



# LASSILA & TIKANOJA FINANCIAL STATEMENTS 2013

Pekka Ojanpää, President and CEO

5 February 2014



# HIGHLIGHTS OF Q4/2013

- Q4/2013 net sales EUR 169.7m (EUR 171.8m) -1.2% (yoy)
  - Financial uncertainty is continuing to have an impact on demand in the industrial sector and on material flows in the construction and retail sectors.
- Q4/2013 operating profit EUR -1.6m (EUR 9.7m);  
operating profit excluding EO items EUR 11.5m (EUR 10.5m)
  - Non-recurring costs: EUR 7.0 million impairment of goodwill in Swedish business operations and EUR 1.2 million associated with the discontinuation of the sewer repair business.
  - Following the risk review process associated with major land areas currently and previously in its use, the company recorded a non-recurring provision of EUR 5.0 million for the potential costs of closure of land areas divested during previous financial periods.
  - Fixed cost management and efficiency enhancement measures improved profitability in all business segments.

# HIGHLIGHTS OF 2013

- Net sales EUR 668.2m (EUR 674.0m) -0.9% (yoy)
  - Comparable net sales includes EUR 8.0 million worth of net sales generated by L&T Recoil and the divested parts of the eco product business.
  - Comparable operating net sales increased by 0.2%.
- Operating profit EUR 33.2m (EUR 48.4m); operating profit excluding EO items EUR 51.8m (EUR 47.4m)
  - Restructuring and efficiency enhancement measures caused non-recurring costs last year. The most significant ones being EUR 5.0 million impairment on EcoStream Oy's shares, EUR 7.0 million impairment of goodwill in Swedish business operations, a EUR 5.0 million provision associated with land areas divested in previous financial periods.
  - A sales gain of EUR 4.2 million on the divestment of L&T Recoil shares improved the reported operating profit in the comparison period.

# FINANCIAL SUMMARY AND KEY FIGURES

	Q4/ 13	Q4/ 12	Change %	2013	2012	Change %
Net sales, EUR million	<b>169.7</b>	171.8	-1.2	<b>668.2</b>	674.0	-0.9
Operating profit excl. EO items, EUR million	<b>11.5</b>	10.5	9.4	<b>51.8</b>	47.4	9.3
Operating margin excl. EO items, %	<b>6.8</b>	6.1		<b>7.8</b>	7.0	
Operating profit, EUR million	<b>-1.6</b>	9.7		<b>33.2</b>	48.4	-31.4
Profit before tax, EUR million	<b>-2.3</b>	9.2		<b>30.3</b>	43.0	-29.5
Earnings per share, EUR	<b>-0.03</b>	0.18		<b>0.57</b>	0.89	-36.0
EVA, EUR million	<b>-4.9</b>	3.9		<b>12.4</b>	24.1	-48.5
Dividend / Capital repayment per share, EUR				<b>0.50*</b>	1.10**	

\* Proposal of the Board of Directors

\*\* Incl. EUR 0.35 additional dividend and EUR 0.15 additional capital repayment

# FINANCIAL SUMMARY AND KEY FIGURES

	Q4/ 13	Q4/ 12	Change %	2013	2012	Change %
Capital expenditure, EUR million	<b>8.9</b>	13.1	-31.8	<b>32.7</b>	49.4	-33.4
Depreciation, amortisation and impairment, EUR million	<b>17.5</b>	10.8	62.2	<b>54.0</b>	43.6	23.7
Net cash from operating activities, EUR million				<b>86.4</b>	80.5	7.4
Return on equity (ROE), %				<b>10.0</b>	15.3	
Return on invested capital (ROI), %				<b>10.6</b>	14.4	
Equity ratio, %				<b>43.7</b>	49.4	
Gearing, %				<b>30.4</b>	35.3	
Total number of employees at the end of the period				<b>8,847</b>	8,962	-1.3

# OPERATING MARGIN EXCLUDING NON-RECURRING ITEMS, %

	Q4/ 2013	Q4/ 2012	Change %	2013	2012	Change %
Environmental Services	7.9	6.6	20.4	35.1	30.6	14.7
Industrial Services	2.7	1.3	104.6	6.7	4.4	52.8
Facility Services	1.4	3.1	-53.4	11.9	14.7	-19.6
Renewable Energy Sources	0.6	0.3	97.6	1.1	0.1	
L&T Group	11.5	10.5	9.4	51.8	47.4	9.3

# FINANCIAL TARGETS

Key figure	Target 2016	Actual 2013
Organic growth	>5%	0.2%
Return on investment (ROI)*	20%	15.7%
Operating profit*	9%	7.8%
Gearing	30–80%	30.4%

\* Operative

# ENVIRONMENTAL SERVICES

- Full year comparable net sales includes EUR 8.0 million worth of net sales generated by L&T Recoil and the divested parts of the eco product business.
- Operational efficiency improvement contributed to the increase in operating profit.



EUR million	Q4/ 13	Q4/ 12	Change %	2013	2012	Change %
Net sales	<b>65.7</b>	64.7	1.6	<b>257.9</b>	265.7	-2.9
Operating profit excl. EO items	<b>7.9</b>	6.6	20.4	<b>35.1</b>	30.6	14.7
Operating margin excl. EO items	<b>12.1%</b>	10.2%		<b>13.6%</b>	11.5%	



# INDUSTRIAL SERVICES

- The division's net sales improved, primarily as a result of the increase in net sales in environmental construction.
- Operating profit excluding non-recurring items rose thanks to efficiency improvement measures and effective cost control.



EUR million	Q4/ 13	Q4/ 12	Change %	2013	2012	Change %
Net sales	<b>20.9</b>	18.8	11.1	<b>75.5</b>	70.0	7.9
Operating profit excl. EO items	<b>2.7</b>	1.3	104.6	<b>6.7</b>	4.4	52.8
Operating margin excl. EO items	<b>13.0%</b>	7.0%		<b>8.9%</b>	6.3%	

# FACILITY SERVICES

- The major restructuring process being deployed in the division continues to reduce business profitability.
- The division's net sales fell from the comparison period, due to business downsizing in Sweden and reduced demand for property maintenance services in the final quarter.



EUR million	Q4/ 13	Q4/ 12	Change %	2013	2012	Change %
Net sales	71.7	74.8	-4.1	292.5	299.5	-2.3
Operating profit excl. EO items	1.4	3.1	-53.4	11.9	14.7	-19.6
Operating margin excl. EO items	2.0%	4.1%		4.1%	4.9%	

# RENEWABLE ENERGY SOURCES

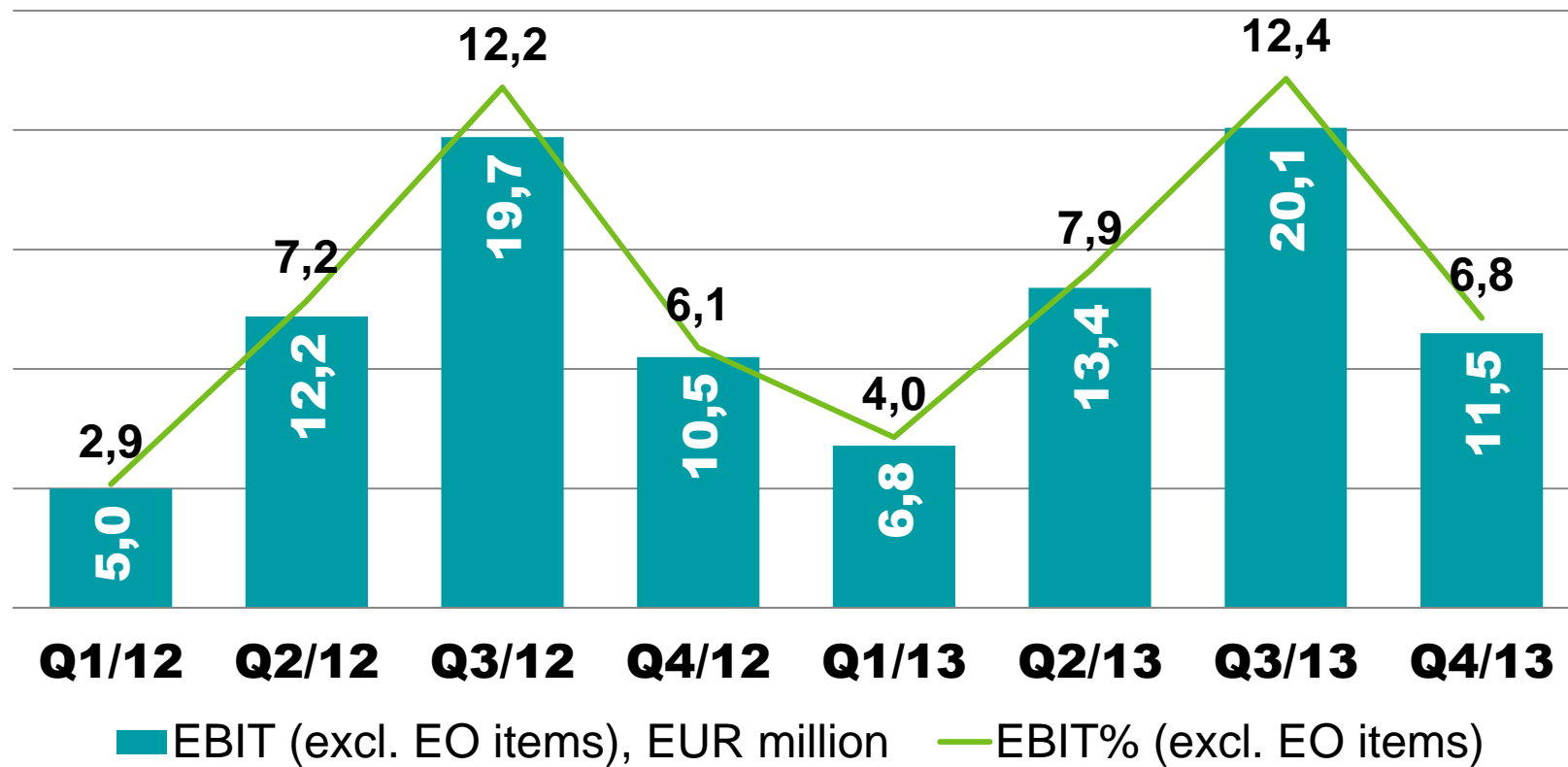
- The decline in net sales could be attributed to business downsizing in Eastern Finland and the late start of the heating season.
- Activities to improve the operational efficiency were continued.



EUR million	Q4/ 13	Q4/ 12	Change %	2013	2012	Change %
Net sales	<b>15.8</b>	18.3	-13.5	<b>58.0</b>	55.9	3.7
Operating profit excl. EO items	<b>0.6</b>	0.3	97.6	<b>1.1</b>	0.1	
Operating margin excl. EO items	<b>3.7%</b>	1.6%		<b>1.9%</b>	0.1%	

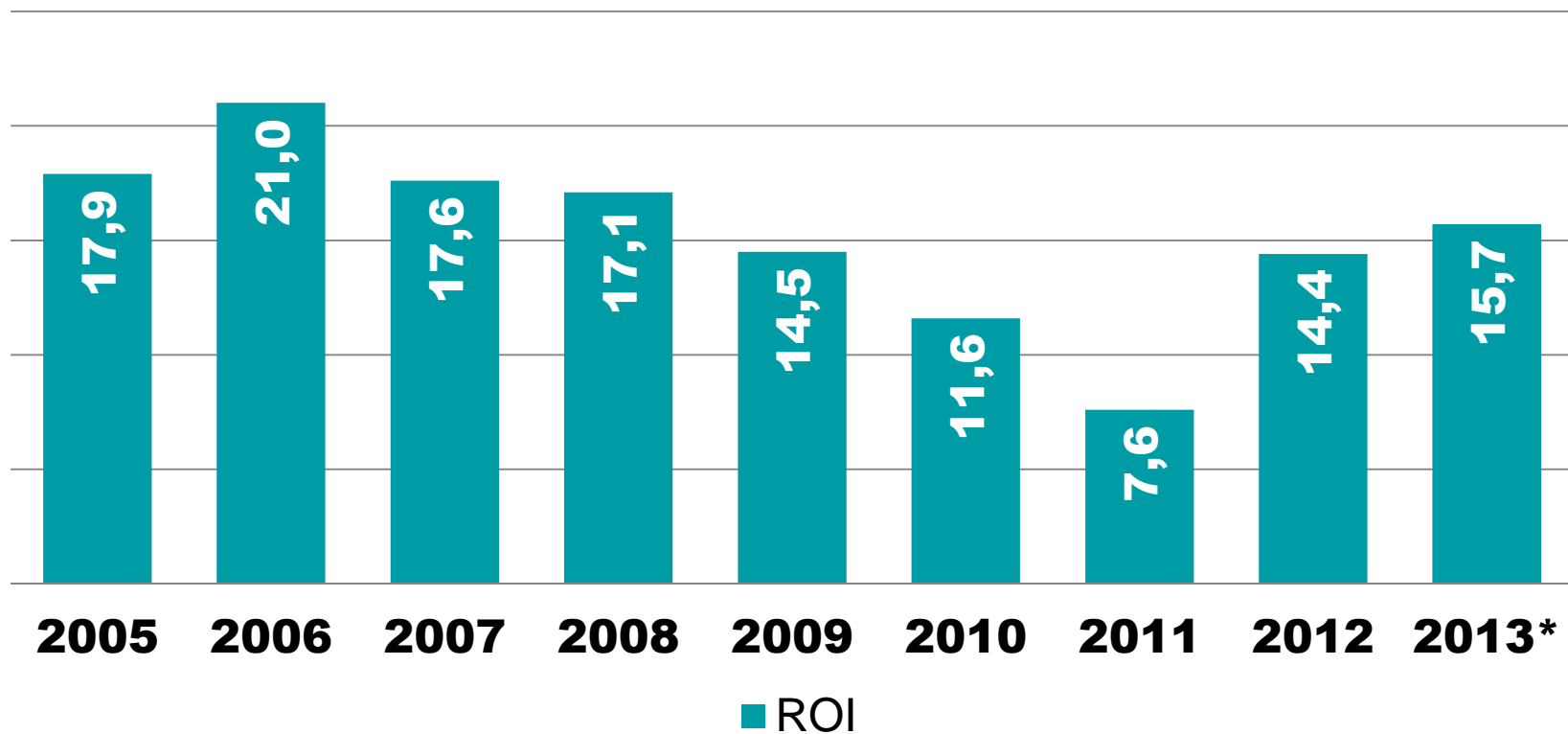
# OPERATING PROFIT

- Strategic target: EBIT 9%



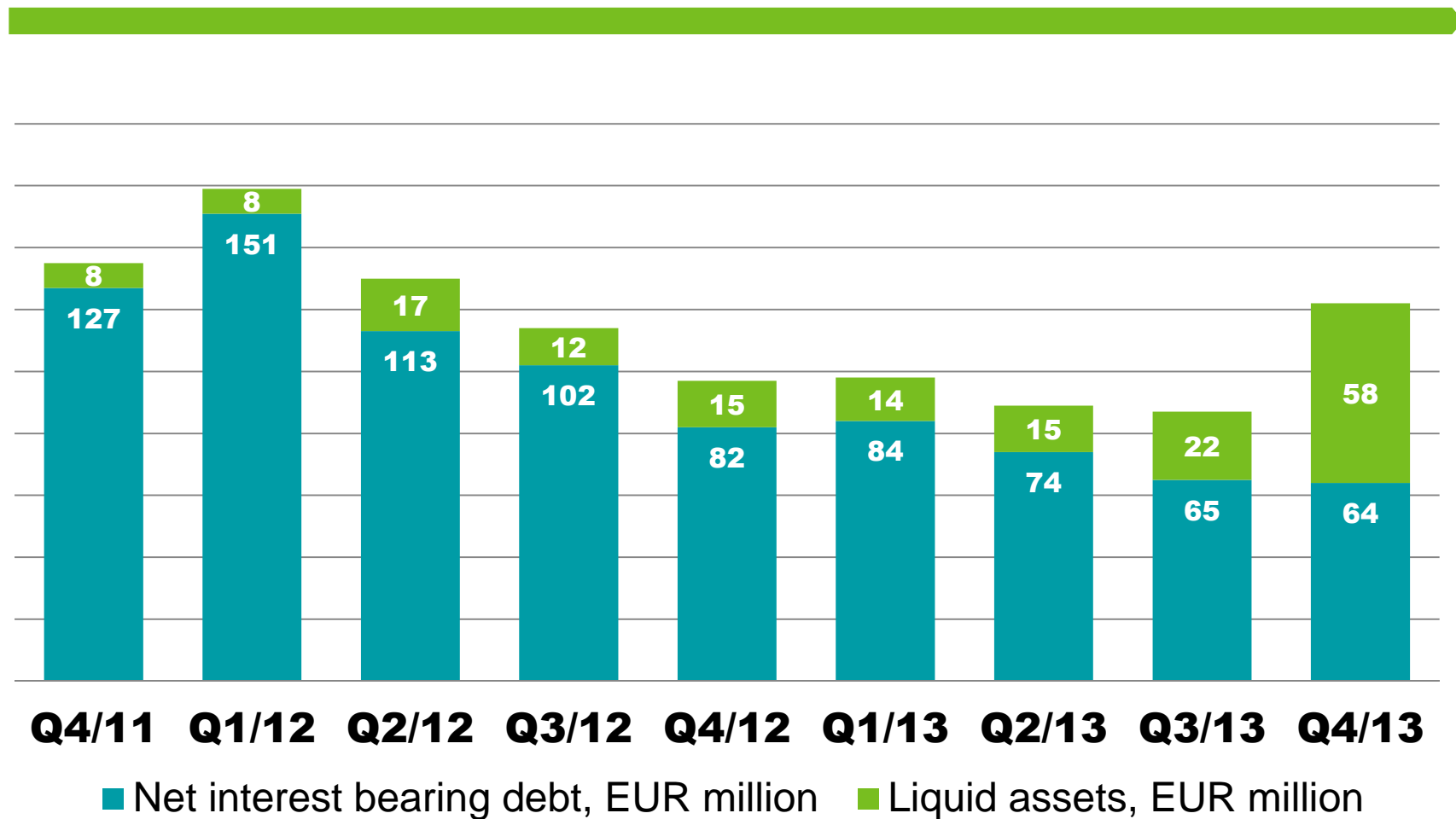
# RETURN ON INVESTMENT

- Strategic target: ROI 20%



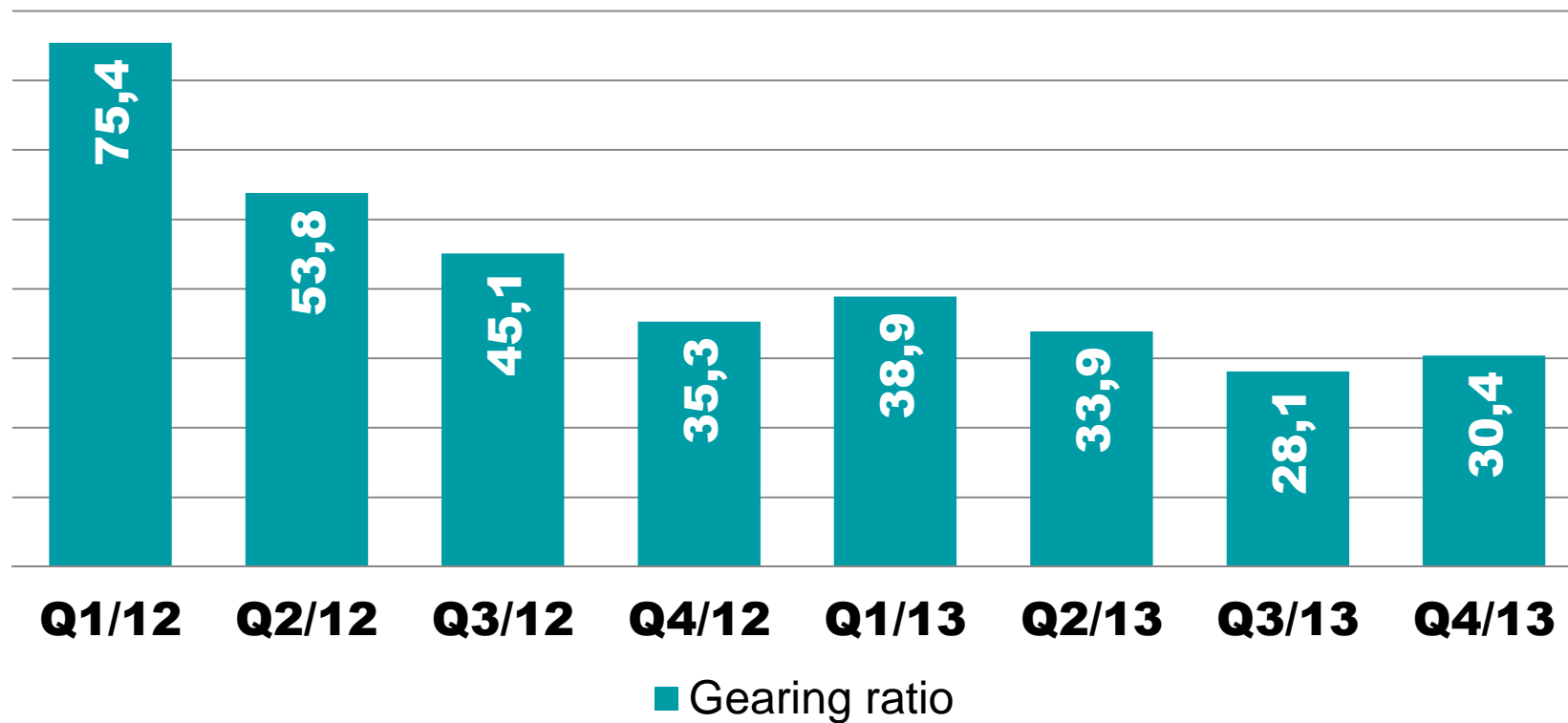
\* Operative

# INTEREST BEARING DEBT

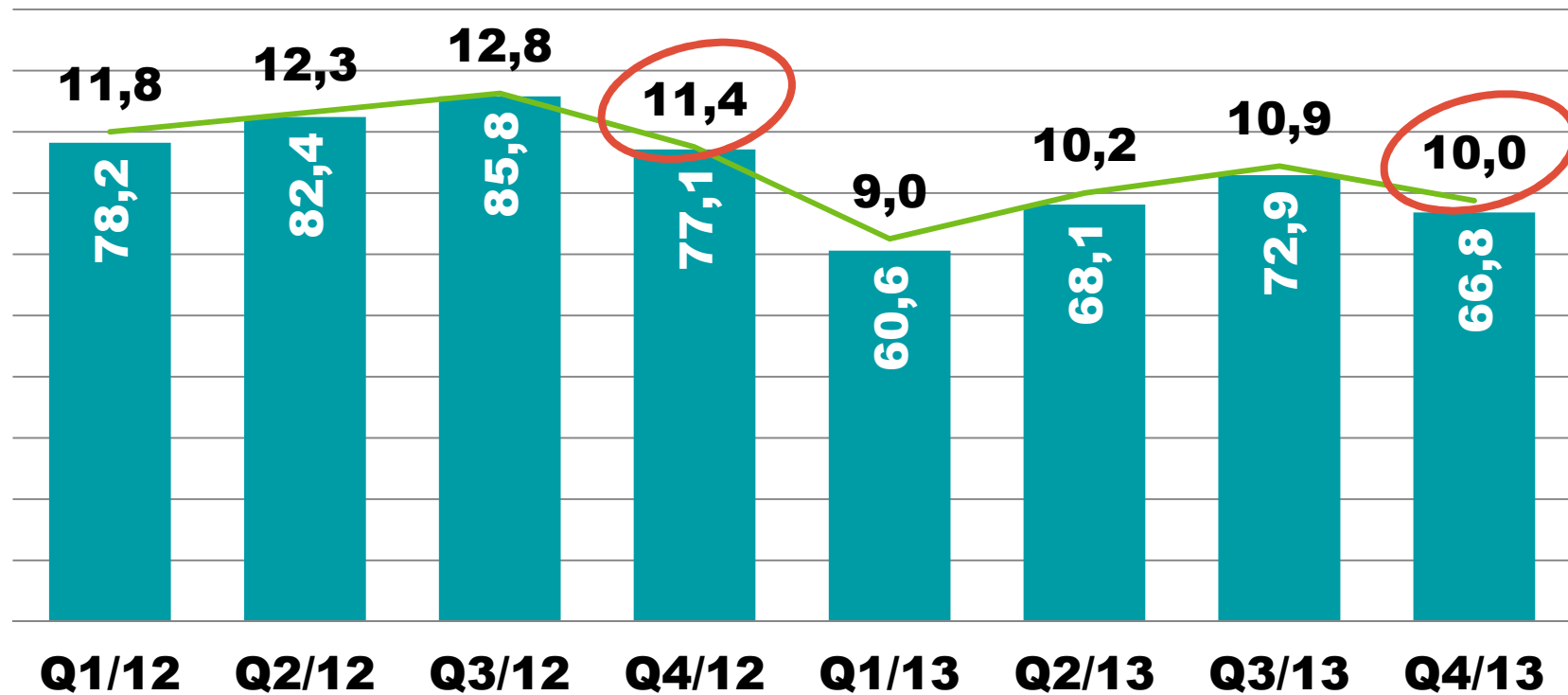


# GEARING

- Strategic target: Gearing 30–80%



# NET WORKING CAPITAL

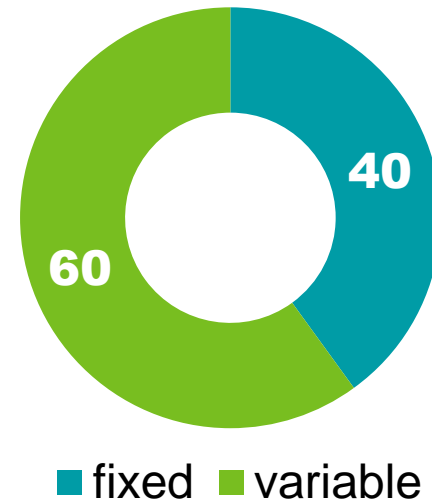
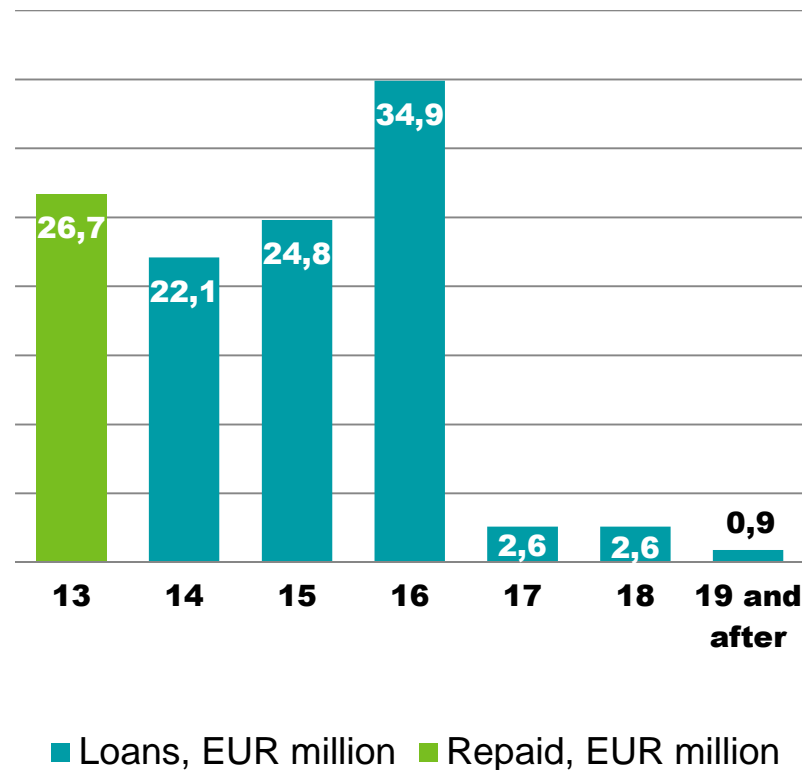


■ Net working capital, EUR million

— Net working capital % of net sales (rolling 12 months)

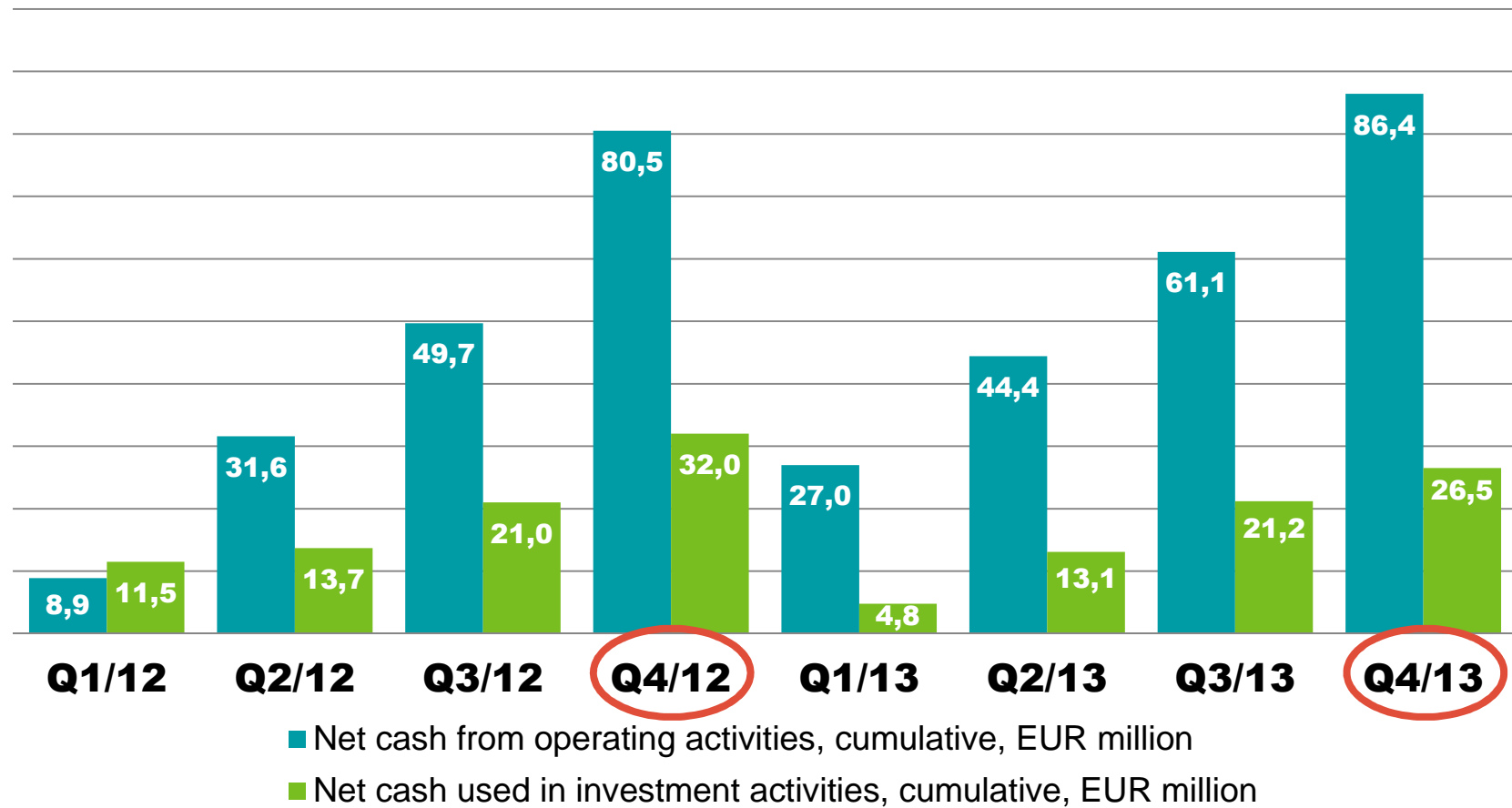


# MATURITY STRUCTURE OF LONG-TERM LOANS



Weighted average of effective interest rate 1.7%

# CASH FLOW AND INVESTMENTS



# CURRENT ISSUES

- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid for the financial year 2013.
- The Annual General Meeting to be held on 19 March 2014.



# OUTLOOK FOR THE YEAR 2014

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Full-year net sales in 2014 are expected to remain at the 2013 level. Operating profit, excluding non-recurring items, is expected to remain at the 2013 level or improve slightly.

This estimate was included in the Financial Statements 2013 released on 5 February 2014.

# CONTACT INFORMATION



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# APPENDIX



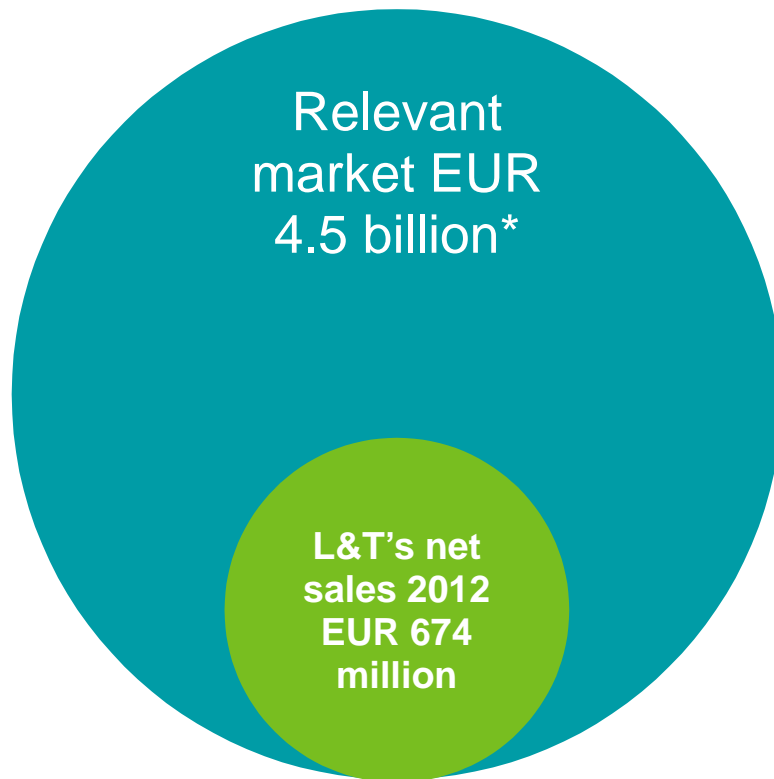
# OPERATING ENVIRONMENT

# OPERATING ENVIRONMENT AND CHANGES IN CUSTOMER BEHAVIOUR

Change in operating environment	Effect on L&T	Change in customer behaviour	Effect on L&T
Ban on the landfill disposal of organic waste	+	More professional procurement functions	+/-
Municipalisation of household waste management	+/-	Expectations for wider service offerings	+
Increased mass incineration of waste	+/-	Increasing outsourcing in insurance companies and in municipalities	+
Decline in available workforce	-	More technical property maintenance	+



# STRONG GROWTH POTENTIAL IN CORE BUSINESSES



- The relevant market is growing at compound annual rate of ~3%.
- Focus on organic growth remains.
- Healthy balance sheet enable business acquisitions.

*\*Based on L&T's estimate and research data on the size of relevant markets in Finland*

# STRONG AND STABLE MARKET POSITION IN CORE BUSINESSES

## Environmental Services

- No. 1–2\*
- Relevant market EUR 1.2 billion
- Market growth: 2-3% annually

## Industrial Services

- No. 1–3\*
- Relevant market EUR 0.35 billion
- Market growth: 4% annually

## Facility Services

- No. 2\*
- Relevant market EUR 3.0 billion
- Market growth: 3% annually

*Market positions and sizes based on management estimate  
\*In current businesses*

# GROWTH POTENTIAL DURING STRATEGY PERIOD

Division	Service line	Organic growth potential	Acquisitions
<b>Environmental Services</b>	Recycling	High	Targeted acquisitions to expand within the value chain and geographically
	Waste management	Low	
<b>Facility Services</b>	Property maintenance	Moderate	Targeted acquisitions to expand service offering and geographically
	Cleaning and support services	Moderate	
	Maintenance of technical systems	High	
	Damage repair services	High	
<b>Industrial Services</b>	Process cleaning	Moderate	
	Environmental construction	High	
	Sewer maintenance	Moderate	

# STRATEGY OVERVIEW

MANY PEOPLE  
— ONE L&T



## OUR VISION

We are our customers' preferred partner in environmental, industrial and facility services

### STRATEGIC PROGRAMMES 2014

- Sales and account management
- Development of customer service
- Workforce management
- Development of leadership skills
- Enhancement of supply chain



### KEY SUCCESS FACTORS

- Profitable growth in core businesses
- Customer orientation
- Skilled and sufficient personnel
- Cost efficiency
- Uniform corporate and positive safety culture

FROM A CONSUMER SOCIETY  
TO A RECYCLING SOCIETY

**X** DEPLETION OF  
KEY RAW MATERIALS

**X** FINLAND AND EUROPE  
LOSING THEIR  
COMPETITIVE  
STRENGTH

**X** GLOBAL  
WARMING

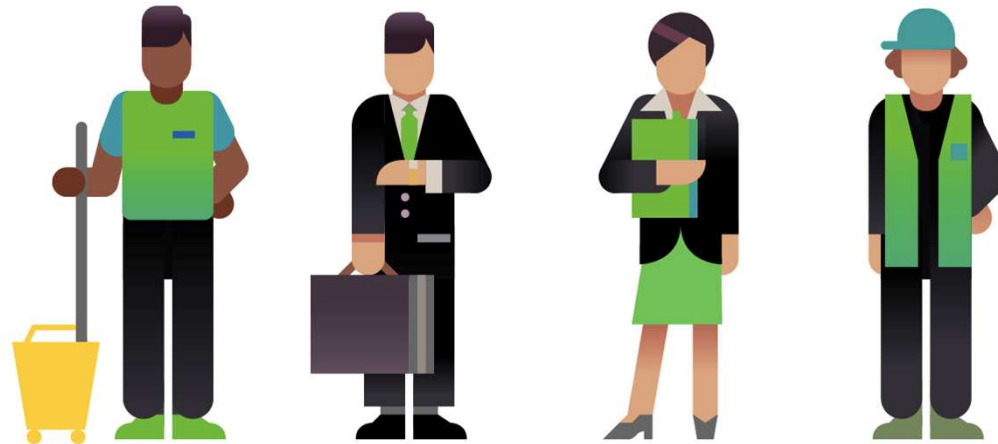
# L&T'S VISION AND MISSION

## OUR VISION:

We are the customer's preferred partner in environmental, industrial and facility services.

## OUR MISSION:

We will make your environment a better place to live and work.



# TRANSITION FROM RE-STRUCTURING TO PROFITABLE GROWTH

## 2012-2013

Focus and cost efficiency,  
investment in organic growth

**Key actions:**

- New management and organisation structures
- Development of procurement and logistics
- Enhancement of working capital management
- Development of sales operations and more extensive service packages
- Resource and labour cost management

Strategy  
evolution

## 2014-2016

Growth and scalability in core  
businesses

**Key actions:**

- Organic growth and expansion utilising existing service network
- Offering larger service packages to expand customer accounts
- Centralised supply chain management
- Focused acquisitions in core businesses

# FINANCIAL TARGETS

Key figure	Target 2016
Organic growth	>5%
Return on investment (ROI)	20%
Operating profit	9%
Gearing	30–80%



# BUSINESS SEGMENTS

# NET SALES BY DIVISION

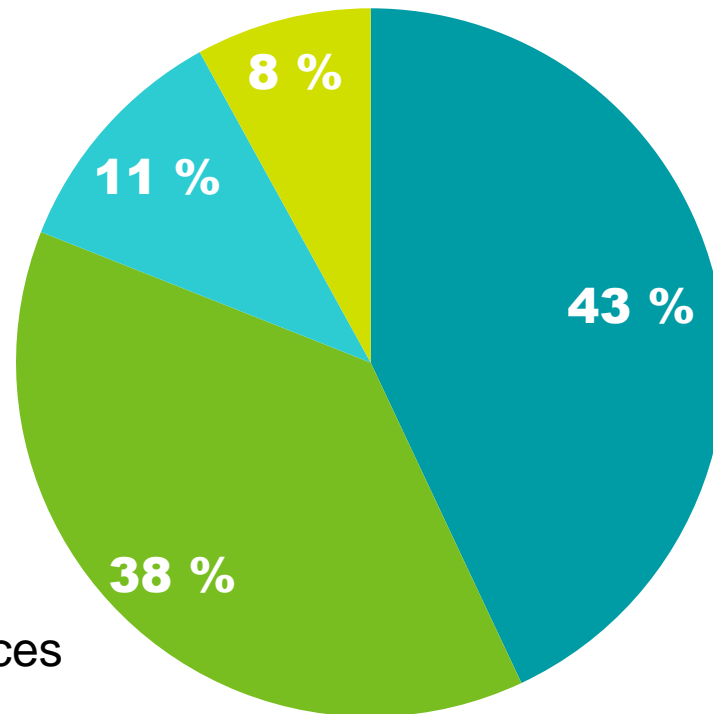


Renewable Energy Sources\*

Industrial Services

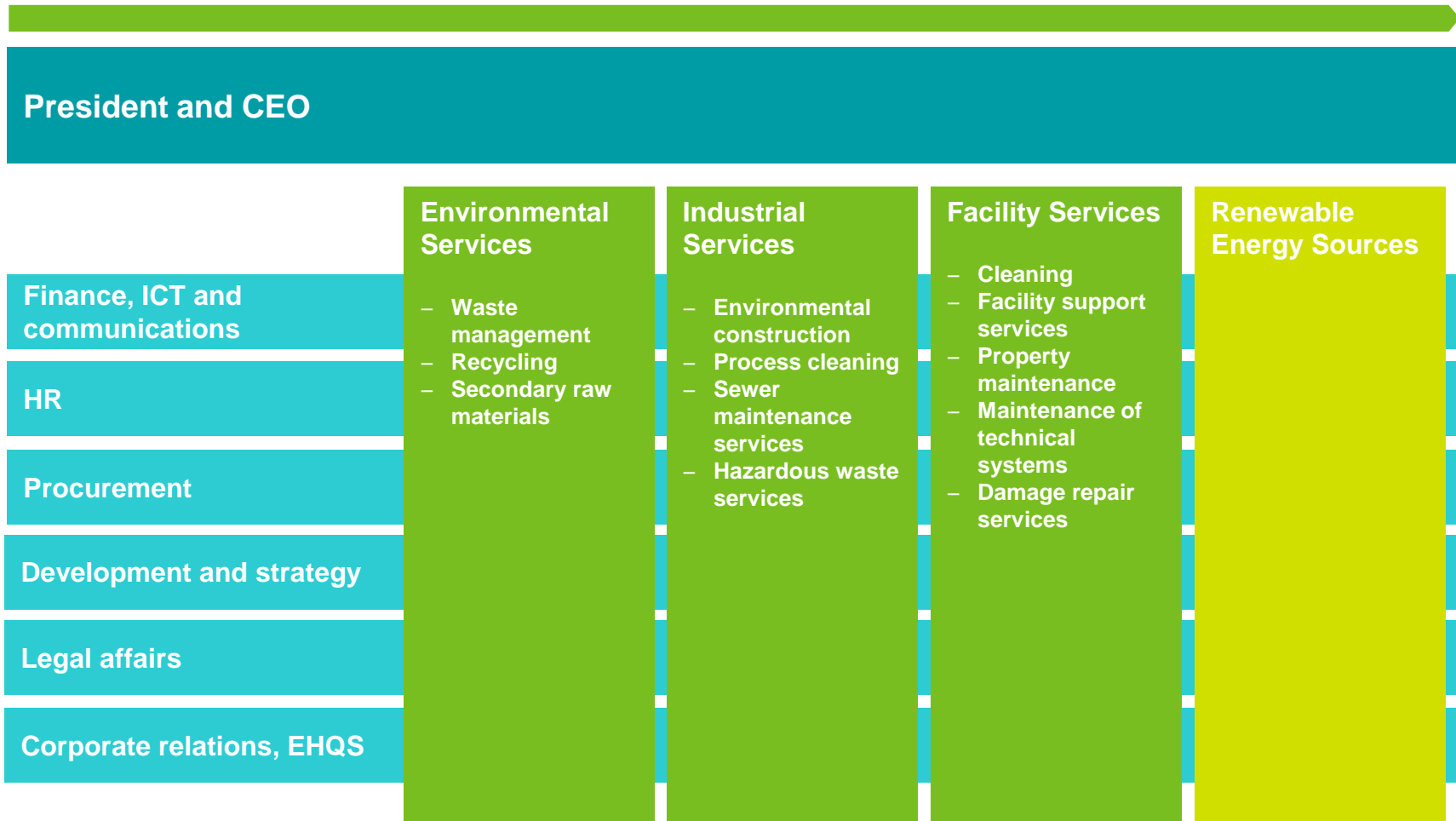
Facility Services

Environmental Services



*\*Non-core business*

# L&T'S ORGANISATION



# CYCLICALITY OF L&T'S CORE BUSINESS



# ENVIRONMENTAL SERVICES

# WE MANAGE THE VALUE CHAIN WITH EXCEPTIONALLY STRONG RESOURCES



600 trucks

24 plants and terminals



200 000 customers

Personnel 1 250

# L&T IS MARKET LEADER IN FINNISH WASTE MANAGEMENT MARKET

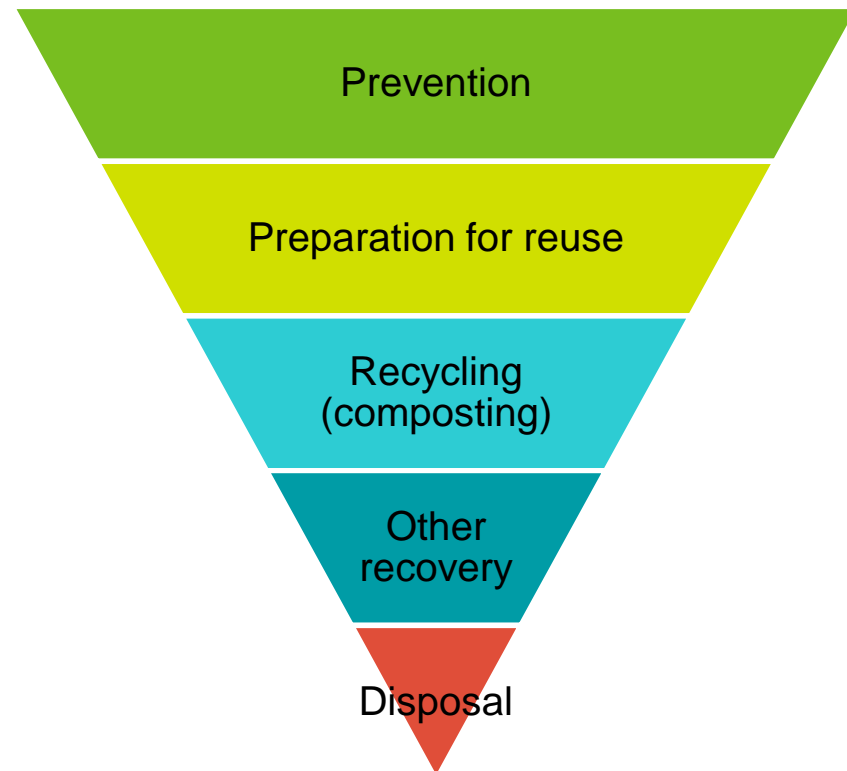
<b>Environmental Services in total</b>	<ul style="list-style-type: none"><li>• No. 1 – 2</li><li>• Relevant market EUR 1.2 billion</li><li>• Market growth: 2-3 % annually</li></ul>
<b>Subcontractor for municipalities</b>	<ul style="list-style-type: none"><li>• No. 1</li><li>• Relevant market EUR 0.1 billion</li><li>• Market growth: below inflation rate</li></ul>
<b>Waste management</b>	<ul style="list-style-type: none"><li>• No. 1</li><li>• Relevant market EUR 0.65 billion</li><li>• Market growth: inflation rate</li></ul>
<b>Recycling (fibres, plastic &amp; glass)</b>	<ul style="list-style-type: none"><li>• No. 1 or 2 depending on material</li><li>• Relevant market EUR 0.35 billion</li><li>• Market growth: above inflation rate</li></ul>
<b>Environmental products</b>	<ul style="list-style-type: none"><li>• No. 1 – 3 depending on product</li><li>• Relevant market EUR 0.1 billion</li><li>• Market growth: inflation rate</li></ul>

*Market positions and sizes are based on management estimates*

# GROWTH POTENTIAL IN RECYCLING

- Recycling offers growth potential in spite of the decline in the total amount of waste. The total waste amount is not predicted to grow.
  - Scarcity of raw materials and their rising prices
  - Growing consumption and rising prices of energy
- Regulation supports recycling and the creation of new forms of services. Waste management is highly regulated.
  - EU regulation prefers recycling and reusing materials over landfilling
  - The attitudes of Finns support the implementation of regulations. Attitudes towards recycling are positive but Finland is lagging behind its recycling targets
  - More demands on companies' environmental responsibility

## EU's Waste Hierarchy





# EVER-STRICTER ENVIRONMENTAL NORMS SUPPORT RECYCLING

- **2008** The European Parliament adopted the proposed Waste Directive
- **2012** The new Finnish Waste Act entered into force on 1 May 2012
- **2013** The waste tax rose to EUR 50 per tonne
- **2013** The material-specific recycling targets for municipal waste were specified
- **2013** Emissions trade tightened
- **2015-16** Full producer responsibility for packaging waste will be transferred from the municipalities to the producer organisations
- **2016** Ban on the landfill disposal of organic waste will enter into force
- **2016** Under the Waste Decree, no less than 50% of municipal waste must be recycled
- **2016** In the nationwide waste plan, the target is that less than 20% of municipal waste is landfilled
- **2020** Under the Waste Decree, at least 70% of construction/demolition waste must be recycled

# MARKET DEVELOPMENT AND L&T'S ACTIONS

## Market changes and utilising them

- Largest fleet provides sufficient capacity for waste collection
- An extensive network of plants that can process growing material flows
- Proactively offering new processing solutions instead of landfill processing
- Strong know-how and experience of the producer organisations

## Utilising internal capabilities & current market position

- Expanding our role and coverage in the waste management value chain
- New business opportunities in the environmental business and expansion into new locations
- Good platform for bolt on acquisitions

# INDUSTRIAL SERVICES

# INTEGRATING INTO OUR CUSTOMERS' PROCESSES

Personnel 550



Trucks 200



Customers 7 500

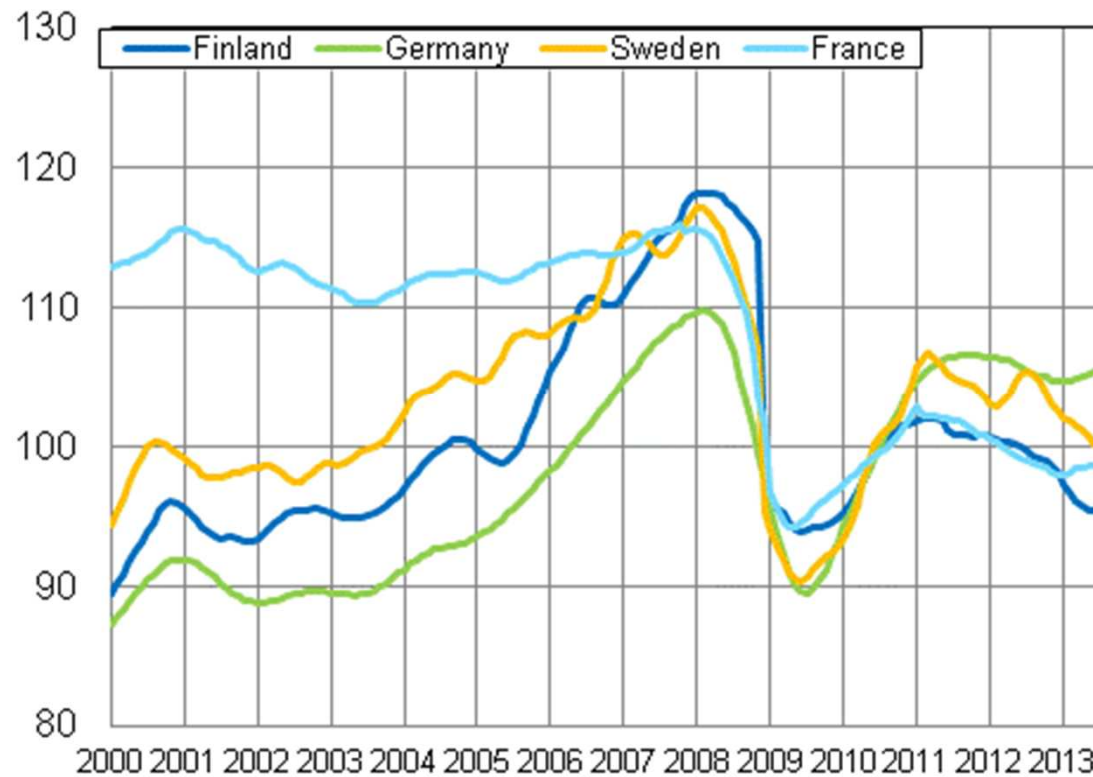


# STRONG MARKET POSITION IN ALL SERVICE LINES

Industrial Services in total	<ul style="list-style-type: none"><li>• No. 2</li><li>• Relevant market EUR 0.3 billion</li><li>• Market growth: 4% annually</li></ul>
Industrial process cleaning	<ul style="list-style-type: none"><li>• No. 1</li><li>• Relevant market EUR 0.1 billion</li><li>• Market growth: inflation rate</li></ul>
Sewer maintenance services	<ul style="list-style-type: none"><li>• No. 2</li><li>• Relevant market EUR 0.1 billion</li><li>• Market growth: above inflation rate</li></ul>
Hazardous waste services	<ul style="list-style-type: none"><li>• No. 2</li><li>• Relevant market EUR 65 million</li><li>• Market growth: inflation rate</li></ul>
Environmental construction	<ul style="list-style-type: none"><li>• No. 2</li><li>• Relevant market EUR 80 million</li><li>• Market growth: above inflation rate</li></ul>

*Market positions and sizes based on management estimate*

# TREND OF INDUSTRIAL OUTPUT 2000–2013



Source: Statistics Finland

# MARKET DEVELOPMENT AND L&T'S ACTIONS

## Market development

## L&T's actions

Tightening environmental legislation: opening new business in industrial waste streams

- Utilising Total Waste Management concept to boost our position in environmental construction
- Expanding current reuse and final waste disposal network
- Offering solutions for the mining industry
- Improving our market position in hazardous waste through our country wide terminal network

Outsourcing non-core operations to central service providers

- Centralised labour and fleet management to improve resource allocation and utilisation rates
- An efficient, centrally directed sales organisation enables L&T to achieve growth in its total offering for industrial customers

# MARKET DEVELOPMENT AND L&T'S ACTIONS

## Market development

## L&T's actions

Demand for sewer maintenance will increase as the infrastructure ages

- Strengthening sales of sewer maintenance services
- Utilising cross sales
- Improving operational efficiency to enhance competitiveness
- Leveraging scale by increasing municipal sewer maintenance business

Industry will not grow in Finland, which could lead to a tougher competitive environment

- Group focus on major customers and cross selling
- Integration into the customer's core processes
- With our current equipment, we can also offer new services to new customers



# FACILITY SERVICES

# FACILITY SERVICES CREATES GOOD WORKING CONDITIONS

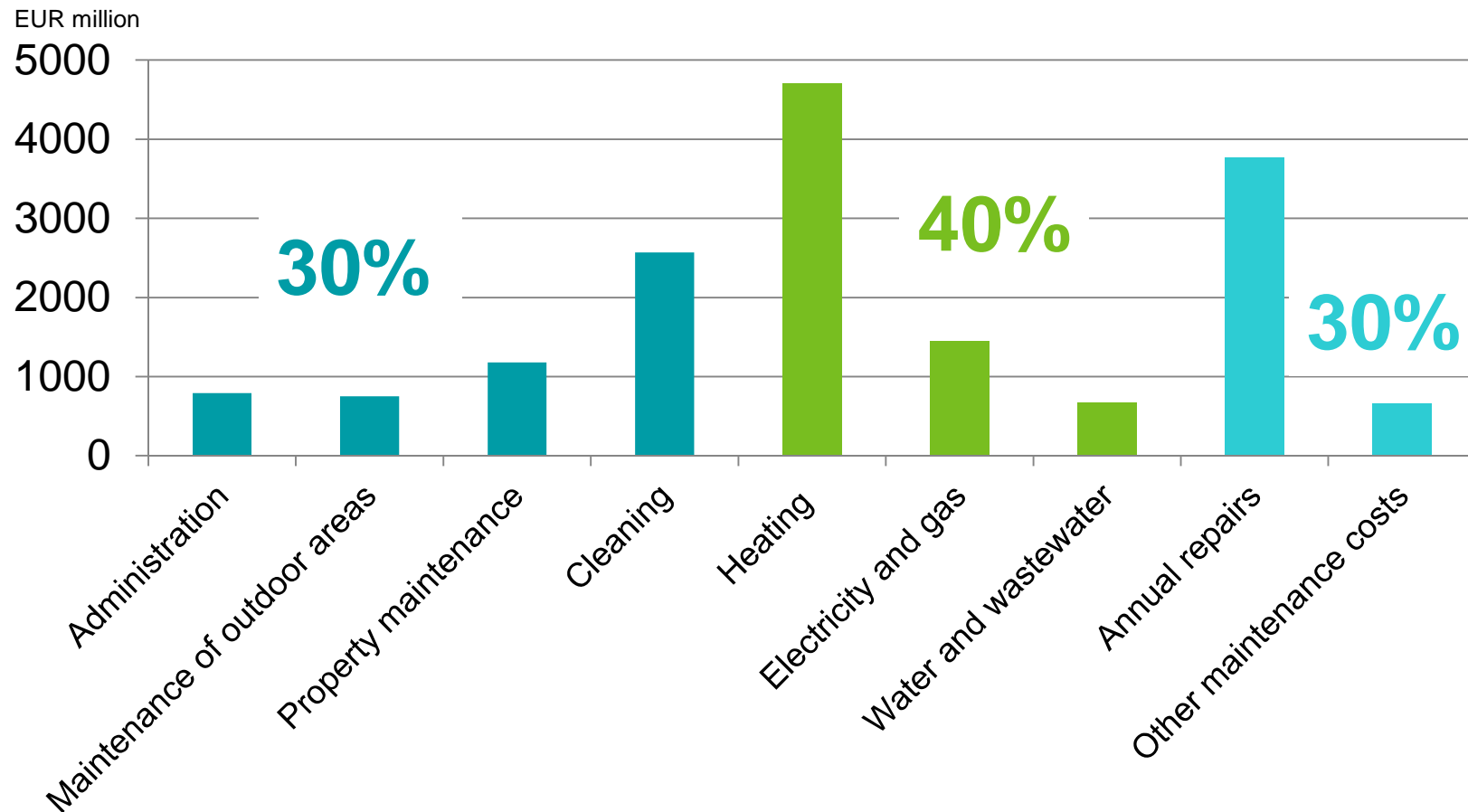


# MARKETS AND L&T'S MARKET POSITION

<b>Facility Services in total</b>	<ul style="list-style-type: none"><li>• No. 2</li><li>• Relevant market EUR 3.0 billion</li><li>• Market growth: 3 % annually</li></ul>
<b>Cleaning and facility support services</b>	<ul style="list-style-type: none"><li>• No. 2</li><li>• Relevant market EUR 1.0 billion</li><li>• Market growth: inflation rate</li></ul>
<b>Property maintenance</b>	<ul style="list-style-type: none"><li>• No. 1</li><li>• Relevant market EUR 0.8 billion</li><li>• Market growth: inflation rate</li></ul>
<b>Damage repair services</b>	<ul style="list-style-type: none"><li>• No. 2</li><li>• Relevant market EUR 0.2 billion</li><li>• Market growth: above inflation rate</li></ul>
<b>Maintenance of technical systems</b>	<ul style="list-style-type: none"><li>• No. 5</li><li>• Relevant market EUR 1.0 billion</li><li>• Market growth: above inflation rate</li></ul>

*Market positions and sizes based on management estimate*

# MAINTENANCE OF THE BUILDING STOCK: EUR 16.5 BILLION IN 2013



Source: VRK/RHR and VTT on the basis of data from Statistics Finland

# MARKET DEVELOPMENT AND L&T'S ACTIONS

## Market development

## L&T's actions

Customers will change the way they buy services, favouring service packages

- Focusing on large customer accounts, harnessing the potential of cross-sales and support services
- Offering bundled facility services
- Operational efficiency
- Offering technical system services in new localities

Greater technical complexity of properties, rising energy prices and growing environmental awareness

- Focus on eco-maintenance
- An energy control center established
- Offering technical system services in new localities
- Increasing expertise in technical systems

# MARKET DEVELOPMENT AND L&T'S ACTIONS

## Market development

## L&T's actions

Outsourcing is becoming more common among companies and in the public sector

- Centralisation of sales
- Proactive operations in the municipal sector
- Focus on support services

Significance of office premises is on the rise

- Services for modifying premises have been launched
- Organisation has been clarified to improve customer care
- Focus on technical systems

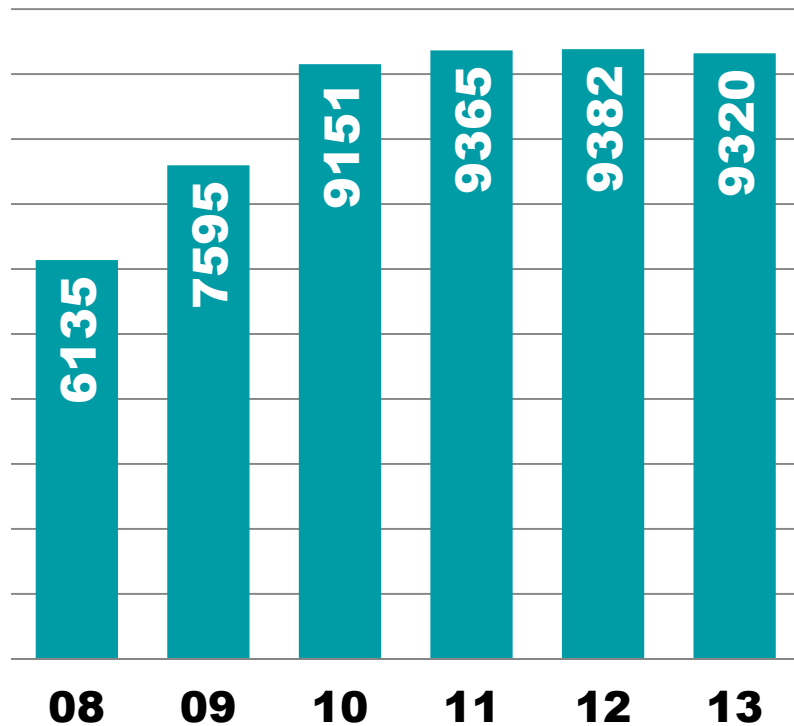
Growth in the number and value of damages

- Harnessing large partnerships with insurance companies
- Developing expertise in special damage repair services
- Cross-use of resources across the businesses

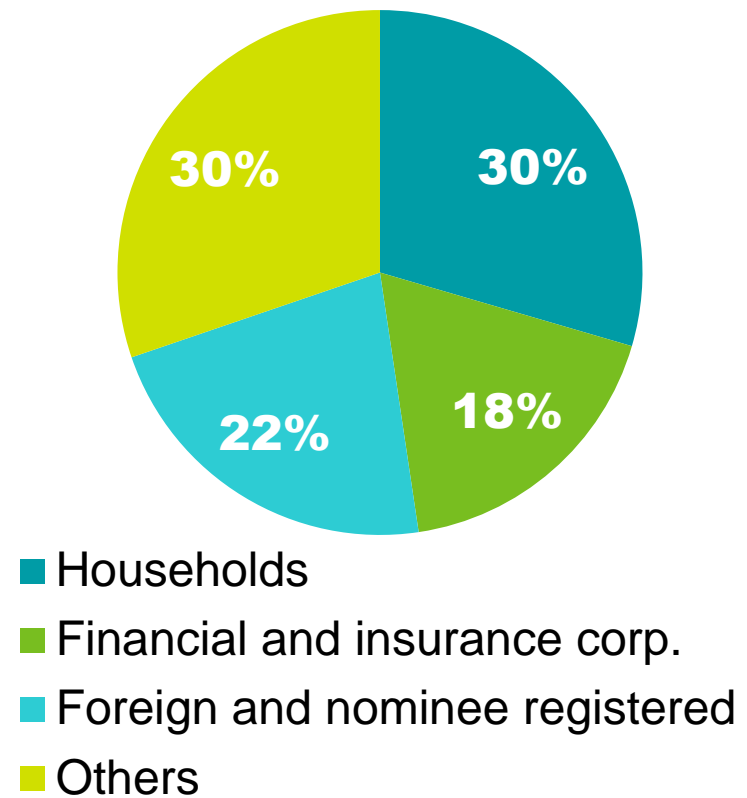
# SHAREHOLDERS

# SHAREHOLDER STRUCTURE

## Number of shareholders



## Shareholder structure





# MAJOR SHAREHOLDERS AT 31 DECEMBER 2013

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2 413 584	6.22
Mandatum Life Insurance Company Limited	2 181 238	5.62
Nordea Investment Funds	1 800 956	4.64
Maijala Juhani	1 529 994	3.94
Ilmarinen Mutual Pension Insurance Company	1 362 803	3.51
LähiTapiola Group	874 280	2.25
Bergholm Heikki	796 247	2.05
Maijala Mikko	720 000	1.86
Danske Investment Funds	623 192	1.61
Varma Mutual Pension Insurance Company	600 690	1.55
Nominee-registered shares	8 421 580	21.71
Number of shares	38 798 874	100.00
Number of shareholders	9 320	

**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**

