



**Lassila & Tikanoja plc**  
**February 2009**



# Lassila & Tikanoja plc Corporate Presentation

## Lassila & Tikanoja – Environment is our business

We are

- a Finnish environmental management services company, providing our customers with comprehensive service solutions

Our goals are to be

- a profitable and competitive investment
- a challenging and secure workplace
- a reliable partner
- a good corporate citizen

We will reach our goals by

- providing our customers with value adding services
- sharing empowerment and responsibility across the organisation
- ensuring continued profitable growth

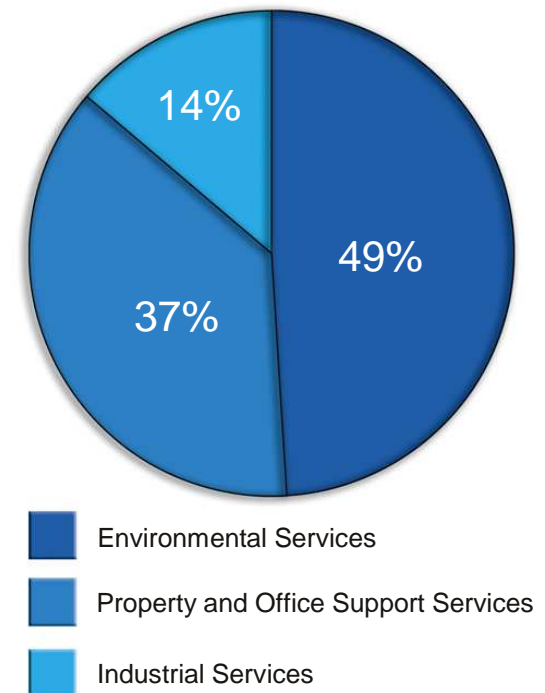


## Mutually supportive divisions

### Net sales 2008

	EUR million
<b>Environmental Services</b>	<b>300.1</b>
<b>Property and Office Support Services</b>	<b>227.6</b>
<b>Industrial Services</b>	<b>84.6</b>
<b>Group admin. and other</b>	<b>0</b>
<b>Inter-division net sales</b>	<b>-6.3</b>
<b>Total</b>	<b>606.0</b>

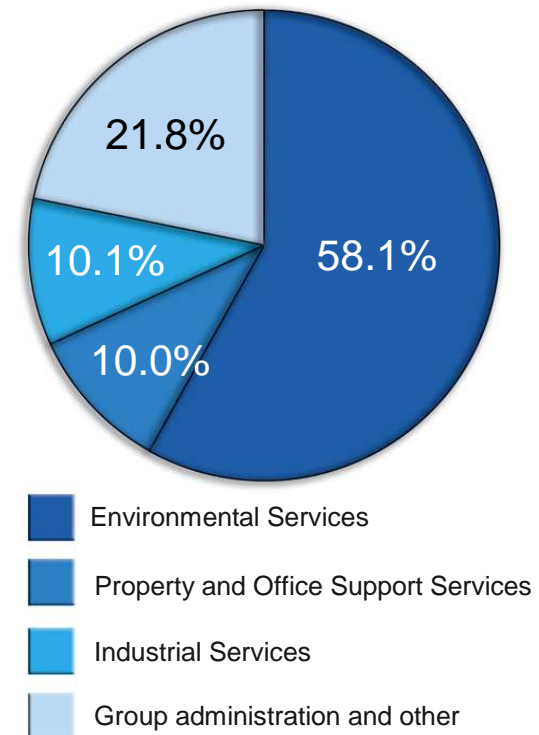
Breakdown of net sales



## Mutually supportive divisions Operating profit 2008

	EUR million
<b>Environmental Services</b>	<b>32.3</b>
<b>Property and Office Support Services</b>	<b>5.5</b>
<b>Industrial Services</b>	<b>5.6</b>
<b>Group administration and other</b>	<b>12.1</b>
<b>Total</b>	<b>55.5</b>

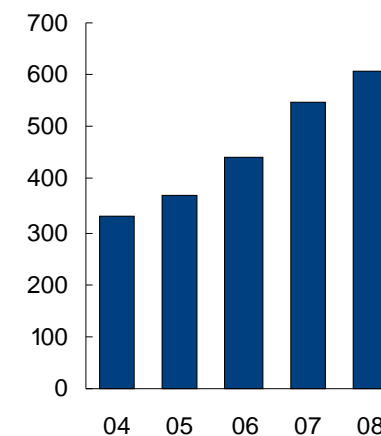
Breakdown of operating profit



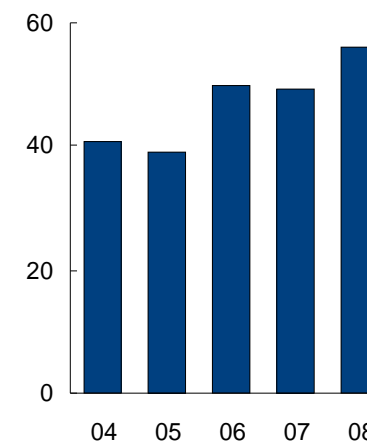
## Lassila & Tikanoja in brief

	2008	2007	Change
Net sales, EUR million	<b>606.0</b>	554.6	9.3
Operating profit excl. EO items, EUR million	<b>45.0</b>	54.3	-17.1
Operating profit, EUR million	<b>55.5</b>	48.8	13.8
Earnings per share, EUR	<b>1.03</b>	0.83	24.1
Gearing, %	<b>58.8</b>	42.7	
EVA, EUR million	<b>25.0</b>	23.0	8.3
ROE, %	<b>19.6</b>	17.0	
ROI, %	<b>17.1</b>	17.6	
Capital expenditure, EUR million	<b>84.2</b>	93.2	-9.7
Total number of full-time and part-time employees at year end	<b>9,490</b>	9,387	12.7

Net sales, EUR million

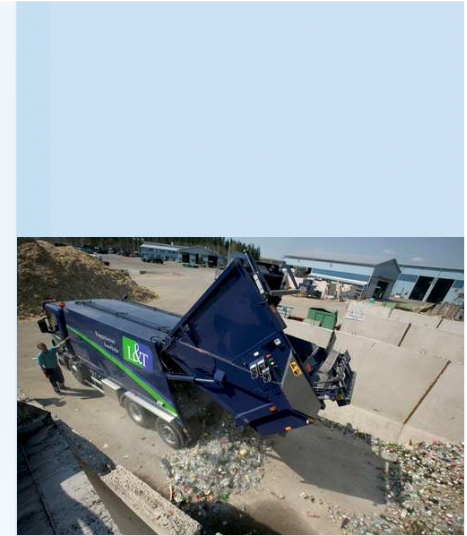


Operating profit, EUR million



## Environmental Services – From waste to useful materials

- Collection and transport of waste and its processing into secondary raw materials and recovered fuel for sale
- Customers are business premises, industry, private property owners and municipalities
- Management of the entire chain of environmental management services, modern secondary material production plants and procedures



## L&T Biowatti

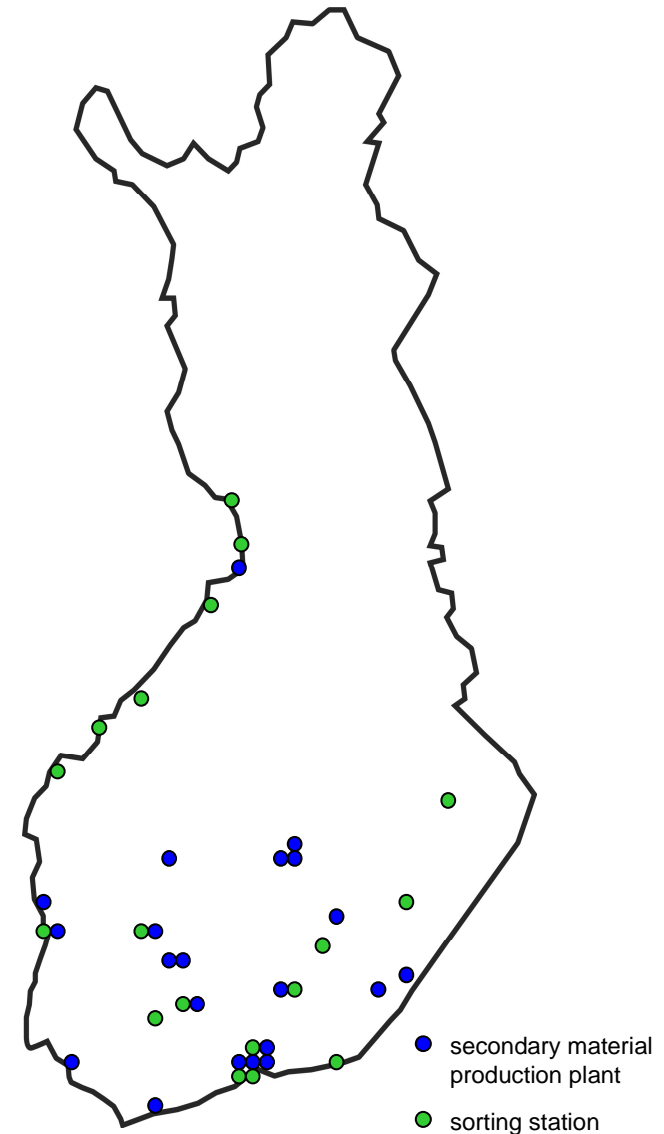
- L&T Biowatti is the leading Finnish bio energy company, operating in the procurement, processing and delivery of solid biomass-based fuels. The main products are by-products of forest and wood processing industries and logging chips.
- L&T Biowatti's main lines of business are supplies of wood fuels to heating and power plants, raw material supplies to the pulp and board industries and pellet factories, as well as deliveries for landscaping and composting and for use as bedding.





## L&T Infrastructure

- 23 secondary material production plants in Finland, one in Latvia
- 18 sorting stations in Finland
- Vehicle fleet:
  - 800 trucks
  - 1,200 vans and cars
  - 350 mobile machines
- 2 landfills (meet the EU norms)
- 80 environmental permits



## Markets for Environmental Services

- Positive environmental awareness and sustainable development require recycling and utilisation of waste
- Legislation within EU influences the development of the industry
  - obligations for recycling
  - National Waste Plan
  - producer responsibility
- Low-cyclical but seasonal variations, growing faster than the GDP
- Trend: from transporting mixed waste to processing and reusing materials

### Market leader in Finland

#### Core pieces of waste policy and regulation

##### EU Directives on:

- waste (framework)
- hazardous waste (framework)
- waste water (framework)
- supervision and control of transfrontier shipments of waste
- Integrated Pollution Prevention and Control (IPPC)
- landfilling of waste
- incineration of waste
- disposal of waste oil
- end-of-life vehicles
- packaging and packaging waste
- waste electrical and electronic equipment (WEEE)
- batteries and accumulators
- animal by-products (regulation)
- Construction Product Directive

##### International agreements:

- Kyoto Protocol
- Basel Convention on the control of transboundary movements of hazardous waste
- Baltic Marine Environment

## Main regulatory growth drivers in waste management (1)

### EU Directive on Landfills

- Higher standard of landfills called for by the directive result in higher costs and, consequently, higher gate fees.
- National Waste Tax Act is under revision and changes are scheduled to be in force in 2010 → number of positive impacts on recycling.
- Waste treatment fees will be raised, which improves the position of recycling plants in relation to landfills.
- All waste shall be processed in one way or another, which increases volumes in recycling plants.
- The amount of biodegradable waste shall be decreased to 50% until 2009 and to 35% until 2016 compared to the amount of 1995.
  - new logistical arrangements to collect, transport and sort biodegradable waste
  - need to find alternative solutions to treat biodegradable waste

## Main regulatory growth drivers in waste management (2)

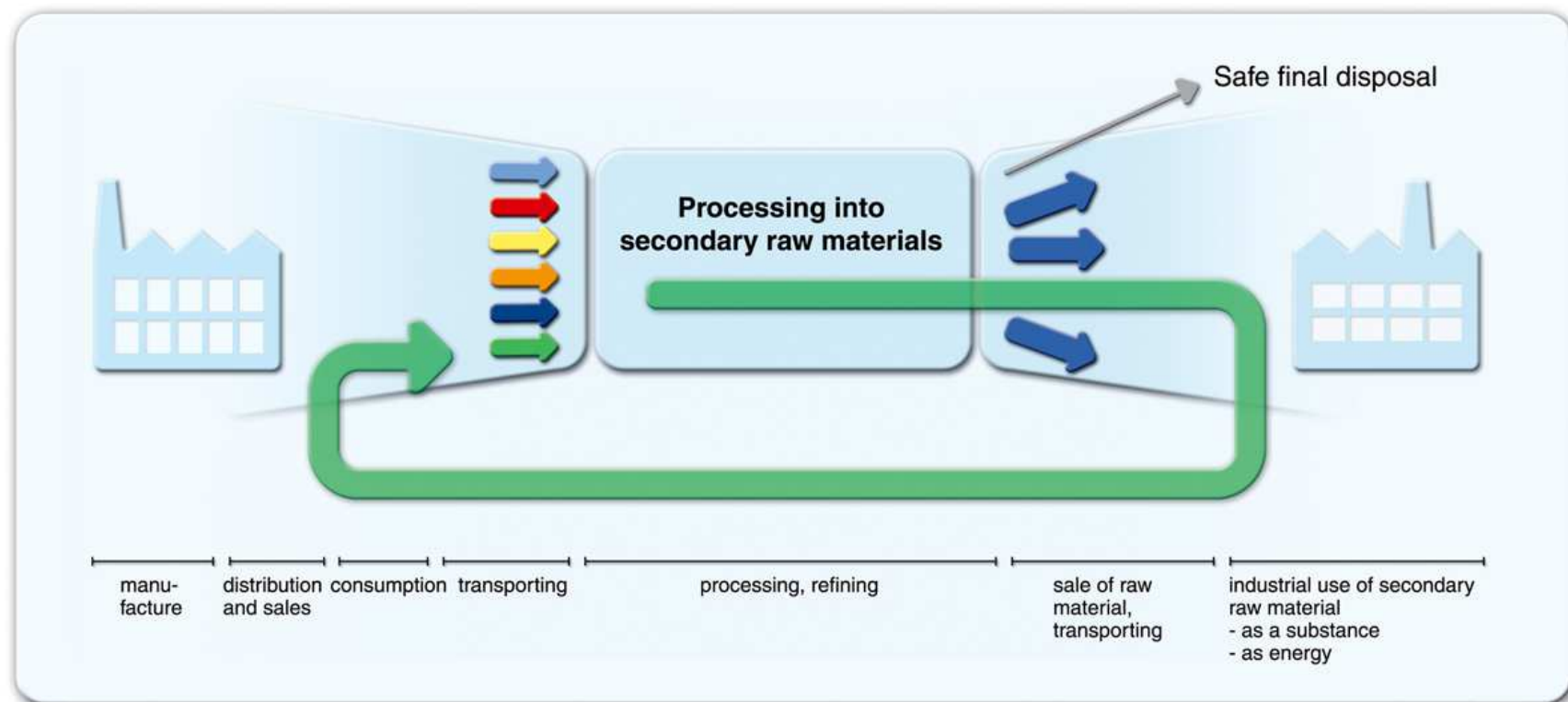
### Producer liability

- Producers are responsible for organising the collection, transport and recycling of certain discarded products named in Waste Act.
- L&T is engaged in producer liability systems of paper, packaging, plastic, electric and electronic scrap, cars and tyres.

### National Waste Plan

- In Finland the waste recovery rate target for municipal waste is 80% by the end of 2016.
- Half of all municipal waste generated is to be recycled, in other words used as material.

## L&T stands for sustainable development



## L&T secondary material production plant



## Property and Office Support Services - Multiple services from one service provider

- Cleaning services, property maintenance and office support services, damage repair services (since the beginning of 2009)
- Customers include facilities management firms, companies, institutions and the public sector
- Efficient production control systems
- Utilisation of advanced customer systems
  - web service, mobile connections
  - direct real-time customer interface
  - confirmation of completed work for invoicing



## Markets for Property and Office Support Services

- Low-cyclical but seasonal variations, growing faster than the GDP
- Markets are concentrating and players are becoming more professional
- Concentration of property ownership promotes partnership
- Outsourcing services promotes the market growth, particularly the low outsourcing rate in Finland.
- The customers are focusing on their core business
  - growing outsourcing tendencies
  - comprehensive service packages
  - partnerships
  - limited number of service suppliers
- Trend: from separate services to service concepts, from do-it-yourself to outsourcing

**Number two in the Finnish market**





## Development of property and plant maintenance market

1. Selling basic service programmes or single services
2. Cross-selling of different services by service suppliers
3. Service concepts based on customer needs
4. Management of both property services and property user services

## Industrial Services - Ensuring reliability of operation

- Collection and treatment of hazardous waste, heavy-duty industrial cleaning, wastewater services and damage repair services (transferred to Property and Office Support Services in the beginning of 2009)
- Customers include industry, ships, shipyards, refineries, construction sites, real estate and institutions
- JV L&T Recoil's waste oil re-refinery due to start in spring 2009
- The most comprehensive industrial services business in Finland



## Markets for Industrial Services

- Tightening environmental obligations
- Special expertise and capital intensity are barriers to enter this business
- Trend: change in purchasing culture: industry focuses on core business and outsources other operations

**Market leader in Finland in most of the services provided**



## Cyclicity of L&T's markets

### LOW-CYCLICAL

<b>Damage repair services</b>	Service sales dependent on occurrence of damages	<b>70-75% of net sales</b>
<b>Wastewater services</b>	Wide customer portfolio with a great number of small customers. Drain systems crucial part of public infrastructure.	
<b>Waste management</b>	Over 200,000 customers, most of the net sales originate from long-term (2-5 years) contracts. Slowdown in economy may decline one-time orders and construction/commercial waste volumes.	
<b>Property maintenance</b>	Most of the net sales originate from long-term (2-3 years) contracts. Demand for additional services may decline in slowdown.	
<b>Cleaning services</b>	Most of the net sales originate from long-term (2-3 years) contracts. Demand for additional services may decline in slowdown.	
<b>L&amp;T Biowatti</b>	Provides CO <sub>2</sub> -free substitutes for fossil fuels such as peat, coal and oil. Demand and price level of wood-based biofuels are constantly increasing. Slowdown in pulp & paper industry may affect negatively raw material procurement.	
<b>L&amp;T Recoil (JV)</b>	Steady demand for regenerated Group II level base oils. Market price fluctuations affect profitability.	

### SEMI-CYCLICAL

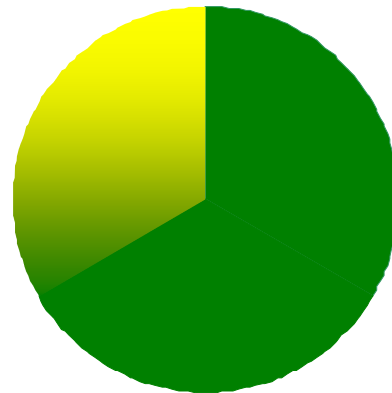
<b>Haz. waste services</b>	Hazardous waste volumes dependent on activity level of heavy industry	<b>25-30% of net sales</b>
<b>Industrial solutions</b>	Most of the net sales originate from small number of big industrial customers. Services provided are crucial for the customer to be able to maintain its production capability.	
<b>Recycling services</b>	Dependent on recyclable material volumes and market prices of raw materials	

## Cyclicality of L&T's markets

Recycling services

Industrial solutions

Hazardous waste services



L&T Biowatti  
L&T Recoil (JV)

Damage repair services

Wastewater services

Waste management

Property maintenance

Cleaning services



**70-75% of business with low cyclicality**

- Low-cyclical
- Semi-cyclical

## Competitive advantages of Lassila & Tikanoja

- Strong market position all over Finland
- Customised service concepts for selected customer groups
  - broad range of services
  - combination of services of each division
  - meet customers' specific needs
- Management of the entire chain of environmental management services (collection, recycling, selling of raw materials, disposal)
- A barrier to entry into the market is the environmental permit procedure.
- Cost-effective and result-focused organisation

## International Expansion

- Enlarging the L&T market in the Baltic Sea area and Russia
- L&T has operations in Sweden, Latvia, Moscow and Moscow Oblast
- International expansion through acquisitions and organic growth, implementing L&T's value added service concepts
- L&T's target is to be the leading service provider in selected areas
- Superiority in the market to be achieved by quality and reliability, exporting know how to foreign businesses
- Notable part of group revenues from foreign businesses in five years



## Strategy and prospects for the future

A strong foothold on the growing market

- Strengthening of the strong market position in Finland
- Investments in recycling plants
- Controlled expansion to countries around the Baltic Sea
- Growing organically and through acquisitions
- Annual growth target more than 10% in the long run
- Improving competitiveness through efficiency improvement and differentiation



## Competitive Strategy

### **Environmental Services**

- Investments in the growing waste recycling business facilitated by strong market position in waste management

### **Property and Office Support Services**

- Competitive price/quality ratio created by focus on facility services, customised service concepts and state-of-the-art production management methods

### **Industrial Services**

- Steady workflow and customer-oriented services will be achieved through service concepts for specific customer segments

## Major shareholders at 28 February 2009

Shareholder	Number of shares	% of shares and of voting power
1 Ilmarinen Mutual Pension Insurance Company	4,104,858	10.6
2 Evald and Hilda Nissi Foundation	2,413,584	6.2
3 Mandatum Life Insurance Company Ltd	2,231,238	5.8
4 Tapiola Mutual Pension Insurance Company	1,974,240	5.1
5 OP investment funds	1,539,222	4.0
6 Juhani Maijala	1,527,994	3.9
7 Varma Mutual Pension Insurance Company	1,265,690	3.3
8 Tapiola Group	1,134,801	2.9
9 Nordea investment funds	964,658	2.5
10 The State Pension Fund	927,000	2.4
Shares registered in a nominee's name	3,704,211	9.6
Total number of shares	38,798,874	
Total number of shareholders	6,340	

## Dividend Policy

The amount of dividend is tied to the results for the financial year. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders.

	2008	2007	2006	2005
Dividend/share, €	0.55	0.55	0.55	0.40
Dividend/earnings, %	53.4	66.7	61.1	57.0



## Highlights of the year 2008 and Q408 and prospects for the year 2009

## Highlights of the year 2008

### Growth

- Net sales increased by 9.3 % and totalled EUR 606m
  - Growth was almost entirely organic and outperformed the market growth, only minor acquisitions
  - Market position strengthened
  - New service products were introduced to the market
- 10% of net sales from operations abroad
- Approximately 70-75% of L&T's net sales coming from low-cyclical markets

## Highlights of the year 2008

### Financial Performance

- The operating profit excluding non-recurring and imputed items EUR 45.0m (EUR 54.3m).
- The operating profit was burdened by rocketing fuel costs in H1 as well as rapid decrease in market prices and demand of secondary raw materials in H2.
- EO items:

• Gain on sale of Ekokem shares	+14.3m
• Sales gains from oil derivatives	+3.0m
• Impairment loss of business in Sweden	-3.1m
• Loss on sale of business in Norway	-1.1m
• Discontinuation of soil washing services	-2.6m

## Highlights of the year 2008

### Environmental Services

- Organic growth remained at a good level.
- Prices were revised following the steep rise in general cost and transport fuel prices.
- Market prices and demand for secondary raw materials decreased remarkably during H2.
- L&T Biowatti fell short of its targets due to the mild winter and forest industry production restrictions – new raw material procurement programme was launched.
- Wood pellet production started in Q4.
- Operations in Russia and Latvia developed as planned.

## Highlights of the year 2008

### Property and Office Support Services

- Strong organic growth in both business lines
- Price competition remained intense, higher social security costs
- Loss from international operations declined, Russia and Latvia developed as planned.
- Operations in Sweden fell markedly short of their targets. Action programme underway to improve profitability.

### Industrial Services

- Net sales increased in all business lines and was primarily organic
- Market position strengthened
- Rapid fluctuations in demand throughout the year. Adjusting production to these changes was difficult
- L&T Recoil's re-refinery estimated to be completed in spring 2009



## Highlights of Q408

- Net sales EUR 153.1m (EUR 148.2m) +3.3% (yoy)
- Operating profit EUR 4.9m (EUR 12.1m); operating profit excluding non-recurring and imputed items EUR 8.6m (EUR 13.3m)
  - Organic growth continued in Property and Office Support Services and Industrial Services.
  - Strong decline in market prices and demand for secondary raw materials burdened the profitability of recycling services.
  - Raw material procurement of L&T Biowatti fell short of its targets due to forest industry production restrictions.
  - Non-recurring items burdened the operating profit by EUR 3.7m (net)

## Highlights of Q408

### **Environmental Services; Operating profit EUR 6.0m (EUR 8.4m)**

- Waste management reached its target thanks to satisfactory new sales and measures to boost production efficiency.
- Strong decline in market prices and demand for secondary raw materials decreased the net sales and profitability of recycling services.
- L&T Biowatti fell short of its targets due to forest industry production restrictions. Ramp up of wood pellet production in Luumäki and reforming of service organisation burdened profitability.
- Operations abroad developed positively particularly in Latvia as a result of lower production costs.

## Highlights of Q408

### **Property and Office Support Services; operating profit EUR -2.0m (EUR 4.0m)**

- Organic growth continued in Finland.
- Domestic operations reached their targets. Operating profit fell short of the comparison period due to higher social costs.
- Losses from operations in Sweden increased due to lost customers and lower net sales. Latvian and Russian operations developed positively.
- Non-recurring items: impairment loss for the goodwill of operations in Sweden (EUR -3.1m), divestment of operations in Norway (EUR -1.1m).

## Highlights of Q408

### **Industrial Services; operating profit EUR 1.6m (EUR 0.2m)**

- Net sales of all business lines increased.
- Rapid fluctuation in demand continued and adapting production to the changes remained difficult.
- Ramp up and storage costs of L&T Recoil burdened the profitability.
- Non-recurring items: Selling of oil derivatives (EUR +3.1m), discontinuance of loss-making soil washing services (EUR -2.6m).

## Current issues

- 70-75% of net sales coming from low-cyclical markets
- L&T Biowatti launched new raw material procurement program
- Main emphasis on improving profitability
- Dividend proposal EUR 0.55 per share

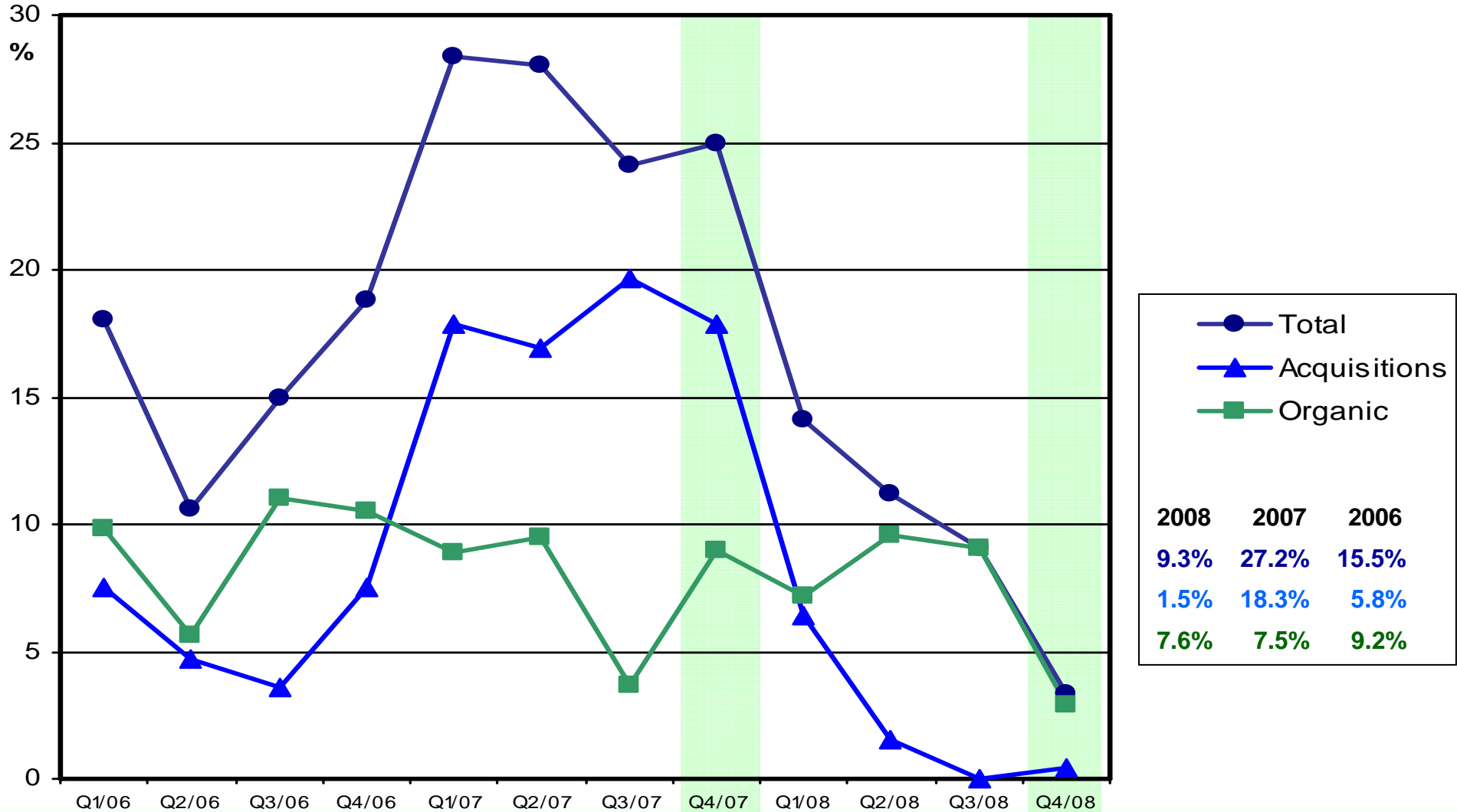
## Financial summary

	Q408	Q407	Change %	Q1-Q4/2008	Q1-Q4/2007	Change %
Net sales, EUR million	153.1	148.2	3.3	606.0	554.6	9.3
Operating profit excluding non-recurring and imputed items, EUR million	8.6	13.3	-35.3	45.0	54.3	-17.1
Operating profit, EUR million	4.9	12.1	-59.7	55.5	48.8	13.8
Operating margin, %	3.2	8.2		9.2	8.8	
Profit before taxes, EUR million	3.5	10.9	-67.6	50.7	44.5	14.0
Earnings per share, EUR	0.04	0.20	-80.0	1.03	0.83	24.1
EVA, EUR million	-3.3	4.6		25.0	23.0	8.7

## Net sales by division

EUR million	2008	2007	Change %
Environmental Services	300.1	279.8	7.2
Property and Office Support Services	227.6	204.1	11.5
Industrial Services	84.6	75.5	12.1
Group administration and other			
Inter-division net sales	-6.3	-4.9	
<b>L&amp;T total</b>	<b>606.0</b>	<b>554.6</b>	<b>9.3</b>

## Growth in net sales 2006 - 2008





## Earnings by division

EUR million	2008	2007	Change %
Environmental Services	32.3	35.0	-7.8
Property and Office Support Services	5.5	11.0	-49.8
Industrial Services	5.6	4.8	17.9
Group administration and other	12.1	-2.0	
<b>Total operating profit</b>	<b>55.5</b>	<b>48.8</b>	<b>13.8</b>
<b>Operating margin</b>	<b>9.2</b>	<b>8.8</b>	

## Key figures

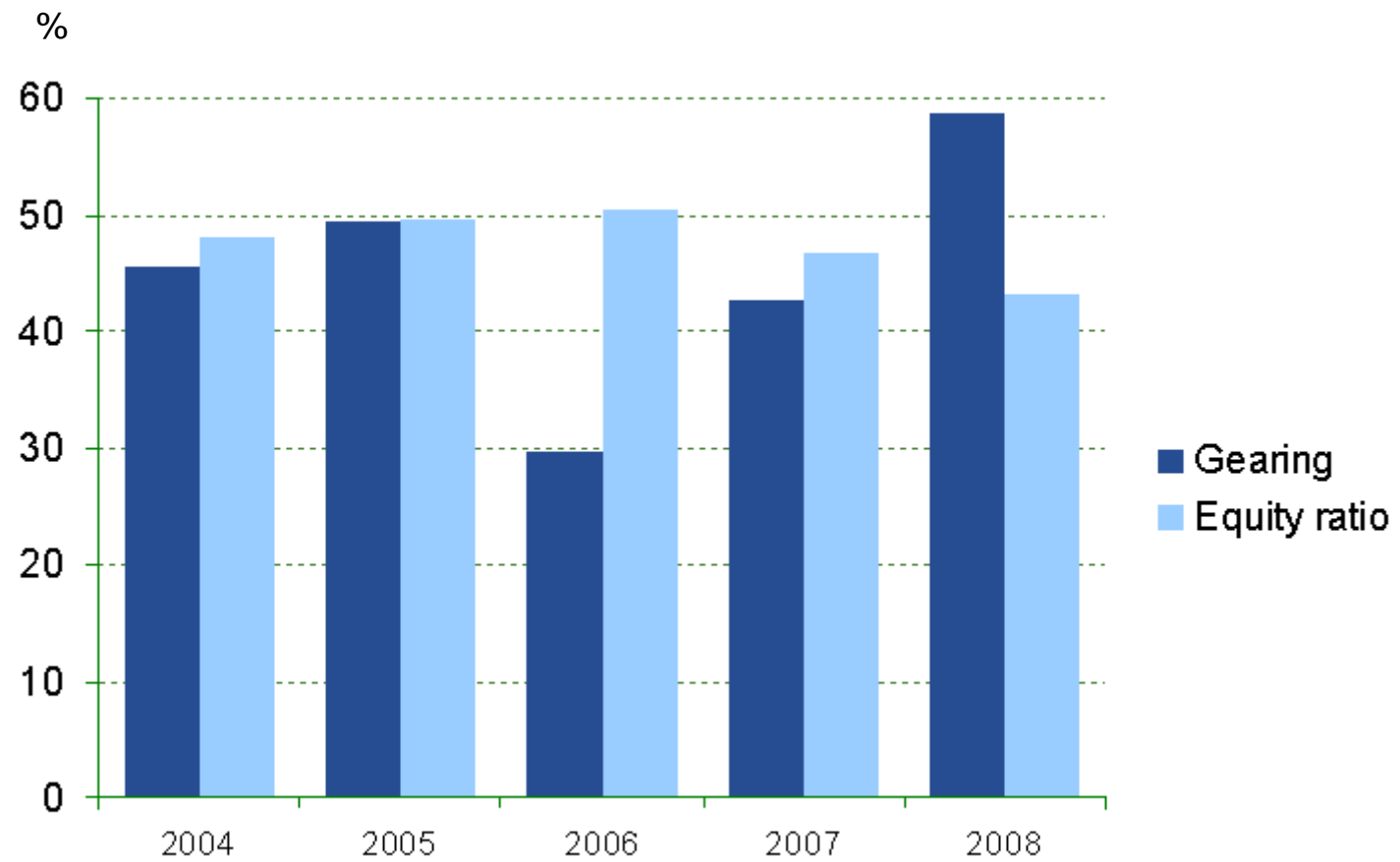
	Q408	Q407	2008	2007
Earnings per share, EUR	0.04	0.20	1.03	0.83
EVA, EUR million	-3.3	4.6	25.0	23.0
Capital expenditure, EUR million	32.0	15.5	84.2	93.2
Depreciation, amortisation and impairment, EUR million	12.9	8.9	41.0	33.4
Return on equity, % (ROE)			19.6	17.0
Return on invested capital, % (ROI)			17.1	17.6
Equity ratio, %			43.2	46.6
Gearing, %			58.8	42.7
Total number of full-time and part-time employees at end of period			9,490	9,387

## Operating margin by division

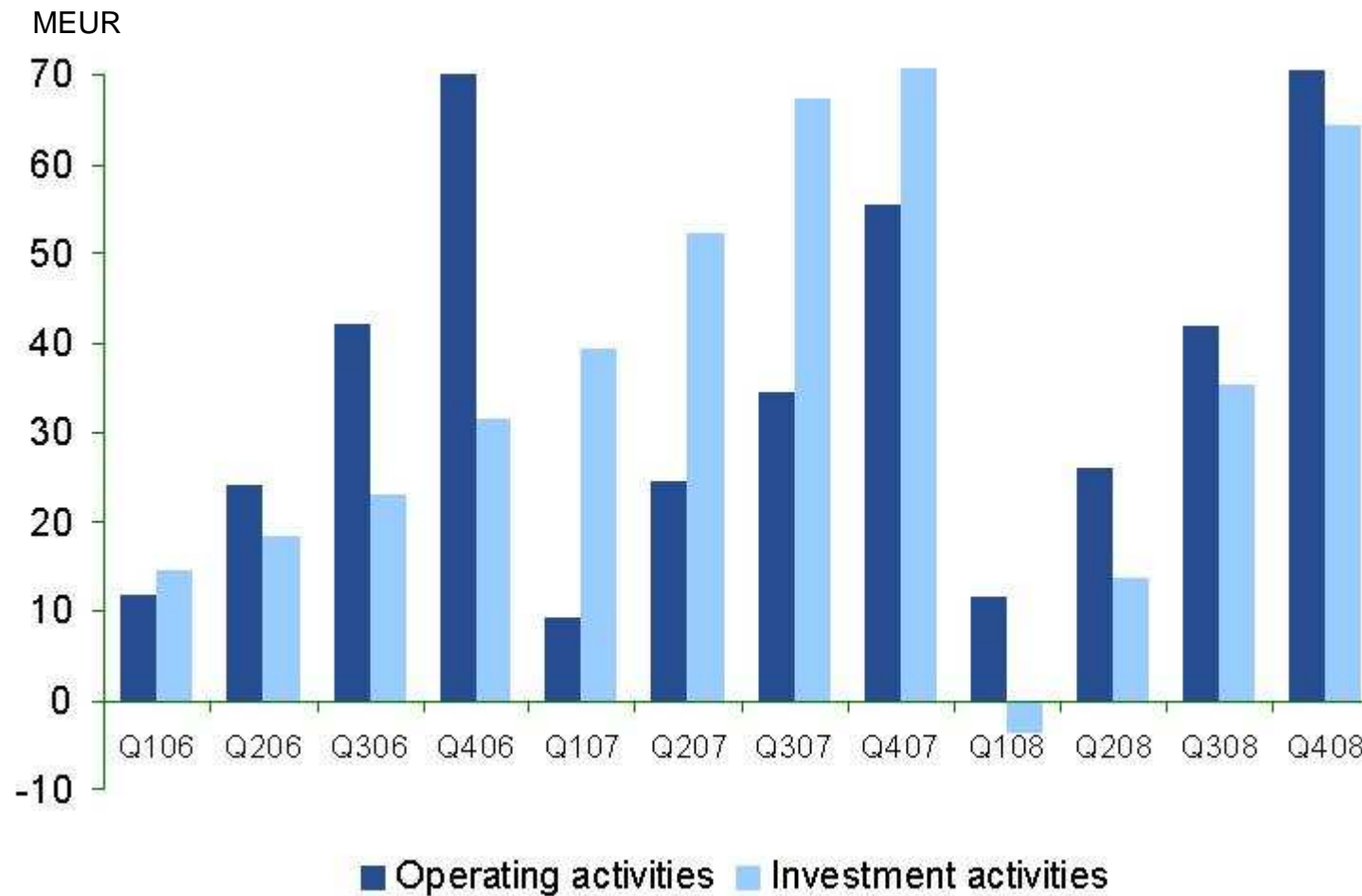
### Quarterly figures

	Q1-Q4 08	Q408	Q308	Q208	Q108	Q1-Q4 07	Q407	Q307	Q207	Q107
<b>Environmental Services</b>	10.7	8.0	13.2	10.6	11.2	12.5	11.2	14.3	11.3	13.4
<b>Property and Office Support Services</b>	2.4	-3.5	8.5	2.0	2.9	5.4	7.3	8.1	3.5	2.2
<b>Industrial Services</b>	6.6	7.3	16.2	5.3	-5.1	6.3	0.9	10.7	13.3	-0.9
<b>L&amp;T total</b>	9.2	3.2	11.6	6.6	15.5	8.8	8.2	11.2	8.7	7.1

## Gearing and equity ratio



## Operating cash flow, cumulative



## Prospects for the year 2009

A recession is expected in the national economies of all countries in which L&T operates. The company primarily operates in low-cyclical markets.

In 2009, L&T will focus on improving profitability. In addition to the launched measures, a productivity enhancement programme is being planned to adapt operations and cost development to the market conditions. Investments will be much lower than last year.

Full-year net sales and operating profit excluding non-recurring items are expected to reach the previous year's level. This requires success in the adaptation of operations and costs.

This estimate was made in February 2009 and was included in the Financial Statements release.