

LASSILA & TIKANOJA

Financial Statements 2017

Pekka Ojanpää, President and CEO
31 January 2018



HIGHLIGHTS OF Q4/2017

- Net sales EUR 207.0 million (EUR 168.3 m) 23.0% (yoy)
 - Net sales increased in all divisions excluding Renewable Energy Sources. The growth was both organic and due to the acquisition of L&T FM AB.
 - Net sales of Facility Services grew organically by 11.3%. Net sales of Industrial Services grew organically by 9.0%.
- Operating profit EUR 11.4 million (EUR 10.5 m)
 - The Environmental Services' and Industrial Services' operating profits were on previous year's level.
 - All of the Facility Services' division's service lines saw an increase in operating profit, with the exception of the property maintenance business.

HIGHLIGHTS OF 2017

- Net sales EUR 712.1 million (EUR 661.8 m) 7.6% (yoy)
 - Net sales increased in all divisions excluding Renewable Energy Sources. The growth was both organic and due to the acquisition of L&T FM AB.
 - Net sales of Industrial Services grew organically by 8.3%. Net sales of Facility Services grew organically by 2.3%.

- Operating profit EUR 44.2 million (EUR 50.5 m)
 - Operating profit improved in Industrial Services but declined in other divisions.
 - The operating profit in Facility Services was lower than in the previous year. This was mainly due to the property maintenance business and the renovation services.

KEY FIGURES

	Q4/17	Q4/16	Change%	2017	2016	Change%
Net sales, EUR million	207.0	168.3	23.0	712.1	661.8	7.6
Operating profit, EUR million	11.4	10.5	8.8	44.2	50.5	-12.4
Operating margin, %	5.5	6.2		6.2	7.6	
Profit before tax, EUR million	10.1	10.6	-5.4	42.7	50.1	-14.7
Earnings per share, EUR	0.22	0.22	1.2	0.88	1.13	-22.4
Dividend per share, EUR				0.92*	0.92	
Cash flow, operating activities/share, EUR	0.67	1.11	-39.5	1.61	1.99	-19.1
EVA, EUR million	4.5	5.8	-22.3	21.2	30.7	-30.9

* Proposal by the Board of Directors



KEY FIGURES

	Q4/17	Q4/16	Change%	2017	2016	Change%
Capital expenditure, EUR million	14.9	14.4	3.1	110.3	41.6	165.2
Depreciation, amortisation and impairment, EUR million	10.9	9.8	10.9	40.5	38.8	4.5
Net cash from operating activities, EUR million				61.8	76.4	-19.1
Return on equity (ROE), %				15.3	20.0	
Return on investment (ROI), %				13.4	17.4	
Equity ratio, %				39.3	50.4	
Gearing, %				53.9	17.3	
Total number of employees at the end of the period				8,663	7,931	



OPERATING PROFIT

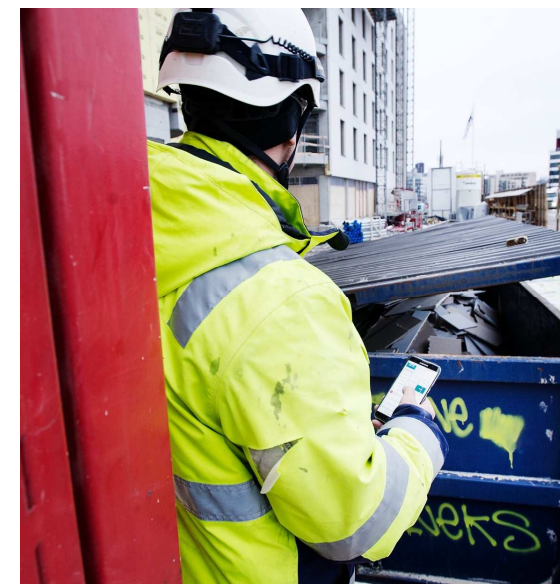
EUR million	Q4/17	Q4/16	Change%	2017	2016	Change%
Environmental Services	6.5	6.5	0.0	29.8	31.3	-4.7
Industrial Services	2.6	2.6	0.7	8.6	7.8	10.3
Facility Services	3.2	2.6	22.6	9.2	13.5	-31.8
Renewable Energy Sources	0.2	0.7	-67.8	0.7	1.5	-53.4
L&T Group	11.4	10.5	8.8	44.2	50.5	-12.4

FINANCIAL TARGETS

Key figure	Target 2020	Actual 2017	Actual 2016	Actual 2015
Growth, %	5	7.6	2.4	1.0
Return on investment (ROI), %	20	13.4	17.4	16.5
EBIT, %	9	6.2	7.6	7.7
Gearing, %	0–70	53.9	17.3	19.8

ENVIRONMENTAL SERVICES

- ◆ Demand was on a good level and the division's market position improved in recycled raw materials as well as in the retail and industrial segments.
- ◆ Full-year net sales and profitability were on a par with the previous year.



EUR million	Q4/17	Q4/16	Change%	2017	2016	Change%
Net sales	67.0	66.5	0.6	265.3	264.8	0.2
Operating profit	6.5	6.5	0.0	29.8	31.3	-4.7
Operating margin, %	9.7	9.7		11.2	11.8	

INDUSTRIAL SERVICES

- Net sales increased year-on-year in all of the division's service lines due to good demand and stronger market position.
- The division's full-year net sales increased year-on-year particularly in process cleaning, sewer maintenance and hazardous waste management. The net sales of environmental construction were on a par with the previous year.



EUR million	Q4/17	Q4/16	Change%	2017	2016	Change%
Net sales	23.9	21.4	11.6	90.7	82.1	10.5
Operating profit	2.6	2.6	0.7	8.6	7.8	10.3
Operating margin, %	10.8	11.9		9.5	9.5	

FACILITY SERVICES

- All of the division's service lines saw an increase in operating profit in the final quarter, with the exception of the property maintenance business.
- The division's full-year net sales increased primarily due to the acquisition of L&T FM AB, but amortisation related to its purchase price allocation and integration costs weighed down on operating profit.
- The operating profit of the cleaning business grew year-on-year due to strong demand and good operational efficiency.
- The operating profit of property maintenance business' was lower than in the previous year mainly due to the implementation of a new operating model and ERP system.



EUR million	Q4/17	Q4/16	Change%	2017	2016	Change%
Net sales	108.2	71.8	50.8	331.0	288.3	14.8
Operating profit	3.2	2.6	22.6	9.2	13.5	-31.8
Operating margin, %	3.0	3.6		2.8	4.7	

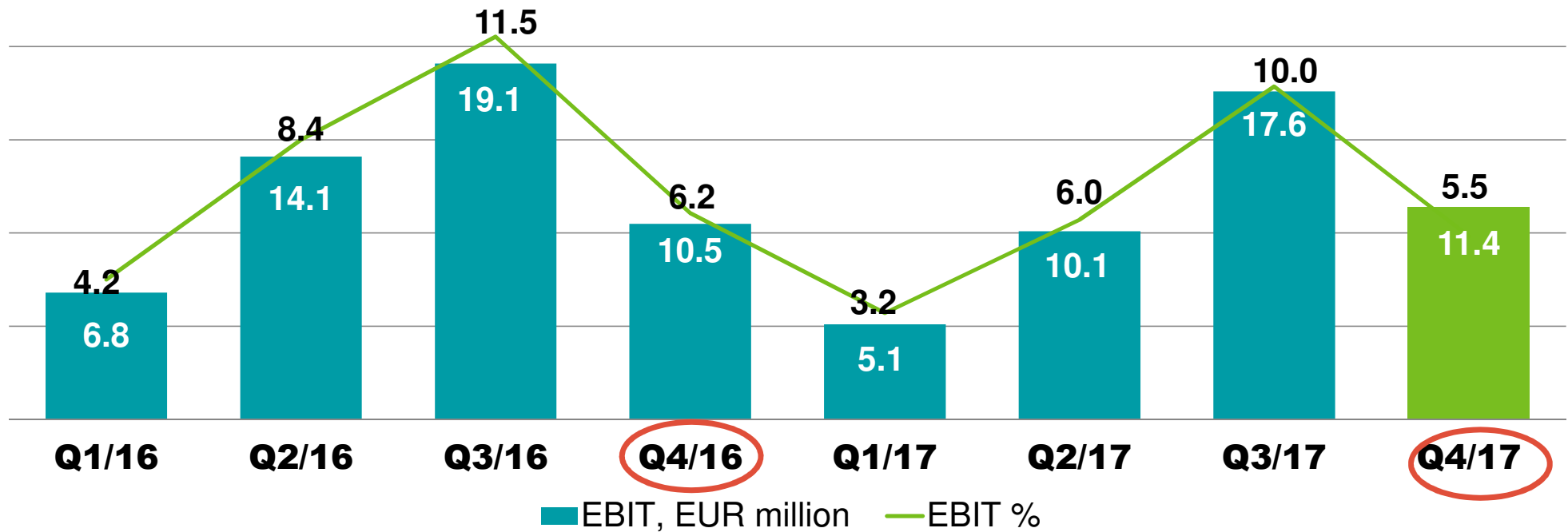
RENEWABLE ENERGY SOURCES

- Operating profit decreased year-on-year in the final quarter due to the low energy content of fuels and low volume.
- The year-on-year decline in division's net sales and operating profit was mainly due to low demand for forest energy due to short heating season.



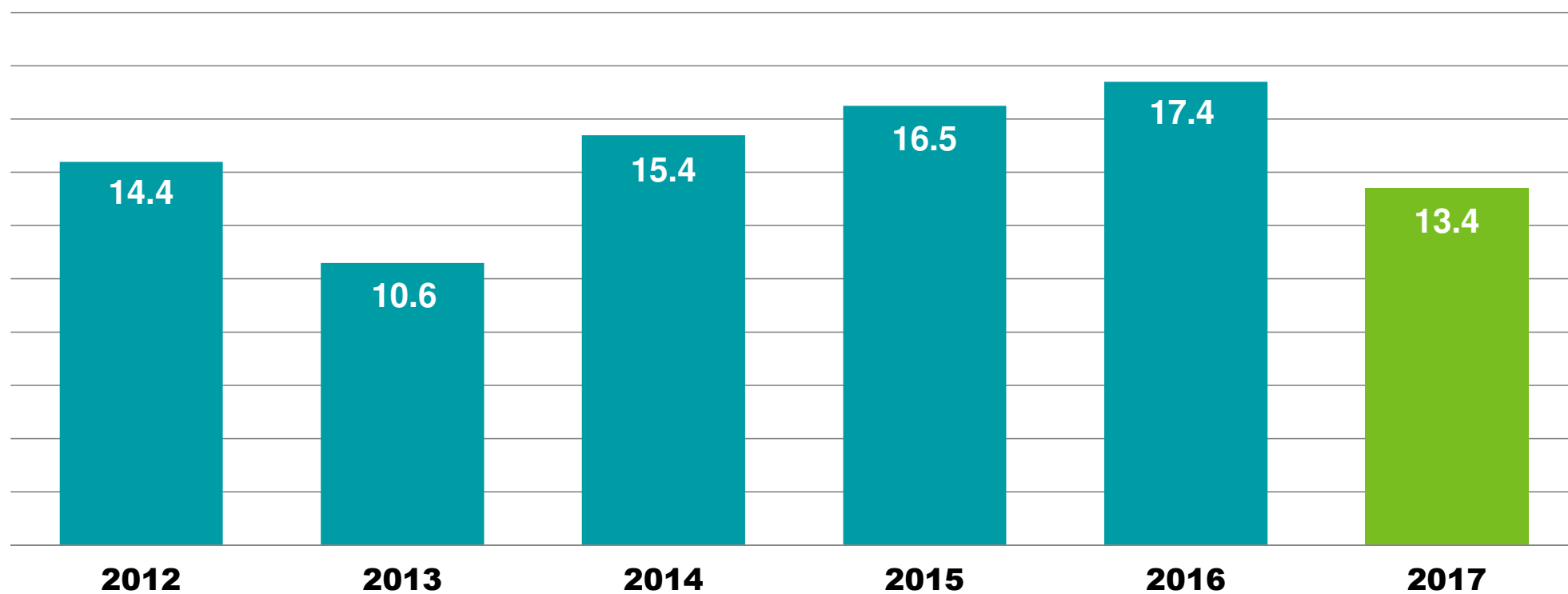
EUR million	Q4/17	Q4/16	Change%	2017	2016	Change%
Net sales	10.7	11.6	-7.5	34.9	36.8	-5.1
Operating profit	0.2	0.7	-67.8	0.7	1.5	-53.4
Operating margin, %	2.2	6.2		2.0	4.1	

OPERATING PROFIT

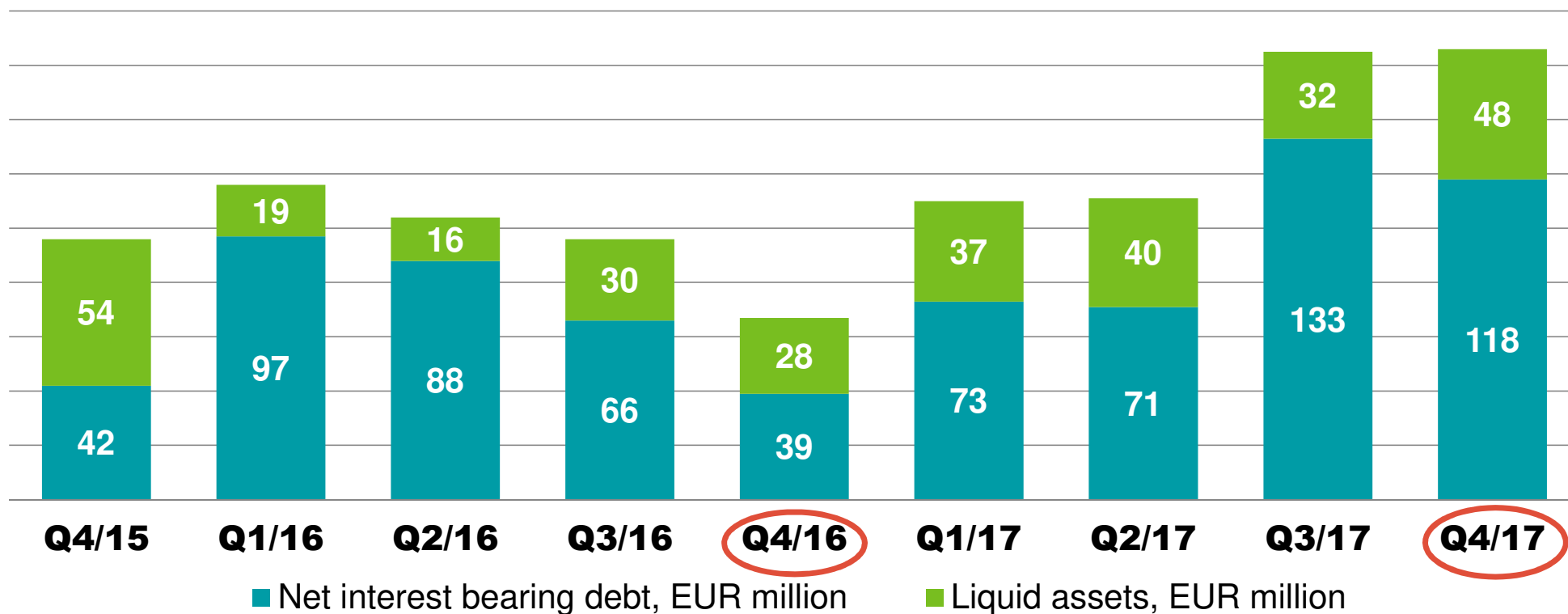


RETURN ON INVESTMENT

STRATEGIC TARGET 20%

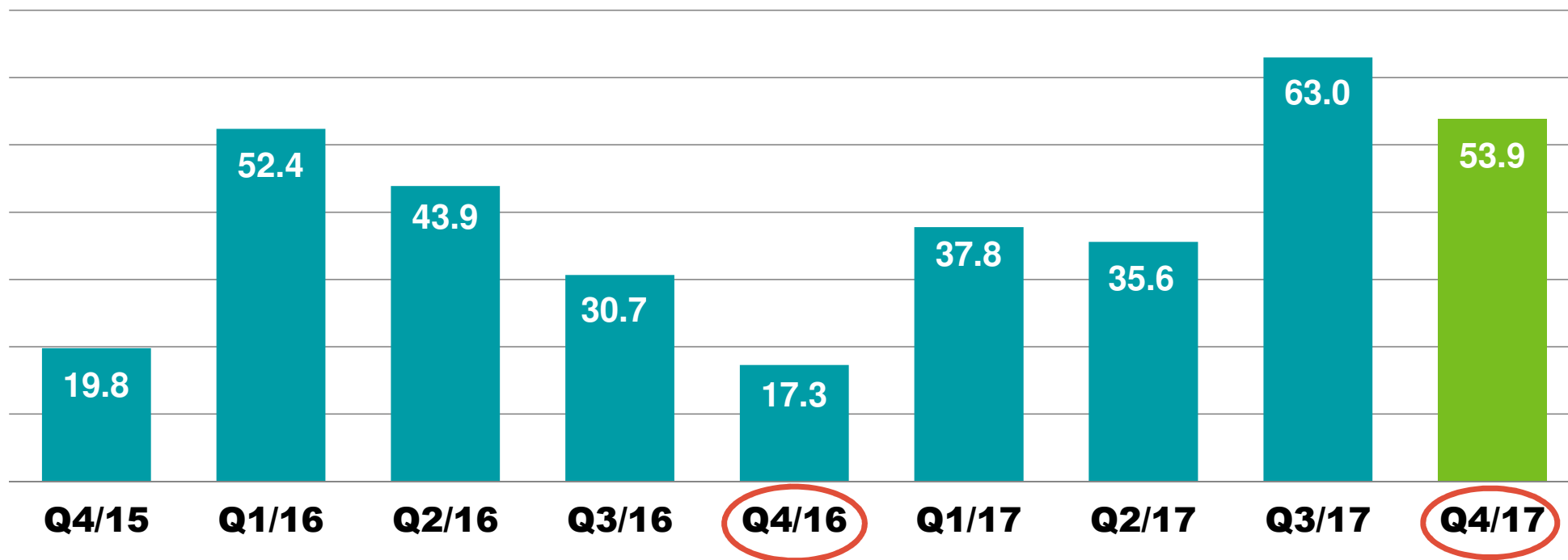


INTEREST BEARING DEBT

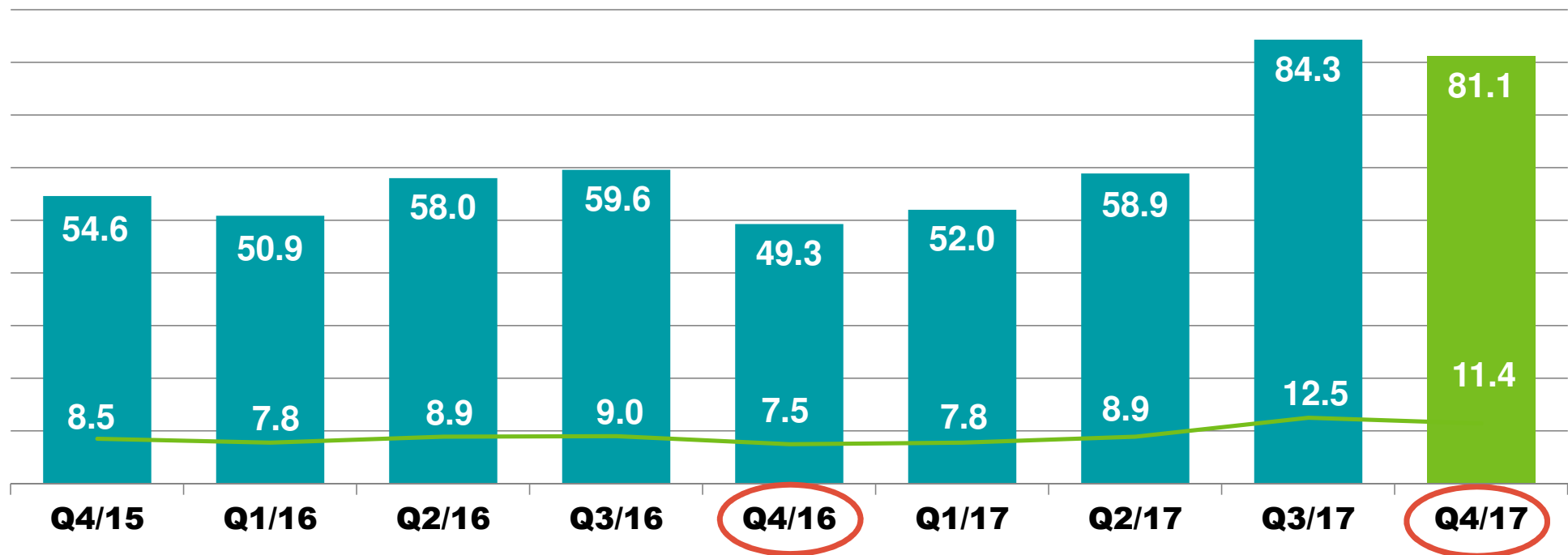


GEARING

STRATEGIC TARGET 0–70%



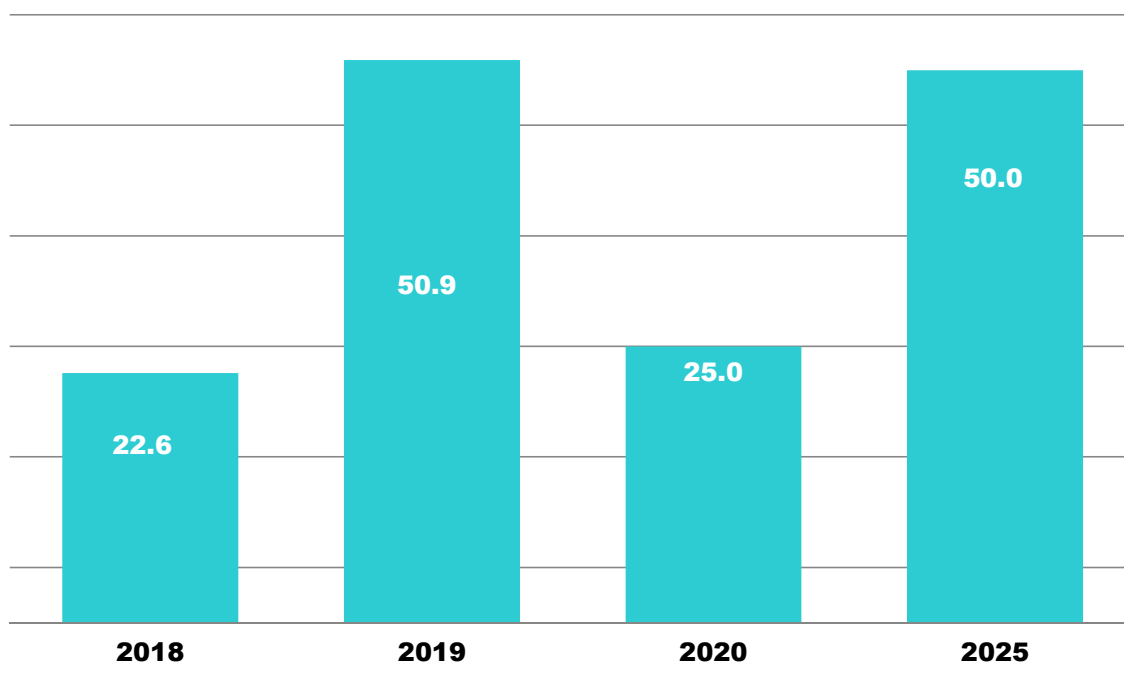
NET WORKING CAPITAL



■ Net working capital, EUR million

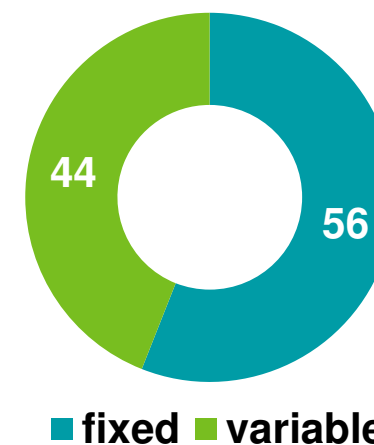
— Net working capital % of net sales

MATURITY STRUCTURE OF LONG-TERM LOANS



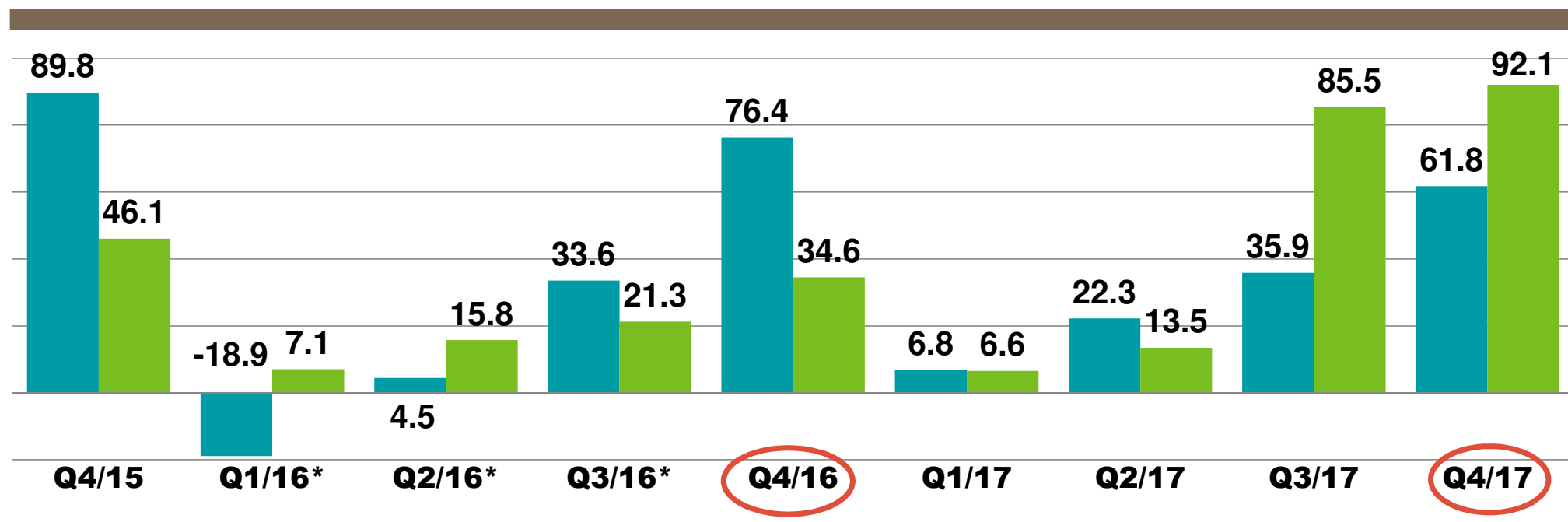
■ Loans, EUR million

■ Repaid, EUR million



Weighted average of effective interest rate
1.1 %

CASH FLOW AND INVESTMENTS



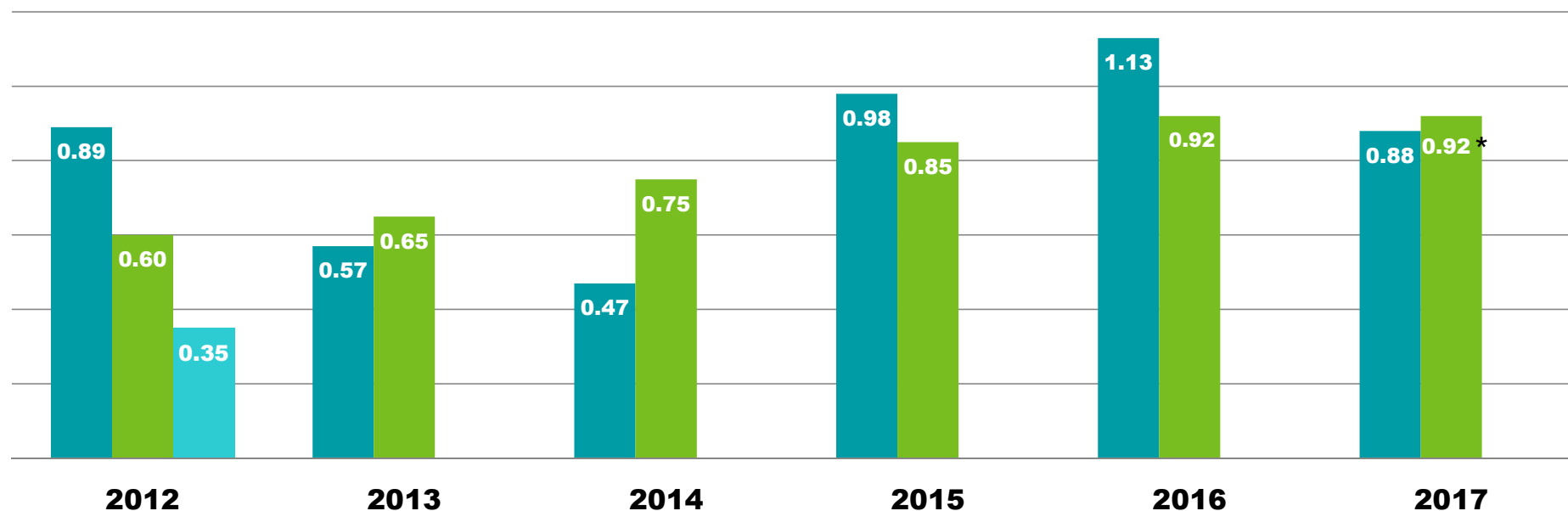
■ Net cash from operating activities, cumulative, EUR million ■ Net cash used in investment activities, cumulative, EUR million

* 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



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■ EPS ■ Adjusted dividends and capital repayments ■ Extra dividend

*Proposal by the Board of Directors



OUTLOOK FOR THE YEAR 2018

Full-year net sales and operating profit are expected to increase compared to 2017.

This estimate was included in the Financial Statements released on 31 January 2018.

CONTACT INFORMATION



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L&T IN BRIEF

L&T YEAR 2016

NET SALES BY DIVISION



FACILITY SERVICES 43%

Cleaning and support services, property maintenance, maintenance of technical systems and renovation business

ENVIRONMENTAL SERVICES 39%

Waste management, recycling services and environmental management

INDUSTRIAL SERVICES 12%

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

RENEWABLE ENERGY SOURCES 6%

Forest services

WE HAVE ABOUT

50 000 business and public sector customers plus about

170 000 household customers in Finland.

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

74%

of our personnel would recommend L&T as a workplace.



Customer satisfaction improved from the previous year.

WE PAID MORE THAN 140 MILLION IN TAXES

or tax-like payments. It is about as much as the Finnish government's soft drink tax return.

2012

33

2016

15

2018

<10

(target)

WE HAVE HALVED OUR ACCIDENT FREQUENCY IN FINLAND IN 4 YEARS.

RECYCLING RATE

54%



This is significantly higher than the average recycling rate in Finland, which is 41%.

RECOVERY RATE

94%

Only 6% of the waste managed by L&T ended up in end treatment.



IN 2016, WE EMPLOYED APPROXIMATELY

8,000

PEOPLE IN FINLAND, SWEDEN AND RUSSIA.

SICKNESS-RELATED ABSENCE RATE IN FINLAND

4.8%

A year earlier it was still 5.2.

OUR AVERAGE RETIREMENT AGE IN FINLAND IS

63.8

YEARS

It is significantly higher than the Finnish average.

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

STRATEGY OVERVIEW



AIM Profitable growth

VISION

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

CUSTOMER PROMISES

We keep our word
We make your life easier
We help you succeed

STRATEGIC FOCUS AREAS

Development of services and channels

Productivity

Customer and employee experience

New growth opportunities

MISSION

Practical doer in the circular economy



CLIENT BENEFITS

We maintain value
We create efficiency

KEY SUCCESS FACTORS

Skilled personnel and a good service attitude

Ability to renew

Sustainable and safe operations

TRENDS

TRANSITION OF WORK LIFE

DIGITALISATION

SERVICISATION

URBANISATION

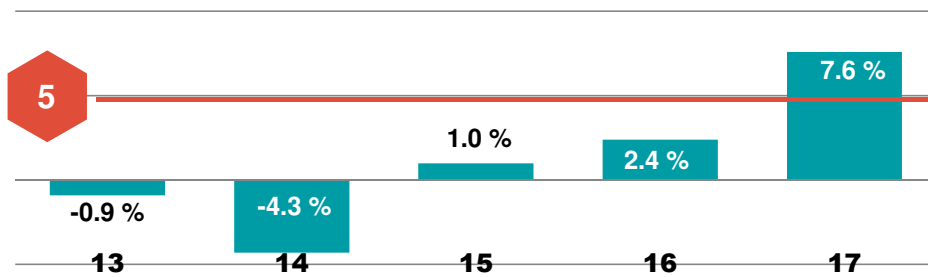
CLIMATE CHANGE

DIMINISHING NATURAL RESOURCES

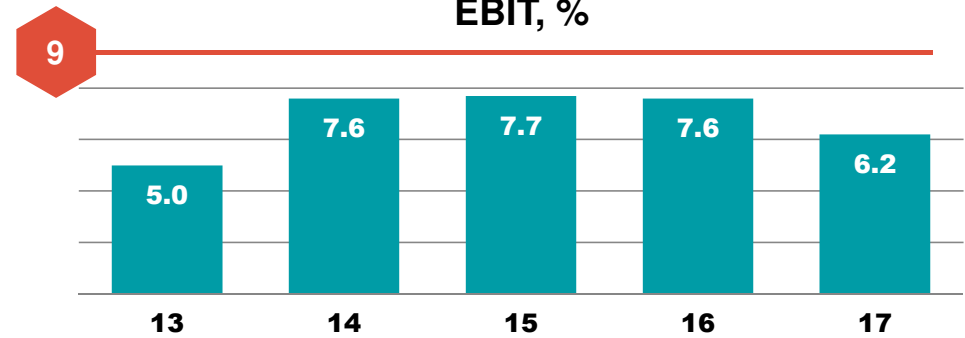


FINANCIAL TARGETS

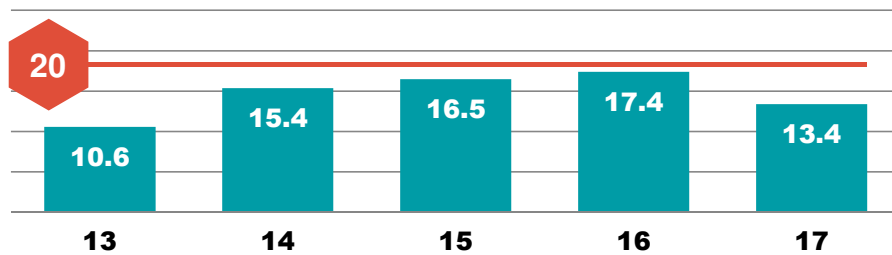
Growth, %



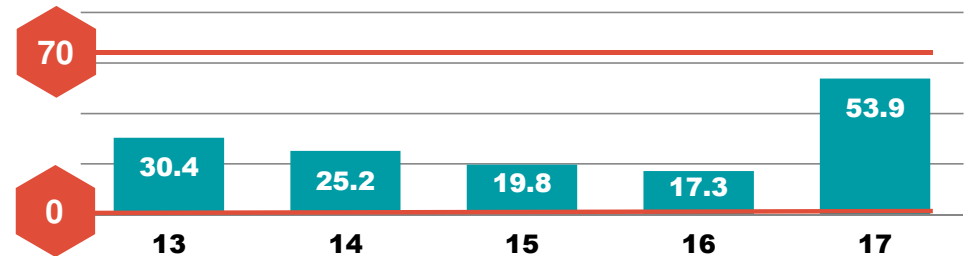
EBIT, %



ROI, %



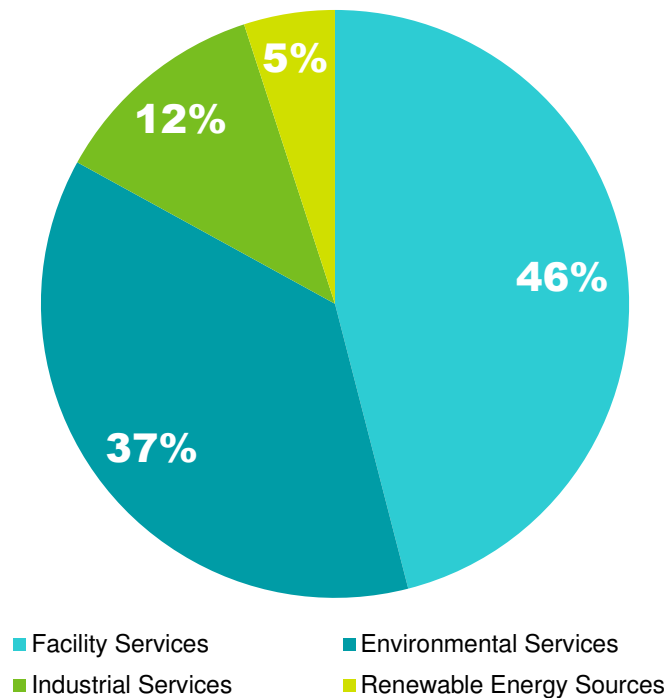
Gearing, %



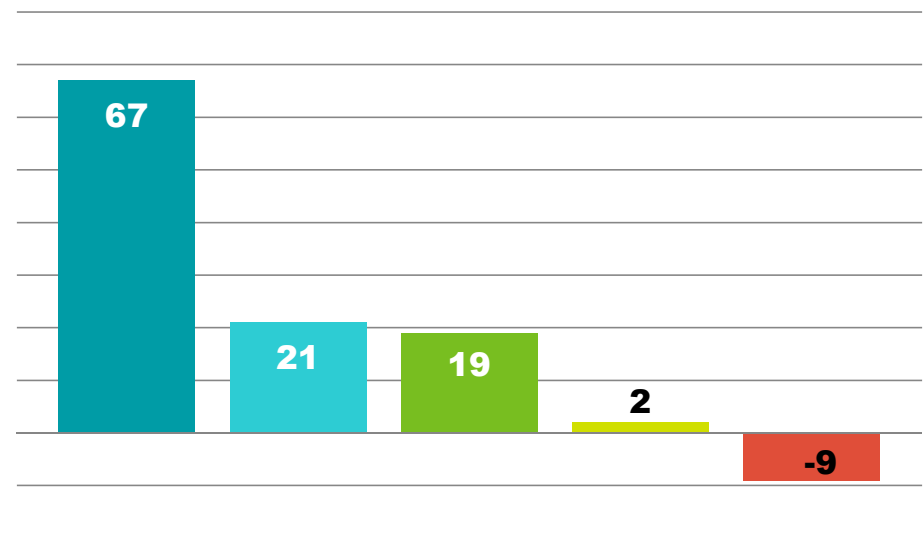
BUSINESS SEGMENTS

NET SALES AND OPERATING PROFIT BY DIVISION 2017

Net sales



Operating profit, % of Group total



L&T'S ORGANISATION 1.1.2018

President and CEO

Finance, development, ICT,
procurement

HR

Corporate relations,
Communications,
Sustainability,
Risk Management, EHQS,
Facilities

Legal affairs

**Environmental
Services**

Waste
management

Recycling

Secondary raw
materials

**Facility
Services**

Cleaning

Facility
support
services

Property
maintenance

Renovation

**Maintenance
of technical
systems**

**Industrial
Services**

Environmental
construction

Process
cleaning

Sewer
maintenance
services

Hazardous
waste
services

**Renewable
Energy
Sources**

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

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

35

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

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 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

• Maintenance

• Collection, treatment and final disposal

SEWER MAINTENANCE



CUSTOMERS

- Municipalities
- Housing
- **Industry**
- Construction
- Ports and harbours

HAZARDOUS WASTE SERVICES



Collection and transport services

Treatment Intermediate storage

Final disposal Utilisation



PROCESS CLEANING



ENVIRONMENTAL CONSTRUCTION



No increase in industrial production

Landfill disposal of organic waste banned

Increased importance of environmental responsibility

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

39

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, 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 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

CUSTOMER EXPECTATIONS

Accuracy of conditions

Total cost management

Transparency and responsibility

Active development of customer processes



OUR CUSTOMERS:
Facility owners and users

OUR SERVICES:
Property management

Facility and office
support services

Property maintenance
and care

Renovation and building
technology services

OUR VISION:
The most trusted partner of our customers
in comprehensive service

HOW DO WE RESPOND TO CUSTOMER EXPECTATIONS?

Development of customer
and personnel experience

Customer-focused
service development

Digital solutions
supporting daily work

Efficient operating model



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
Maintenance of technical systems		> inflation	4

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



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.

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

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

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.

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.

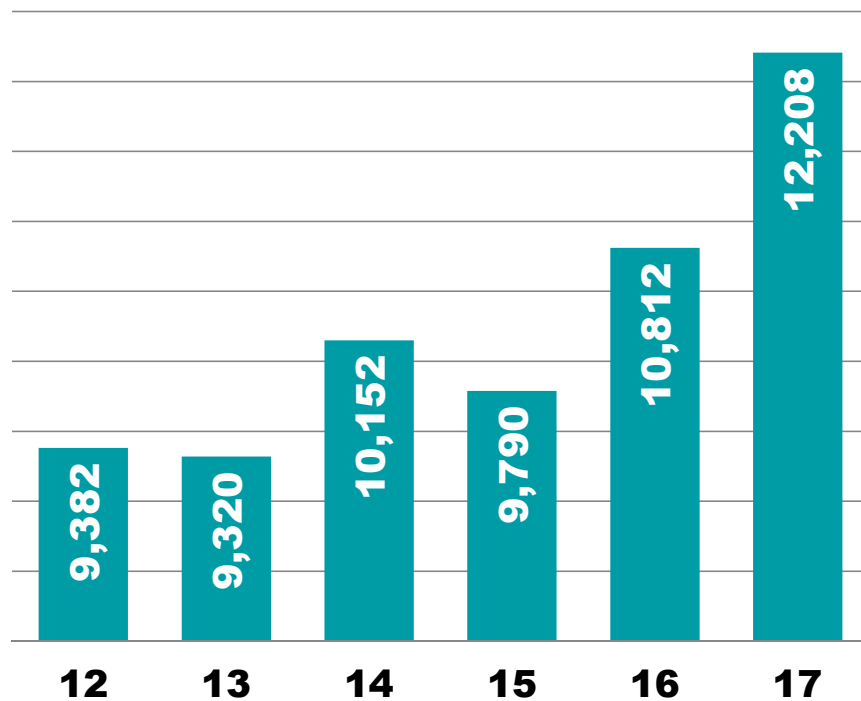
Reducing tied up capital

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.

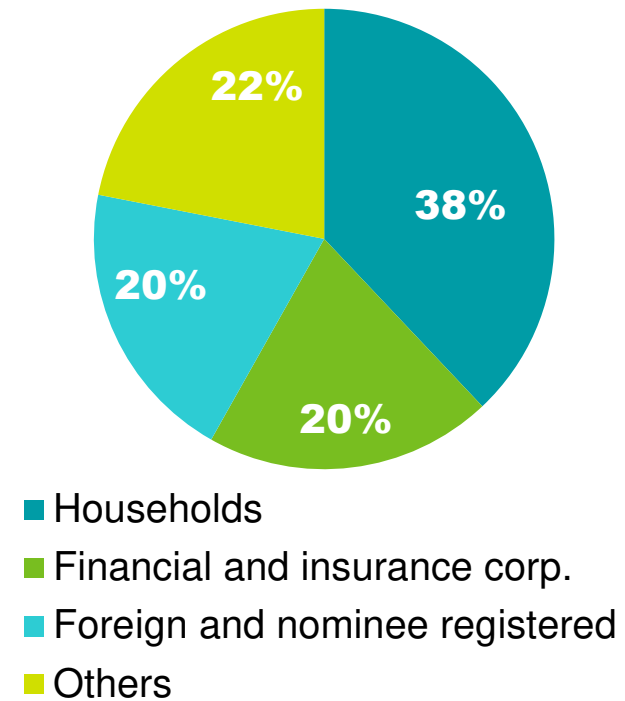
SHAREHOLDERS

SHAREHOLDER STRUCTURE

Number of shareholders



Shareholder structure



MAJOR SHAREHOLDERS AT 31 DECEMBER 2017

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	2,128,372	5.49
Maijala Juhani	1,529,994	3.94
Elo Pension Company	1,229,073	3.17
Ilmarinen Mutual Pension Insurance Company	934,836	2.41
Stiftelsen för Åbo Akademi	903,332	2.33
Bergholm Heikki	828,053	2.13
Maijala Mikko	720,000	1.86
Föreningen Konstsamfundet rf	677,721	1.75
Nominee-registered shares	7,550,884	19.46
Number of shares	38,798,874	100.00
Number of shareholders	12,208	

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

**PROFITABLE
GROWTH.**

