



# LASSILA & TIKANOJA

Financial Statements 2016

Pekka Ojanpää, President and CEO

1 February 2017



# HIGHLIGHTS OF Q4/2016

- Net sales EUR 168.3m (EUR 165.2m) 1.9% (yoy)
  - Net sales grew in Environmental Services and in Facility Services, organically and due to acquisitions. Industrial Services achieved excellent organic growth in net sales due to strong demand for services.
  - Net sales of Renewable Energy Sources division declined due to weak demand for energy wood.
- Operating profit EUR 10.5m (EUR 9.7m)
  - Operating profit improved significantly in Facility Services. Operating profit also grew in Industrial Services and Renewable Energy Sources.
  - Operating profit of Environmental Services was substantially lower than in the comparison period.
  - Operating profit was reduced by cost provisions for efficiency improvement measures implemented at the end of the year, totalling EUR 0.7 million.

# HIGHLIGHTS OF 2016

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- Net sales EUR 661.8m (EUR 646.3m) 2.4% (yoy)
  - Net sales grew in Facility Services mostly organically, and in Environmental Services due to acquisitions. Net sales grew significantly in Industrial Services.
  - Net sales of Renewable Energy Sources division declined due to low demand for wood-based fuels.
- Operating profit EUR 50.5m (EUR 49.9m)
  - Profitability improved significantly in Facility Services and in Industrial Services.
  - Operating profit of Environmental Services and Renewable Energy Sources showed a substantial decline.

# KEY FIGURES

	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales, EUR million	<b>168.3</b>	165.2	1.9	<b>661.8</b>	646.3	2.4
Operating profit, EUR million	<b>10.5</b>	9.7	8.7	<b>50.5</b>	49.9	1.2
Operating margin, %	<b>6.2</b>	5.9		<b>7.6</b>	7.7	
Profit before tax, EUR million	<b>10.6</b>	8.6	23.1	<b>50.1</b>	47.7	5.1
Earnings per share, EUR	<b>0.22</b>	0.18	24.6	<b>1.13</b>	0.98	15.1
Dividend per share, EUR				<b>0.92*</b>	0.85	
Cash flow, operating activities/share, EUR	<b>1.11</b>	0.75	48.8	<b>1.99</b>	1.99	0.0
EVA, EUR million	<b>19.9</b>	4.7	320.5	<b>30.7</b>	30.3	1.3

\* Proposal by the Board of Directors

# KEY FIGURES

	Q4/16	Q4/15	Change %	2016	2015	Change %
Capital expenditure, EUR million	<b>14.4</b>	18.4	-21.4	<b>41.6</b>	49.6	-16.1
Depreciation, amortisation and impairment, EUR million	<b>9.8</b>	10.0	-2.2	<b>38.8</b>	40.0	-3.1
Net cash from operating activities, EUR million				<b>76.4</b>	89.8	-14.9
Return on equity (ROE), %				<b>20.0</b>	18.2	
Return on invested capital (ROI), %				<b>17.4</b>	16.5	
Equity ratio, %				<b>50.4</b>	46.5	
Gearing, %				<b>17.3</b>	19.8	
Total number of employees at the end of the period				<b>7,931</b>	8,085	

# OPERATING PROFIT

	Q4/16	Q4/15	Change %	2016	2015	Change %
Environmental Services	<b>6.5</b>	7.4	-13.0	<b>31.3</b>	35.8	-12.7
Industrial Services	<b>2.6</b>	1.8	38.2	<b>7.8</b>	6.8	13.8
Facility Services	<b>2.6</b>	1.0	149.3	<b>13.5</b>	8.1	67.7
Renewable Energy Sources	<b>0.7</b>	0.3	139.6	<b>1.5</b>	2.1	-28.0
<b>L&amp;T Group</b>	<b>10.5</b>	9.7	8.7	<b>50.5</b>	49.9	1.2

# FINANCIAL TARGETS

Key figure	Target 2020	Actual 2016	Actual 2015	Actual 2014
Growth, %	5	<b>2.4</b>	1.0	-4.3
Return on investment (ROI), %	20	<b>17.4</b>	16.5	15.4
EBIT, %	9	<b>7.6</b>	7.7	7.6
Gearing, %	0–70	<b>17.3</b>	19.8	25.2



# ENVIRONMENTAL SERVICES

- Net sales grew mainly due to acquisitions.
- Operating profit decreased due to lower volume of recyclable materials, reduced demand for solid recovered fuels and continued low market prices of secondary raw materials.
- Full-year net sales increased primarily due to previously completed acquisitions and stronger demand for waste management and in the construction sector.
- Operating profit was affected by changes in the business environment, such as a decline in the market for recyclable paper and the responsibility for household packaging materials being shifted to producers.



EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales	<b>66.5</b>	64.2	3.6	<b>264.8</b>	256.5	3.2
Operating profit	<b>6.5</b>	7.4	-13.0	<b>31.3</b>	35.8	-12.7
Operating margin, %	<b>9.7</b>	11.6		<b>11.8</b>	14.0	



# INDUSTRIAL SERVICES

- Net sales was excellent in process cleaning, and also grew in hazardous waste management and environmental construction. Net sales decreased in sewer maintenance.
- Operating profit improved in all service lines.
- Full-year net sales grew in environmental construction, process cleaning and sewer maintenance. Net sales of hazardous waste management remained at the previous year's level. The division's growth was entirely organic.
- Profitability increased in all service lines. Operating profit improved substantially in process cleaning and sewer maintenance. Improvement was made possible by strong demand and improved efficiency of operations.



EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales	<b>21.4</b>	20.3	5.3	<b>82.1</b>	77.0	6.6
Operating profit	<b>2.6</b>	1.8	38.2	<b>7.8</b>	6.8	13.8
Operating margin, %	<b>11.9</b>	9.1		<b>9.5</b>	8.9	

# FACILITY SERVICES

- Net sales grew in renovation services and property maintenance, but declined in the maintenance of technical systems and cleaning.
- Operating profit grew year-on-year across all service lines.
- Full-year net sales grew in renovation services, maintenance of technical systems and cleaning, but declined in property maintenance.
- All but one service lines substantially improved their profitability due to efficiency improvement measures. Profitability of cleaning declined due to intense price competition.



EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales	<b>71.8</b>	71.7	0.1	<b>288.3</b>	282.9	1.9
Operating profit	<b>2.6</b>	1.0	149.3	<b>13.5</b>	8.1	67.7
Operating margin, %	<b>3.6</b>	1.5		<b>4.7</b>	2.9	

# RENEWABLE ENERGY SOURCES

- Net sales declined due to low demand for forest energy.
- Operating profit grew in the final quarter, especially in southern Finland.
- Year-on-year decline in net sales was mainly attributable to low demand for forest energy due to short heating season.
- Operating profit was weak due to low price of competing fuels.



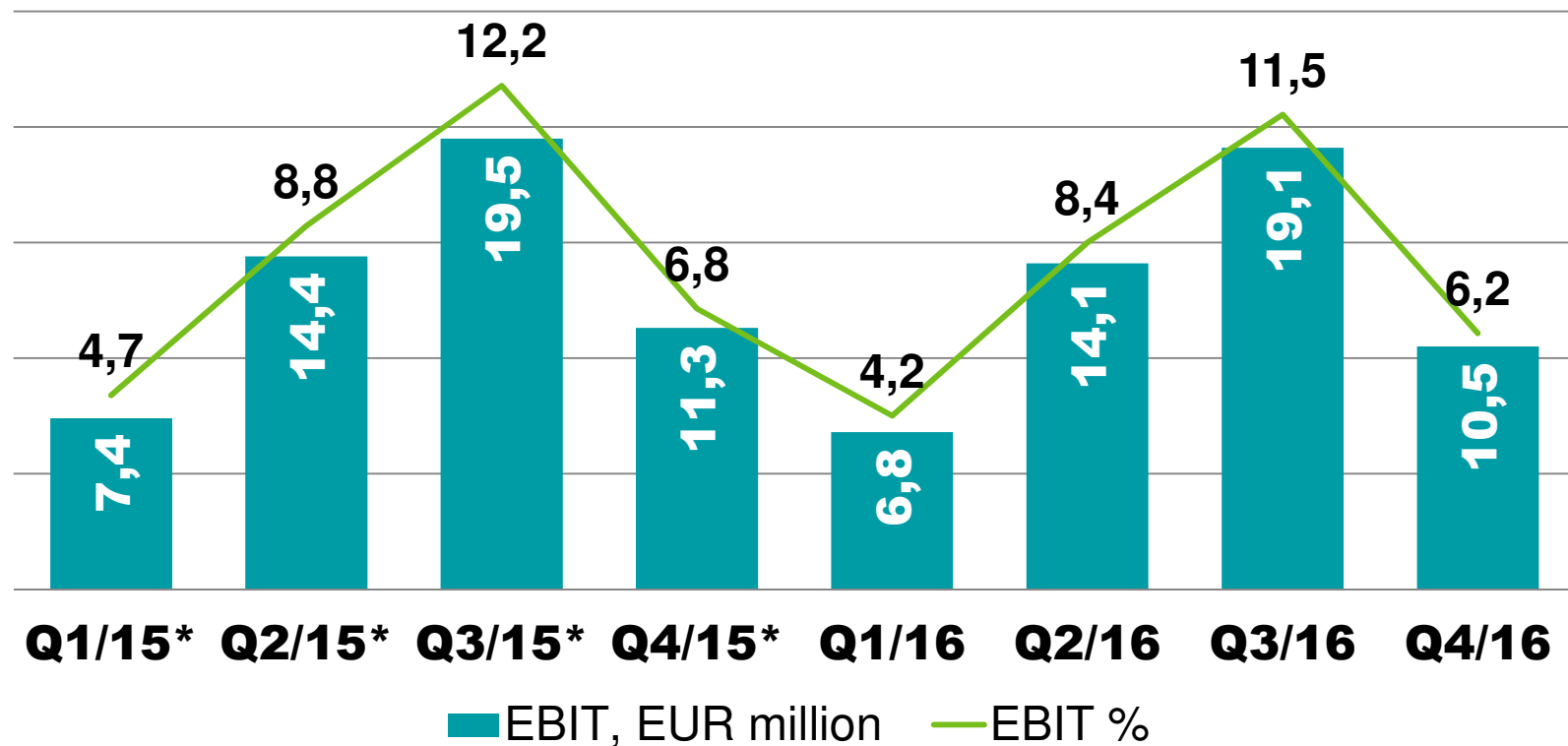
EUR million	Q4/16	Q4/15	Change %	2016	2015	Change %
Net sales	<b>11.6</b>	11.7	-1.1	<b>36.8</b>	39.4	-6.6
Operating profit	<b>0.7</b>	0.3	139.6	<b>1.5</b>	2.1	-28.0
Operating margin, %	<b>6.2</b>	2.6		<b>4.1</b>	5.3	

# FOCUS ON MARKET POSITION, OPERATIONAL EFFICIENCY AND CASH FLOW



We continue to focus on strengthening our market position and ensuring profitability and strong cash flow through development of our business operations and by business acquisitions.

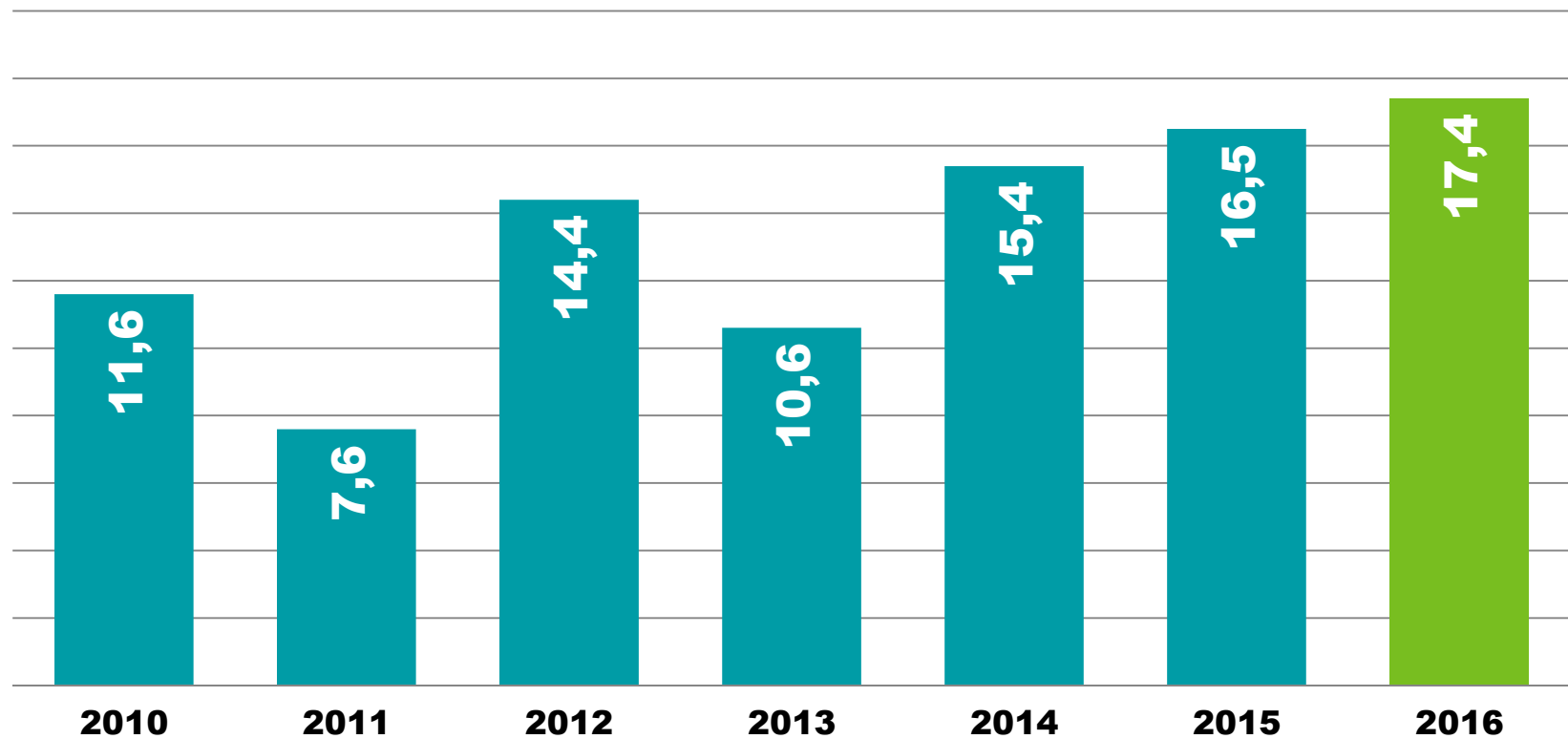
# OPERATING PROFIT



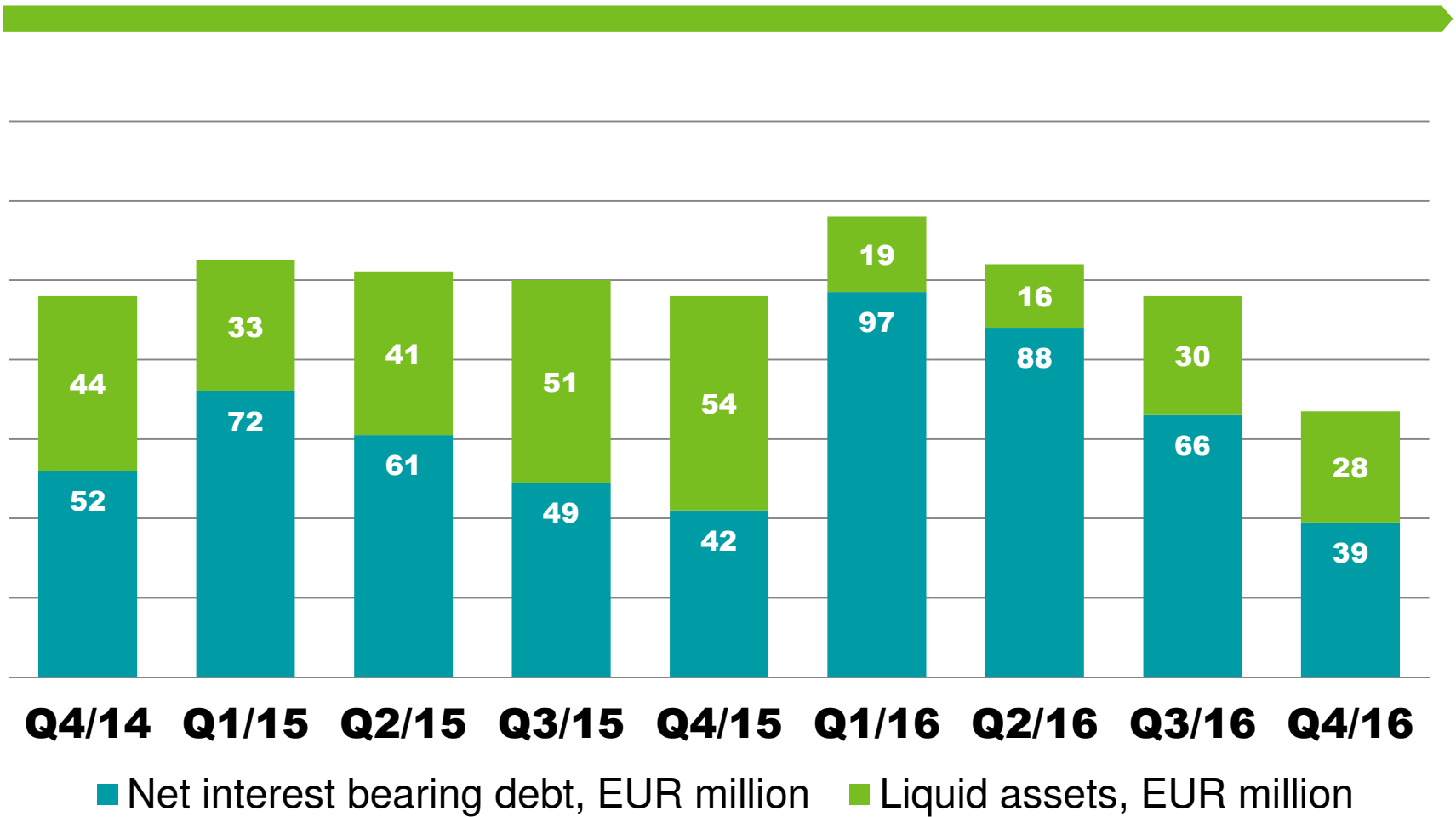
\* 2015 excluding EO items

# RETURN ON INVESTMENT

- Strategic target: ROI 20%



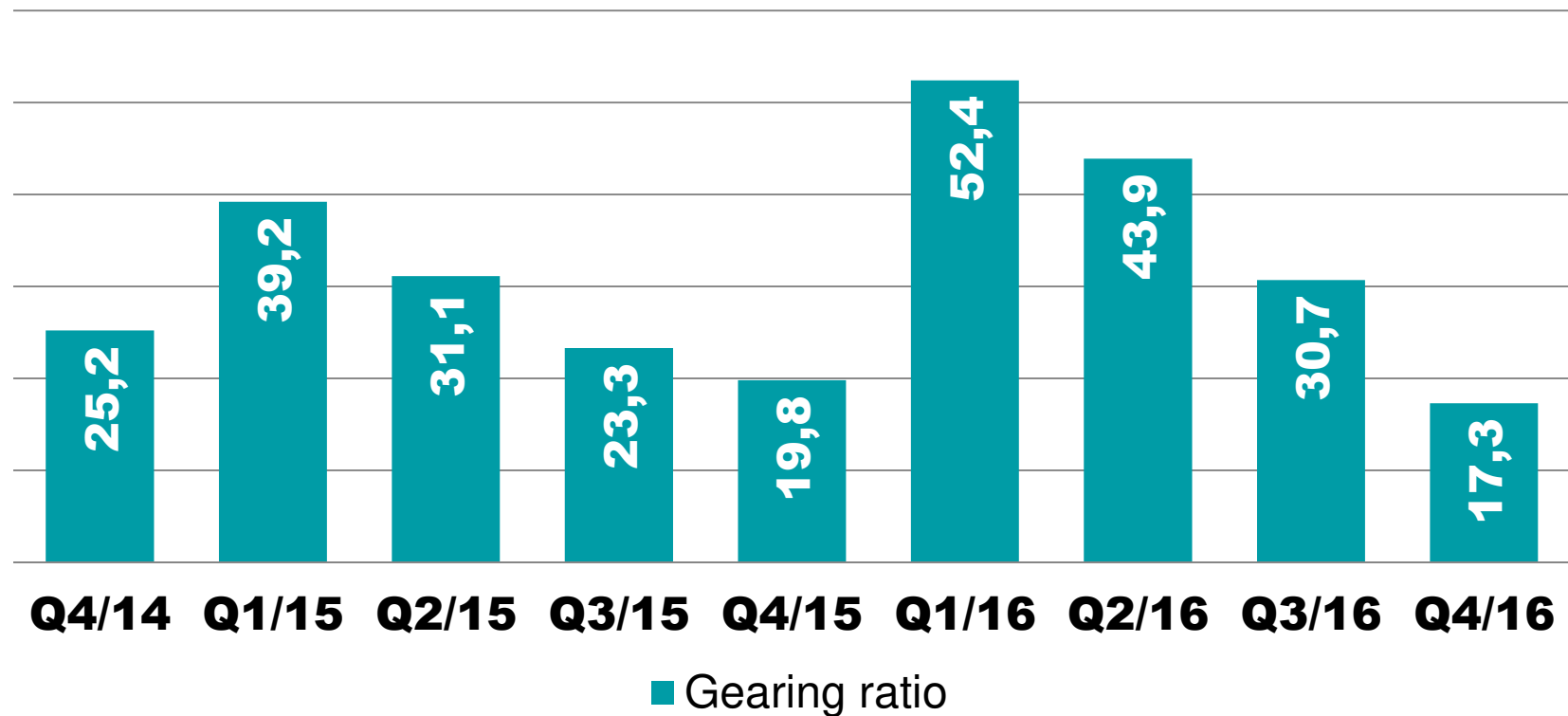
# INTEREST BEARING DEBT



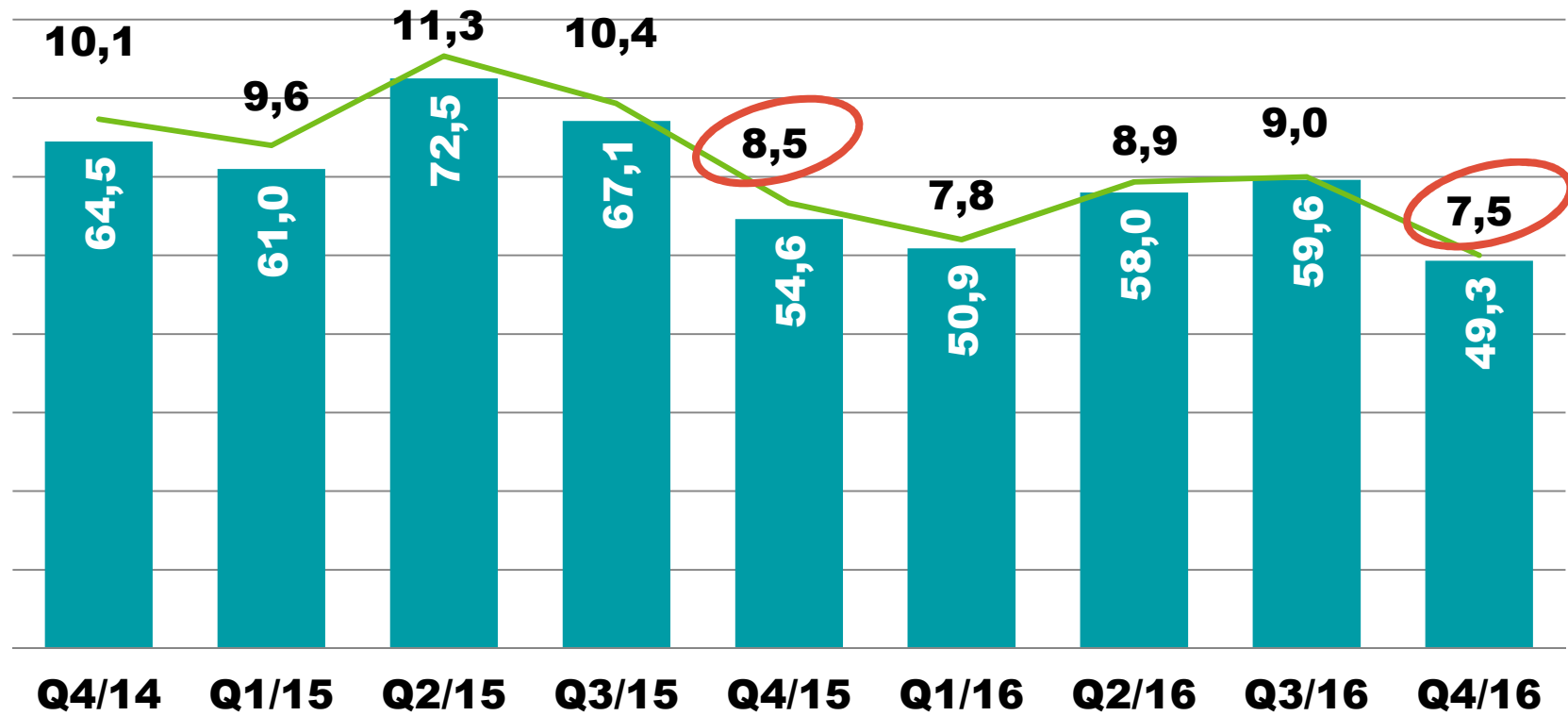


# GEARING

- Strategic target: Gearing 0–70%

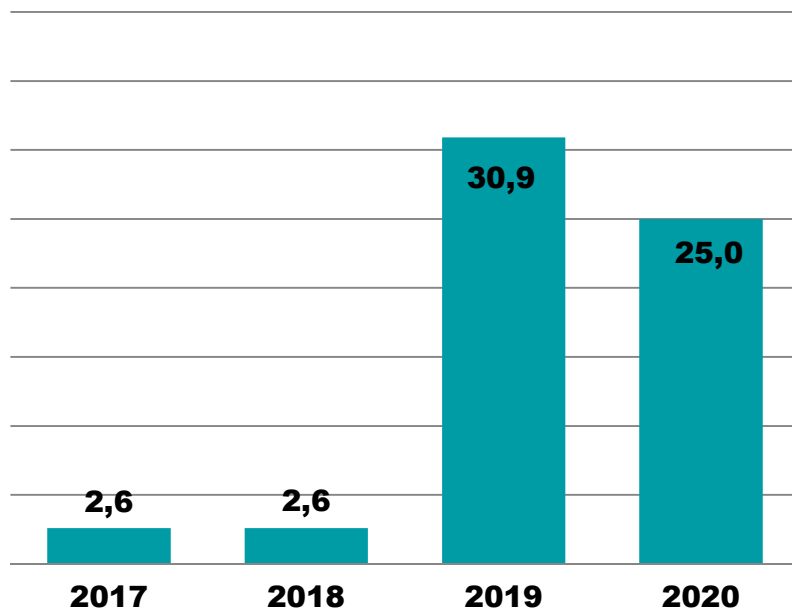


# NET WORKING CAPITAL

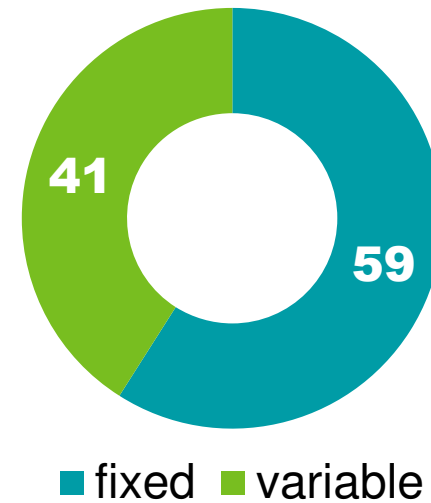


■ Net working capital, EUR million    — Net working capital % of net sales

# MATURITY STRUCTURE OF LONG-TERM LOANS

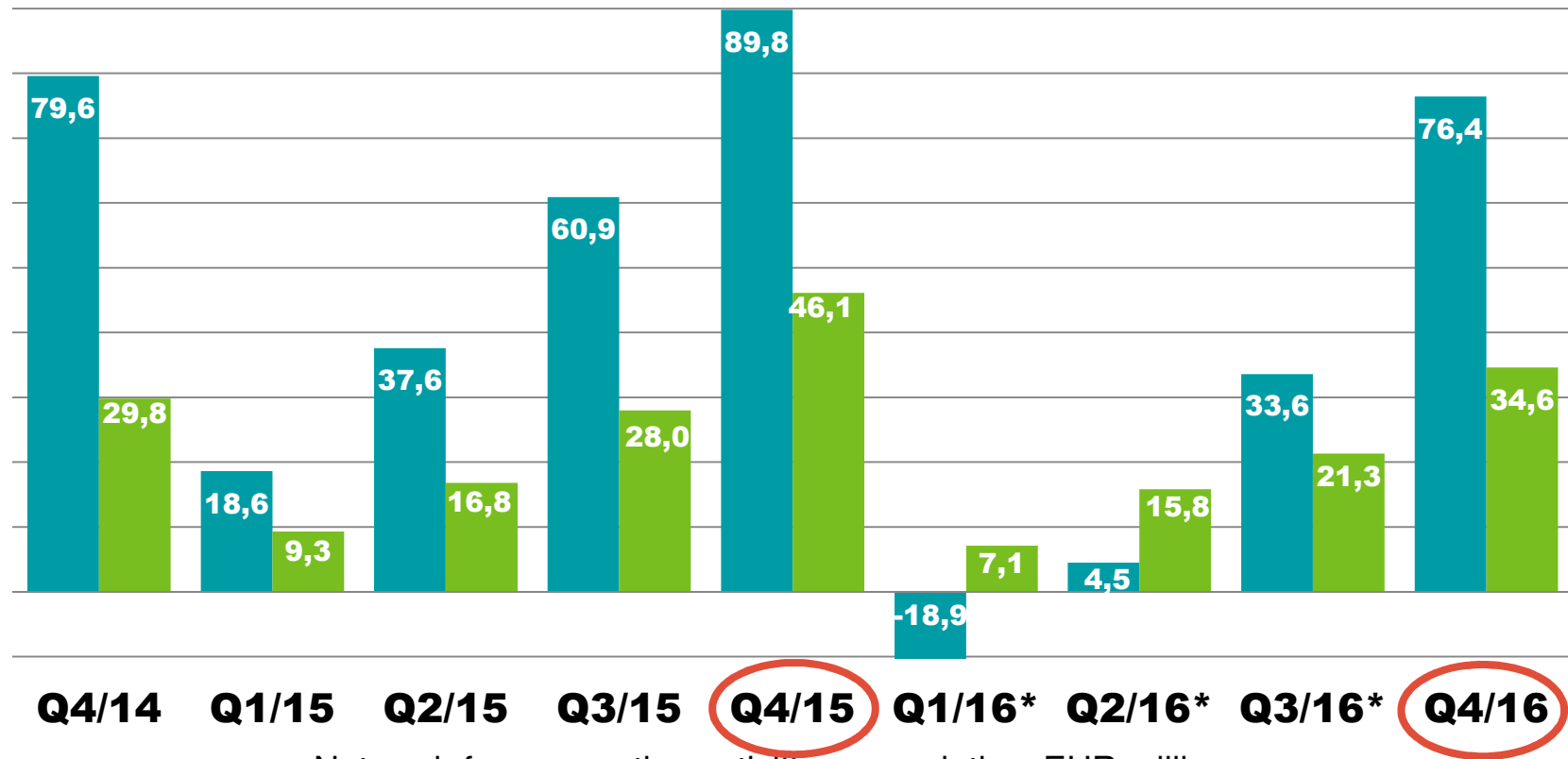


■ Loans, EUR million ■ Repaid, EUR million



Weighted average of effective interest rate 1.6%

# CASH FLOW AND INVESTMENTS

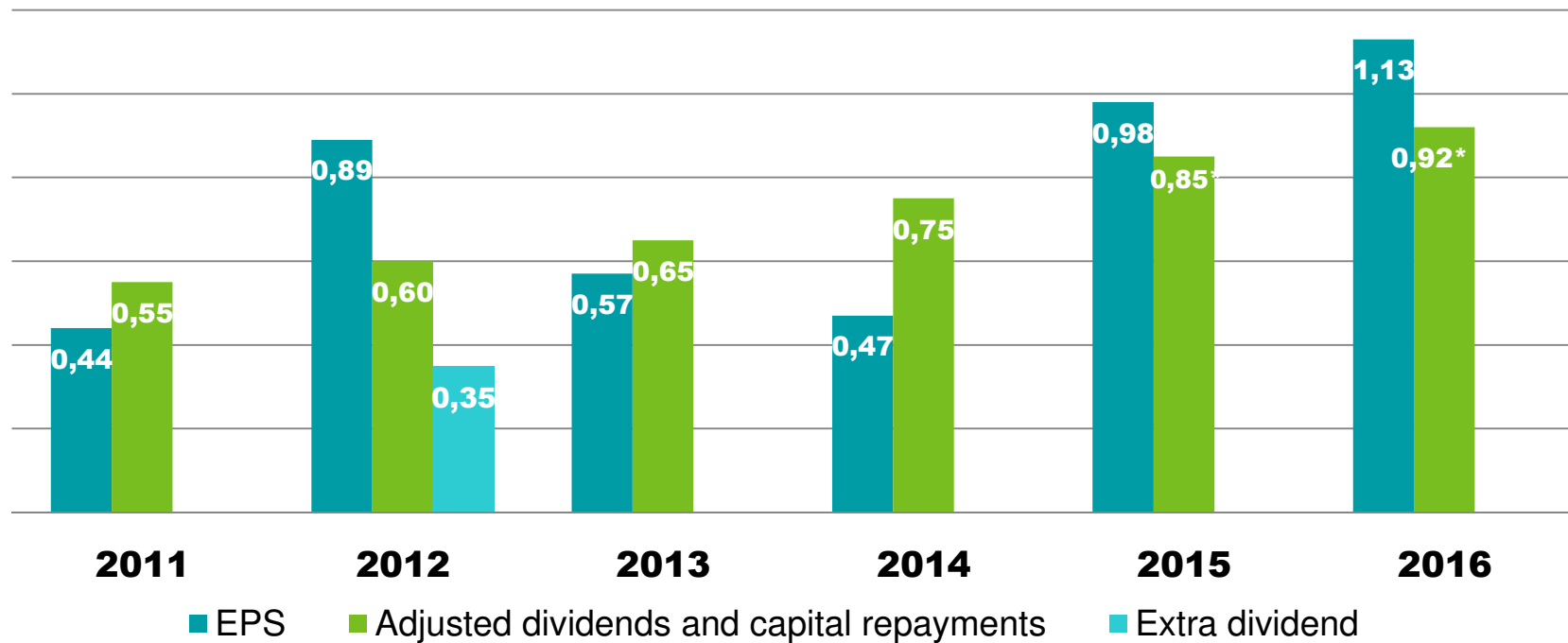


- Net cash from operating activities, cumulative, EUR million
- Net cash used in investment activities, cumulative, EUR million

\* Includes EUR 52 million in advance payments of employment pension contributions

# 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.



\* Proposal by the Board of Directors

# OUTLOOK FOR THE YEAR 2017



Full-year net sales and operating profit in 2017 are expected to remain at the 2016 level.

This estimate was included in the Financial Statements Release for 2016 released on 1 February 2017.

# CONTACT INFORMATION



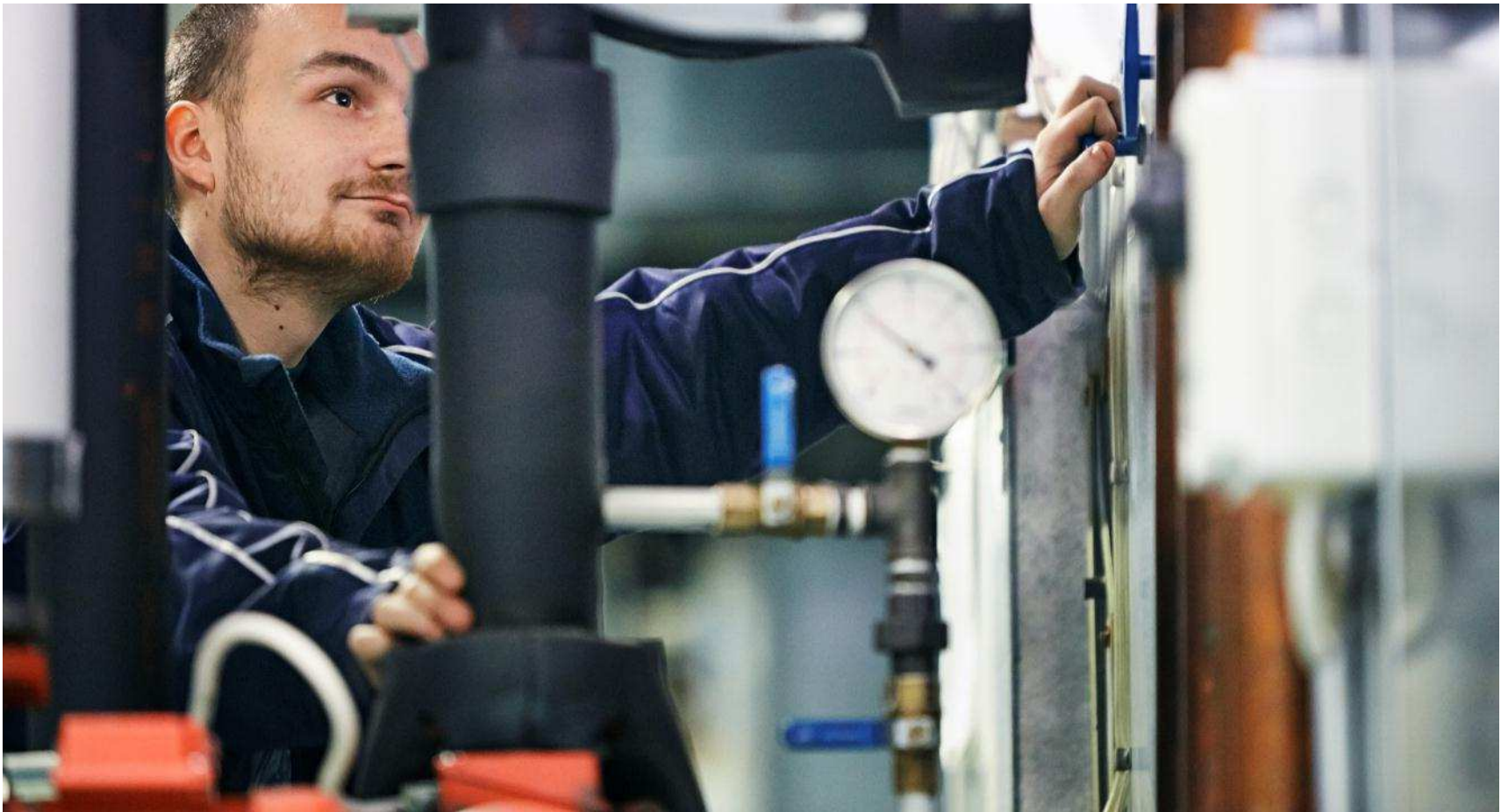
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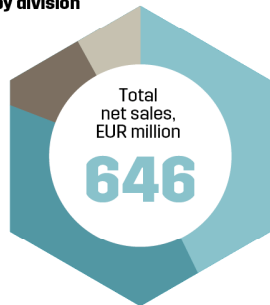
# APPENDIX



# L&T IN BRIEF

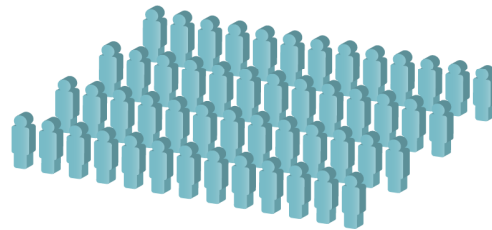
# L&T IN 2015

## Net sales by division



<b>Facility Services</b> .....	<b>43%</b>
Cleaning and support services, property maintenance, maintenance of technical systems and renovation business	
<b>Environmental Services</b> .....	<b>39%</b>
Waste management, recycling services and environmental management	
<b>Industrial Services</b> .....	<b>12%</b>
Environmental construction, process cleaning, sewer maintenance services and hazardous waste management	
<b>Renewable Energy Sources</b> .....	<b>6%</b>
Forest services	

**MARKETS SERVED: OUR MAIN MARKET IS FINLAND. WE ALSO OPERATE IN SWEDEN AND RUSSIA.**



THERE ARE ABOUT **8,000** of us.  
**74%** of our personnel would recommend L&T as a workplace.

## OUR CUSTOMER BENEFITS



**Energy efficiency**



**Cost efficiency**

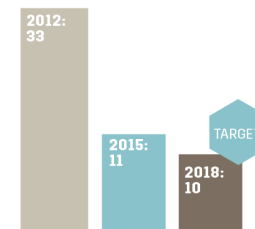


**Material efficiency**

We serve over **200,000** customers.

Approximately **50,000** business customers, plus public sector customers and households.

**WE HAVE REDUCED OUR ACCIDENT FREQUENCY IN FINLAND TO ONE THIRD OF WHAT IT WAS 3 YEARS AGO.**



**OUR SICKNESS-RELATED ABSENCE RATE IS**

**5.2%**

This is a commendable achievement in a physically strenuous industry.

**WE WERE ABLE TO RECYCLE**

**53%**

of our customers' waste. That is significantly higher than Finland's average recycling rate 33%.



This is roughly equal to the total emissions generated by traffic in the Helsinki metropolitan area.

**OUR AVERAGE AGE OF RETIREMENT IN FINLAND IS**

**63.1**

years. This is two years higher than the average retirement age in Finland (61.1 years).

**OUR RECOVERY RATE IS**

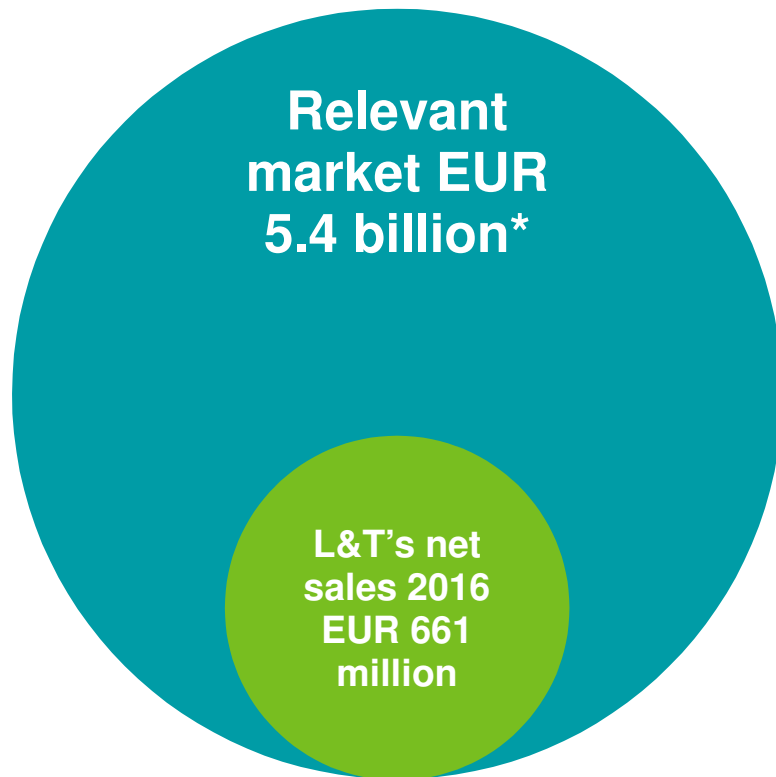
**92%**

which means that only 8% of our customers' waste ended up in landfills.

# OPERATING ENVIRONMENT

# L&T'S RELEVANT MARKET OFFERS ROOM FOR GROWTH AND STRENGTHENING OF MARKET POSITION

## Market size and development



- The market is large and offers room for growth as the economy stabilises
- The relevant market is growing at a compound annual rate of ~2% during the strategy period
- Focus on strengthening market positions in businesses
- A healthy balance sheet enables investments and business acquisitions

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

# L&T HAS A STRONG MARKET POSITION RANKING IN THE TOP 3 IN ALL BUSINESSES

## Market sizes and L&T's positions

	Relevant market size*	Annual market growth	L&T market position
Environmental Services	1.2 Billion €	1%	1–2
Industrial Services	0.4 Billion €	3%	1–3
Facility Services	3.4 Billion €	2%	2
Renewable Energy Sources	0.5 Billion €	5%	3–4

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

# OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

## Changes in the operating environment

### Description

National regulation tightens

Importance of services related to energy efficiency increases

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

Retail and media industries' business models are changing

New building construction decreases and switches to renovation in the short term

Industrial manufacturing is not growing, but outsourcing is increasing

### Impact on L&T

Increase in producer responsibility for waste and the ban on the disposal of organic waste in landfills create opportunities in recycling

Demand for energy efficiency services grows, customers' purchasing criteria focus more on optimisation of total property maintenance costs

Conditions to develop new technology and waste management solutions improve

Amount of recyclable fibres diminishes, but e-commerce-related opportunities emerge

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

Decreases waste volumes, but brings opportunities in value-added solutions. Outsourcing potential is increasing especially in municipal sector



# WE HAVE LONG TERM GROWTH POTENTIAL DESPITE OF THE ECONOMIC DOWN TURN IN SHORT TERM

## Growth potential during strategy period

Division	Service line	Short term organic growth potential	Long term organic growth potential	Growth potential by acquisitions
Environmental Services	Recycling	+	++	Targeted acquisitions to support market position
	Waste management	+	+	
Facility Services	Property maintenance	+	++	
	Cleaning and support services	+	++	
	Maintenance of technical systems	+++	+++	
	Renovation services	+	+	
Industrial Services	Process cleaning	+	++	
	Environmental construction	++	++	
	Hazardous waste services	+	+	
	Sewer maintenance	+	++	
Renewable Energy Sources		++	++	

# STRATEGY OVERVIEW

# OUR VISION IS TO BE OUR CUSTOMERS' PREFERRED PARTNER

CIRCULAR AND BIOECONOMY

PROFITABLE GROWTH

CUSTOMER BENEFITS

MATERIAL EFFICIENCY



ENERGY EFFICIENCY



COST EFFICIENCY

STRATEGIC EMPHASES

Customer and employee experience | Workforce management | Efficient operating model

Customer orientation

KEY SUCCESS FACTORS

Cost efficiency

Skilled and sufficient personnel

Uniform and safe corporate culture

WORLD DIGITALISES

OUT-SOURCING INCREASES

SIGNIFICANCE OF CORPORATE RESPONSIBILITY IS EMPHASISED



RECYCLING AND ENERGY OBJECTIVES BECOME TIGHTER

CENTRAL RAW MATERIALS BECOME MORE EXPENSIVE

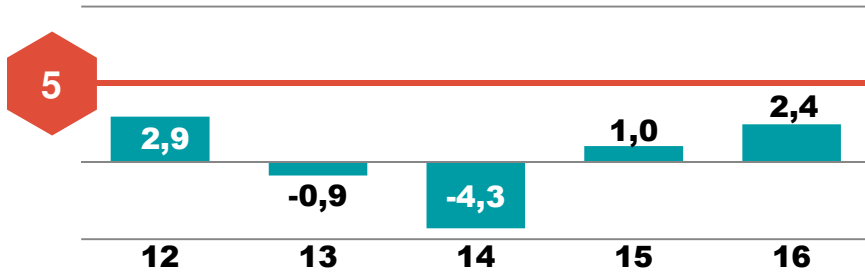
COMPETITIVENESS OF EUROPE AND FINLAND DECREASES

CLIMATE GETS WARMER

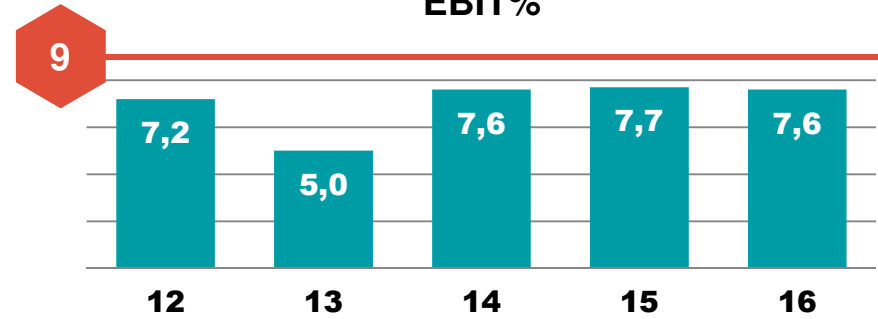
# FINANCIAL TARGETS

## Financial targets

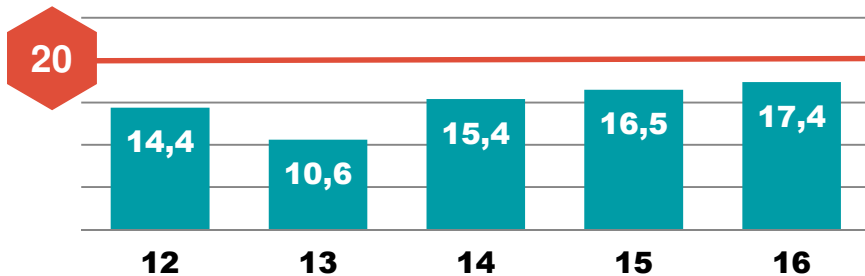
Growth, %



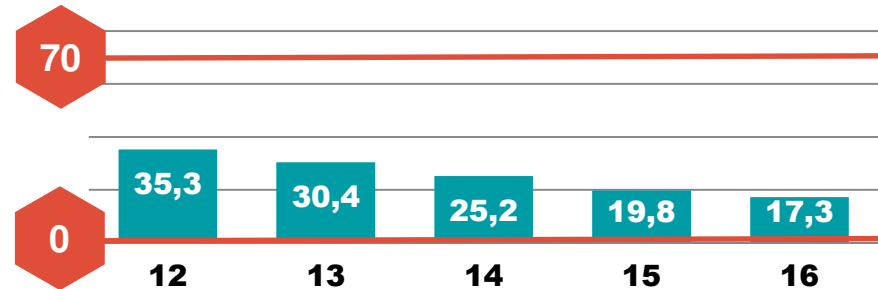
EBIT%



ROI, %



Gearing, %



# L&T STRENGTHENS ITS MARKET POSITION WITH FOCUS PROFITABILITY AND CASH FLOW

## Main phases of the strategy

### 2014-2015

#### Profitability and strengthening of market position

##### Main actions:

- Business portfolio rationalisation
- Development of sales and customer management
- Workforce and equipment efficiency improvement
- Bolt on acquisitions in core businesses

### 2016-2017

#### Organic growth and acquisitions

##### Main actions:

- Bolt on acquisitions in core businesses
- Investments in business development
- Building competitive advantage and growth by service digitalisation and professional services

### 2018

#### Customers' preferred partner in our businesses

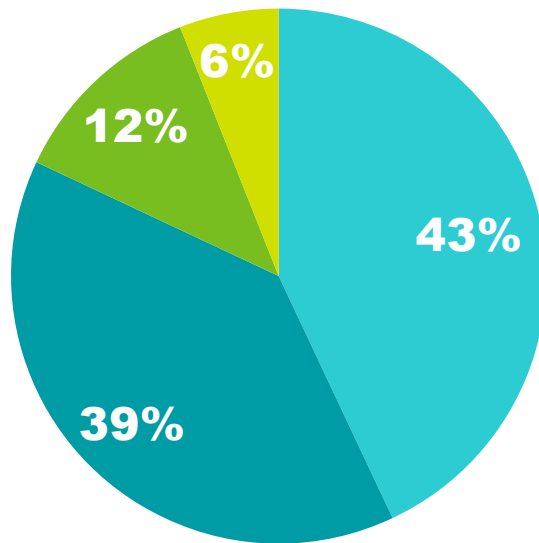
##### Strategic target:

- Recognized in improving customers' energy, material and cost efficiency
- The pioneer in work safety and the best employer in the industry
- Systematic management of reputation and responsible business
- Financial and operational resources enable continuous business expansion

# BUSINESS SEGMENTS

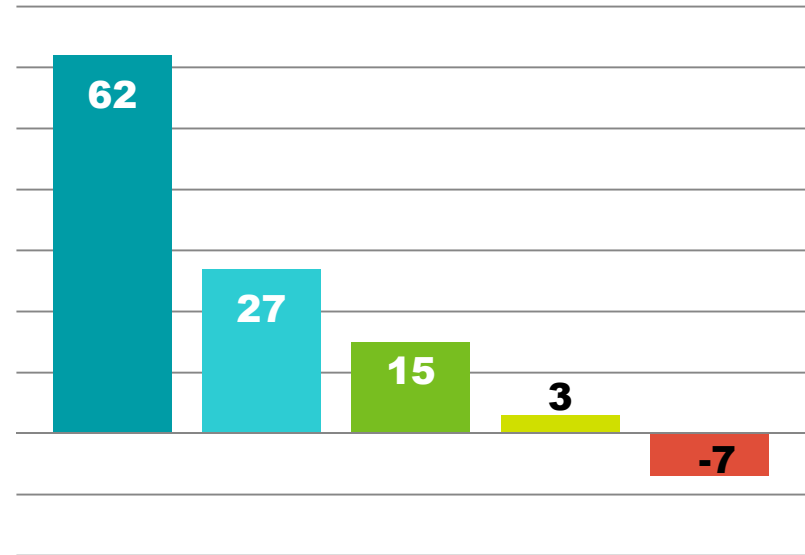
# NET SALES AND OPERATING PROFIT BY DIVISION 2016

**Net sales**



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

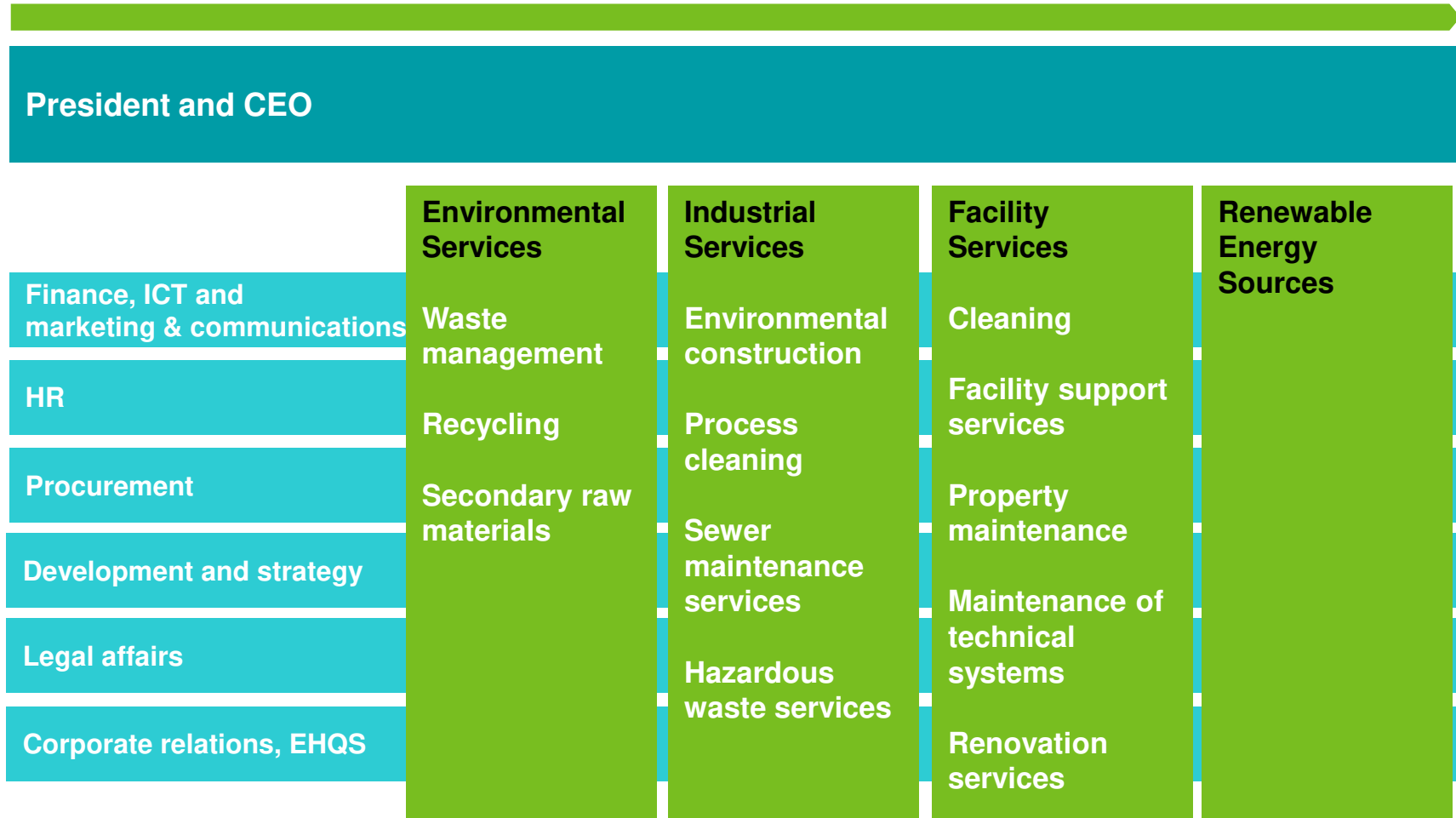
**Operating profit, % of Group total**



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



# L&T'S ORGANISATION



# CYCLICALITY OF L&T'S BUSINESS



# ENVIRONMENTAL SERVICES

# 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
<b>Environmental Services</b>	<b>1.2</b> Billion €	<b>1%</b>	<b>1–2</b>
<b>Waste management</b>		<b>~ inflation</b>	<b>1</b>
<b>Recycling</b>		<b>&gt; inflation</b>	<b>1–2</b> depending on material
<b>Subcontracting for municipalities</b>		<b>~ inflation</b>	<b>1</b>
<b>Environmental products</b>		<b>~ inflation</b>	<b>1–2</b> depending on product

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

# 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, 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

Retail and media industries' business models are changing and digitalising

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

New building construction decreases in the short term

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

Industrial manufacturing is not growing

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

# CHANGES IN LEGISLATION CREATE OPPORTUNITIES FOR DEVELOPING NEW BUSINESS

## Changes in legislation

### Description

**Waste producer responsibility increases**

### Impact on L&T

- A packaging waste collection network, for instance, must be built in Finland, creating new business opportunities in the waste management market

**The ban on the landfill disposal of organic waste**

- Will come into force in 2016 and prohibit the disposal of waste containing organic material in a landfill
- This will bring a large amount of new waste to the recycling market, increasing demand for processing capacity

# ENVIRONMENTAL SERVICES



## ◆ SOCIETY & LEGISLATION

- Landfill disposal of organic waste banned as of 2016
- Packaging waste to be covered by producer responsibility
- Waste taxation amended to support recycling



## ◆ BUSINESS OPERATIONS

Environmental Management



## ◆ CUSTOMERS

- Companies
- Producer associations
- Households
- Public sector



Technical  
collection  
equipment

Maintenance  
services

Collection  
products

Collection  
and  
transport  
services

Treatment  
of recyclable  
material and  
waste

Secondary  
raw material  
sales and final  
treatment  
of waste

# ENVIRONMENTAL SERVICES MAINTAINS HIGH PROFITABILITY AND STRENGTHENS ITS POSITION IN THE ENVIRONMENTAL SERVICES VALUE CHAIN

## Main elements of the strategy

### We expand our value chain

- We launch Environmental Management professional services
- We invest in the technical waste management equipment business

### We grow within our current value chain

- We strengthen our position in current and new geographical areas in Finland
- We utilise the business opportunities brought about by stricter legislation

### We focus on corporate, producer responsibility and household segments

- We increase our market share in the corporate sector by focusing on selected customer segments
- We grow by creating comprehensive solutions for producer responsibility organisations and digital services for household customers

### We build competitive advantage by service development and operational efficiency

- We actively develop new services
- We develop operating model to improve operational efficiency



# INDUSTRIAL SERVICES

# 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
<b>Industrial Services</b>	<b>0.4</b> Billion €	<b>3%</b>	<b>2</b>
Industrial process cleaning		~ inflation	2
Sewer maintenance services		> inflation	3
Hazardous waste services		< inflation	2
Environmental construction		~ inflation	3

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

# OPERATING ENVIRONMENT CHANGES AND REQUIRED ACTIONS ARE INCORPORATED INTO THE STRATEGY

## Changes in the operating environment

### Description

### Impact on L&T

Importance of environmental responsibility increases

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

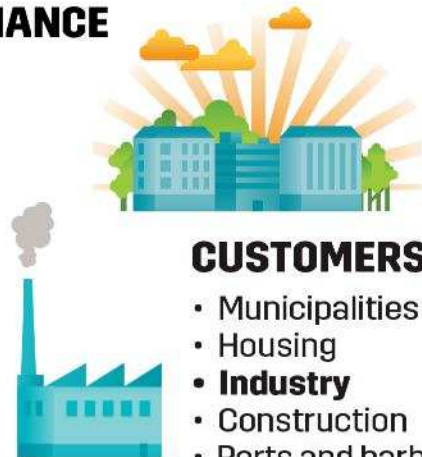
Industrial companies seek cost efficiency by support service outsourcing, which creates opportunities for Industrial services

# INDUSTRIAL SERVICES

• Maintenance

• Collection, treatment and final disposal

## SEWER MAINTENANCE



## PROCESS CLEANING



## HAZARDOUS WASTE SERVICES



## ENVIRONMENTAL CONSTRUCTION

No increase in industrial production

Landfill disposal of organic waste banned

Increased importance of environmental responsibility

# INDUSTRIAL SERVICES FOCUSES ON OPERATIONAL EFFICIENCY AND STRENGTHENING ITS MARKET POSITION

## Main elements of the strategy

### Effective and centralised operating model

Effective and centralised operating model, including nation-wide resource planning and management supported by ICT solutions

### Effective sales and account management

Active and well planned sales efforts and account management combined with segment-oriented responsibilities and growth plans

### Deep integration to selected accounts

Deep integration into selected clients' processes and operating models with a customer-oriented development view

### Growth in industrial customer segment

Industrial customer segment growth in both current and new key accounts by expanding the range of services provided and securing new clients with customer segment specific planning

### Capacity utilisation

Profitability improvement by more efficient capacity utilisation and systematic growth also in small / middle-sized clients by utilising possibilities provided by existing resources

# FACILITY SERVICES

# 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
<b>Facility Services</b>	<b>3.4</b> Billion €	<b>2%</b>	<b>2</b>
<b>Cleaning and facility support s.</b>		<b>&lt; inflation</b>	<b>2</b>
<b>Property maintenance</b>		<b>~ inflation</b>	<b>1</b>
<b>Renovation services</b>		<b>~ inflation</b>	<b>2</b>
<b>Maintenance of technical systems</b>		<b>&gt; inflation</b>	<b>4</b>

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

# 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

### Impact on L&T

**Centralisation and professionalisation of service sourcing**

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

**Increased outsourcing of non-core activities in public sector**

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

**Growing role of technology in Facility Management**

Need to grow offering in technological systems maintenance

**Need for transparency and reporting**

Opportunities for professional services to support our clients

# FACILITY SERVICES

Increasing requirements of reporting and transparency with regard to energy, property and environmental matters

Customers expect cost efficient service packages

As customers focus on their core businesses, the service provider's responsibility for the outcome increases



# FACILITY SERVICES FOCUSES ON OPERATIONAL EFFICIENCY AND SEEKS PROFITABLE GROWTH IN SELECTED BUSINESSES

## Main elements of the strategy

**We improve our competitive advantage by developing our operating model**

- We invest heavily in the development of our operating model
- We harmonise processes and develop workforce management to improve operational efficiency

**We grow business with our current customers through service development**

- We productise current services to improve operational efficiency and create added value with service packages
- We reduce customer relationship terminations through better customer relationship management

**We invest in growth in the maintenance of technical systems**

- We strengthen our service offering in our current operating locations
- We acquire special expertise through targeted business acquisitions, but do not pursue extensive acquisitions in the short term

**We expand to professional services in the value chain**

- We productise current expert know-how into professional services
- We utilise professional services also as a sales channel for other Facility Services

# RENEWABLE ENERGY SOURCES

# 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

### Impact on L&T

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

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

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

The conditions for developing bioenergy business will improve.

**Climate goals become tighter**

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

## VISION

We will become the most competent and efficient operator in the field and double our net sales by 2020



Competent supply chain improves efficiency



New growth in biofuel deliveries to power plants



New business in operating power plants



### 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

# THE FOCUS OF THE CURRENT STRATEGY ON COST EFFICIENCY AND PROFITABILITY HAS YIELDED RESULTS.

## Main elements of the strategy

**Clarifying the customer and product portfolio and improving the efficiency of procurement**

Procurement will be geographically centralised and the product portfolio updated on the basis of demand. The focus will be on improving profitability.

**Making the production chain more efficient**

Improved production management will make production more cost-efficient and increase energy content. Production chains of forest energy will be optimised for each major client.

**Reducing tied up capital**

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



# THE OPERATING ENVIRONMENT IS CHANGING EVERYWHERE BECAUSE OF DIGITALISATION

# L&T'S DIGITAL MISSION



**Pioneering  
operating  
environment  
change**

**Ensuring our  
market position  
in the future**

**Customer-  
oriented growth  
into new service  
industries**

# OUR DIGITAL SERVICES



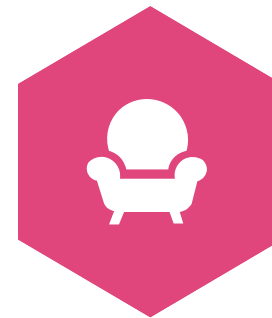
## **RAKSANAPPI**

Easy and seamless way to order interchangeable containers to construction sites and track orders on any mobile platform.



## **HÄVIKKIMESTARI**

Mobile app to manage food waste in catering restaurants by using lean methodology. Offered as an app combined with consulting services.



## **KIMPPANOUTO.FI**

Service for households and small companies to get rid of old furniture, home appliances and other unnecessary goods. All material is forwarded to recycling.

# WORKING SUSTAINABLY

# RESPONSIBLE WAY FORWARD



## **Responsible business operations and services**

- A profitable company and investment
- Responsible code of conduct
- Responsible business services



## **Responsible supply chain**

- Responsible procurement and partnerships
- Favouring products that save the environment



## **Environmental responsibility**

- Recycling and material recovery
- Reducing emissions and energy consumption
- Responsibility of own operations



## **Active stakeholder relations**

- Active interaction
- Promoting the circular economy
- Customer satisfaction



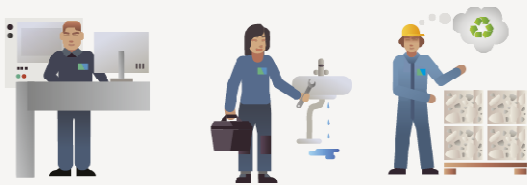
## **Responsibility for personnel**

- Work ability management
- Occupational safety
- Employee satisfaction

# CUSTOMER BENEFITS

## ENERGY EFFICIENCY

Always correct and safe conditions



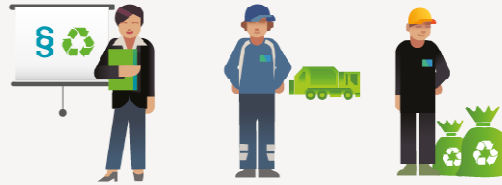
Energy control centre and reporting

Actions taken by maintenance personnel

Renewable energy sources and recovered fuels

## MATERIAL EFFICIENCY

Maximising recycling



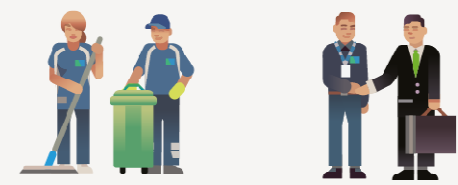
Environmental management

Comprehensive environmental management solutions

Secondary raw materials

## COST EFFICIENCY

Always correct and competent resources



Outsourcing support services

Service production management, follow-up and reporting

L&T improves properties' energy efficiency with actions that decrease energy costs by up to

**20** percent.

At the same time, the value of the property can increase by 10 percent.

The recovery rate of our customers' usual waste is up to

**100** percent.

96 percent of waste processed at L&T plants is reused.

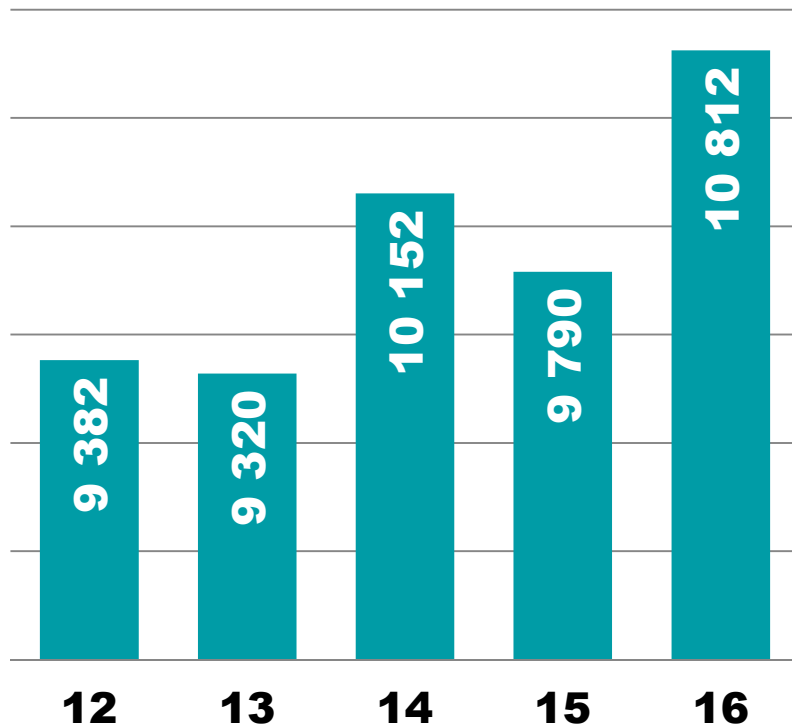
Our common goal-setting and careful planning of work enable cost savings of up to

**20** percent.

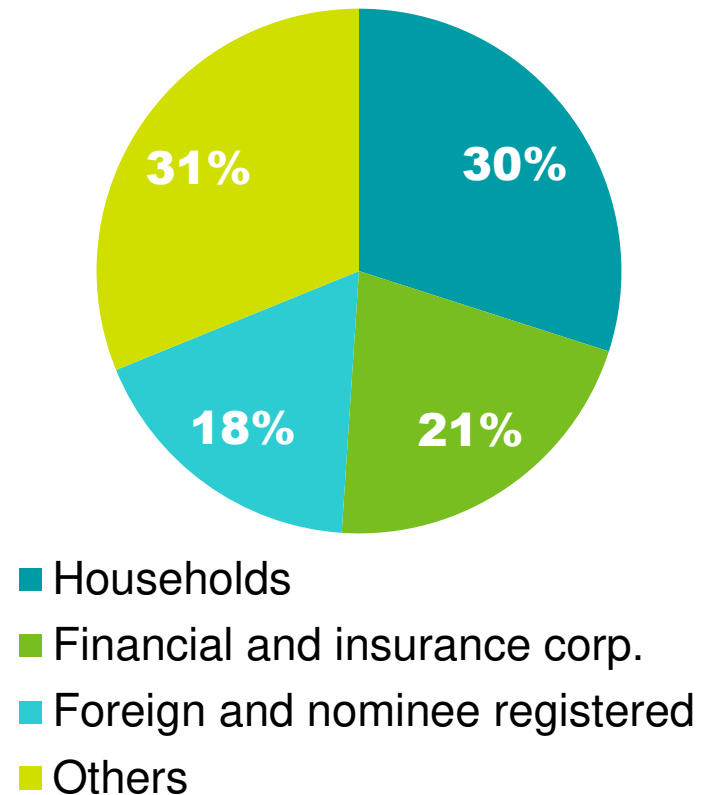
# SHAREHOLDERS

# SHAREHOLDER STRUCTURE

## Number of shareholders



## Shareholder structure





# MAJOR SHAREHOLDERS AT 31 DECEMBER 2016

Shareholder	Shares	%
Evald and Hilda Nissi Foundation	2,413,584	6.2
Nordea Investment Funds	2,386,843	6.2
Mandatum Life Insurance Company Limited	2,311,238	6.0
Majjala Juhani	1,529,994	3.9
Elo Mutual Pension Insurance Company	1,229,073	3.2
Ilmarinen Mutual Pension Insurance Company	934,836	2.4
Evli Investment Funds	833,200	2.2
Heikki Bergholm	827,050	2.1
Majjala Mikko	720,000	1.9
The State Pension Fund	562,000	1.5
Nominee-registered shares	6,843,682	17.6
Number of shares	38,798,874	100.00
Number of shareholders	10,812	

**MAKING THE WORLD A BETTER  
PLACE TAKES A LOT OF WORK.  
FORTUNATELY IT IS PRECISELY  
WHAT WE DO.**

**L&T IS CHANGING THE UNSUSTAINABLE CONSUMER  
SOCIETY INTO AN EFFICIENT RECYCLING SOCIETY.  
WE DO THIS BY IMPROVING OUR CUSTOMERS' ENERGY,  
MATERIAL AND COST EFFICIENCY.**



**WORKING SUSTAINABLY**

