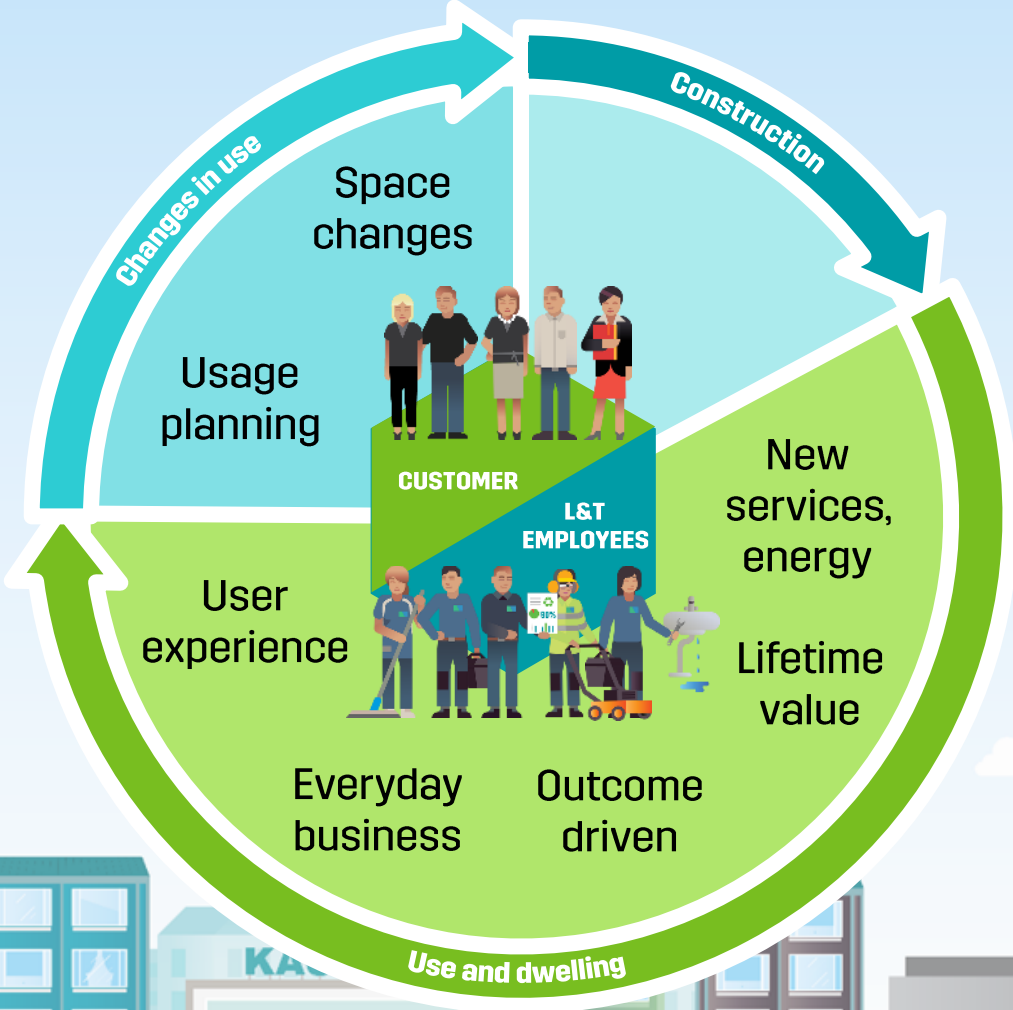
Facility support services

Property maintenance

Renovation

TECHNICAL SERVICES

CUSTOMERS



STRATEGY



Commercial excellence



Efficient operating model



Strengthened market position



Employee experience



IN TECHNICAL SERVICES WE HAVE A STRONG MARKET POSITION RANKING 4 IN BOTH FINLAND AND SWEDEN

Market size and L&T's positions by business lines

	Relevant market size	Annual market growth	L&T market position
Facility Services, Finland	1.3 Billion €	3%	4
Facility Services, Sweden	2.3 Billion €* <hr/>	3%	4

Market positions and sizes based on management estimates, with current business portfolio.
Outsourcing potential in municipal sector not included.

GROWING TECHNOLOGICAL AND SUSTAINABILITY REQUIREMENTS DRIVE A POSITIVE MARKET SENTIMENT

Changes in the operating environment

Description

Overall technical requirements in buildings continue to grow

Sustainability and climate change require energy efficiency and tighter regulation

Digitalization, sensor data and new technologies become the new standard

Availability of a skilled workforce is a challenge

Urbanization continues

Impact on L&T

Strong market demand and emergence of opportunities for new renovation solutions.

Business development opportunities in buildings' energy and resource consumption efficiency.

New differentiation opportunities with data and new services requiring advanced ICT skills.

Importance of employee experience, education, employer image and efficient recruitment is growing.

Demand for services in major cities continues to grow.

CHANGES IN CUSTOMER BEHAVIOUR OPEN OPPORTUNITIES FOR TECHNICAL SERVICES

Changes in customer behaviour

Description

Increased outsourcing of non-core activities in public sector

Growing role of technology in Facility Management

Need for transparency and reporting

Orientation for long term value creation increases

Impact on L&T

Business potential with growing importance of operational efficiency to cope with price competition.

Increased potential in offering technical services.

Opportunities for professional services to support our clients, demand for data based service management.

Increased potential for outcome driven and vested contract models.

TECHNICAL SERVICES SEEKS PROFITABLE GROWTH THROUGH COMMERCIAL EXCELLENCE SUPPORTED BY EFFICIENT OPERATING MODEL

Strategic choices

Developing commercial excellence

We strengthen the commercial organization and the account management process to win market share in selected growth segments.

Developing operating model into competitive advantage

We ensure productivity through implementing a new operating model.

Strengthening market position

We improve our market position through widening our offering with service development and strengthening our capabilities in attractive market segments.

Ensuring skilled and engaged employees

We improve employee experience and focus on professional training and career paths.

RENEWABLE ENERGY SOURCES

VISION

We are the most competent and efficient player in our field. We grow profitably. We can be proud of our workplace.



Competent supply chain improves efficiency



New growth in biofuel deliveries to power plants



We develop new solutions



FOREST SERVICES

- Private forest owners
- Small forest service and harvesting companies
- Municipalities, parishes and forest co-owners

RAW MATERIAL SUPPLIES

- Power plants
- Forest industry
- Farms, landscapers, municipalities and businesses

WE HAVE A STRONG MARKET POSITION IN RENEWABLE ENERGY SOURCES

Market size and L&T's position

	Relevant market size*	Annual market growth	L&T market position
Renewable Energy Sources	0.5 Billion €	5%	3–4

*Market positions and sizes based on management estimates, with current business portfolio.

OPERATING ENVIRONMENT CHANGES SUPPORT THE BUSINESS

Changes in the operating environment

Description

New investments in wood processing industry and the use of wood biomass in other industrial sectors

The goal of carbon-free, clean and renewable energy recorded in the current Government Programme

Climate goals become tighter

Impact on L&T

Demand for wood biomass will increase. Using only 80% of the sustainable felling potential will secure sufficient raw materials.

The conditions for developing bioenergy business will improve.

Climate goals will have a positive effect on our business, because it helps to cut down the use of fossil fuels and reduce carbon dioxide emissions.

RENEWABLE ENERGY SOURCES GROWS IN ENERGY SECTOR WITH EFFICIENT SUPPLY CHAIN AND CAPITAL MANAGEMENT

Strategic choices

Grow in energy sector

We will acquire new customers and increase our role with current customers. We will create competitive advantages of quality factors to avoid price competition.

Improving supply chain efficiency

Improved supply chain management will make production more cost-efficient and increase energy content. Supply chains of forest energy will be optimized for each major client.

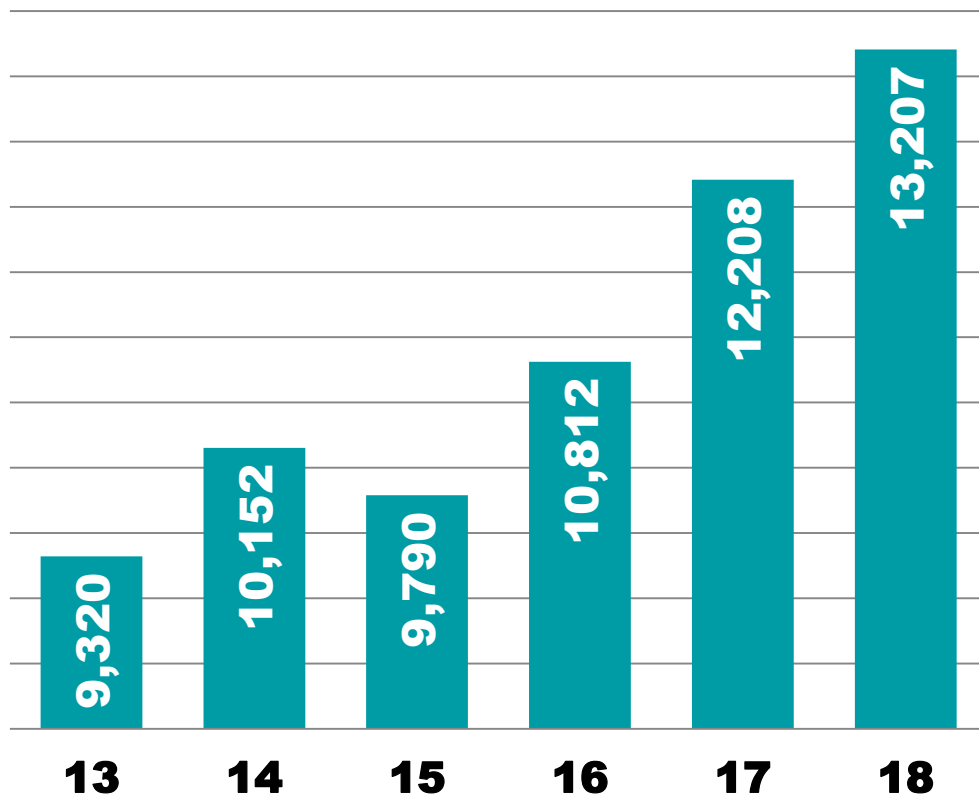
Enhance inventory management and decrease employed capital

We will enhance our inventory management with updated procurement methods and by planning our inventory locations so that they are near the customer.

SHAREHOLDERS

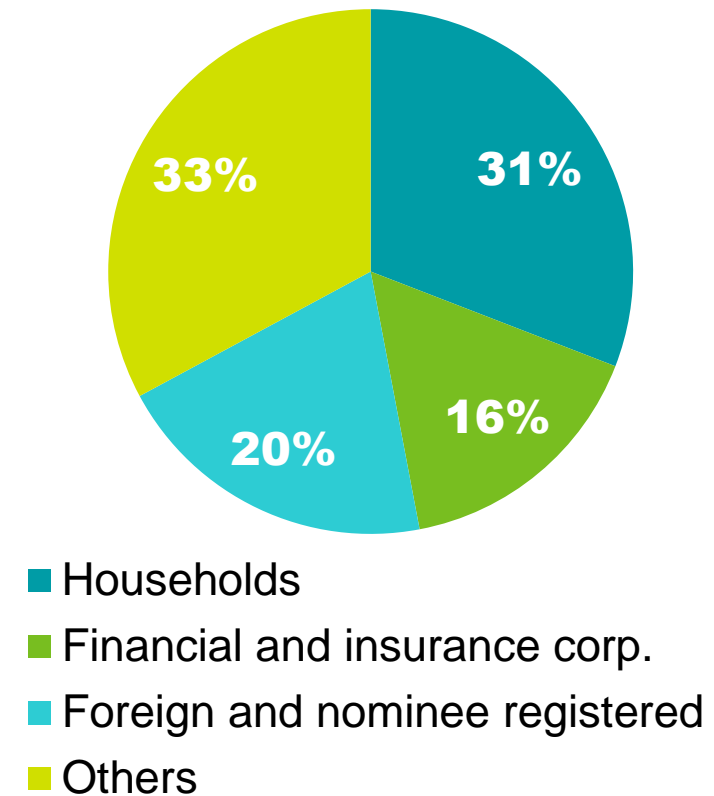
SHAREHOLDER STRUCTURE

Number of shareholders



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Shareholder structure



MAJOR SHAREHOLDERS AT 31 DECEMBER 2018

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2,413,584	6.22
Mandatum Life Insurance Company Limited	2,311,238	5.96
Nordea Investment Funds	1,742,245	4.49
Maijala Juhani	1,529,994	3.94
Elo Mutual Pension Insurance Company	1,229,073	3.17
Stiftelsen för Åbo Akademi	942 882	2.43
Ilmarinen Mutual Pension Insurance Company	934,836	2.41
Föreningen Konstsamfundet rf	855,721	2.21
Bergholm Heikki	829,506	2.14
Maijala Mikko	720,000	1.86

Ownership structure / sector	Shares	%
Nominee-registered shares	7,551,054	19.46
Number of shares	38,798,874	100.00
Number of shareholders	13,207	

A photograph of two women in a server room. The woman on the left has long brown hair and is wearing a maroon sweater and a patterned scarf. She is gesturing with her right hand. The woman on the right has red hair tied back, wears glasses, and a dark blue L&T polo shirt. They are both smiling and appear to be in a collaborative conversation. The background shows rows of server racks with blue and green doors.

**SMARTER,
MORE EFFICIENT AND SAFER. PURSUING
PROFITABLE GROWTH.**