

Sustainability Report 2009





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Sustainability Report 2009

Followed Reporting Principles

The 2009 sustainability report covers operations of the Lindström Group from 1.1.–31.12.2009. Lindström's sustainability report is published each year in Finnish and English. The previous sustainability report was published on 13 March 2009. The financial background information has been audited, and the formulas used for calculating the key figures are published in the financial responsibility section. The remainder of the report has not been verified by an outside party. All the reported figures relate to Lindström Group, i.e., the parent company, European and Asian Lindström subsidiaries, and Comforta and its European subsidiaries, unless some other clarification is specifically mentioned in the report.

Lindström is a family company that is owned by the Roiha family. Management at Lindström is guided by Lindström's values, in which financial, social and environmental responsibility have been central factors. Lindström has signed the Business Charter for Sustainable Development and carries out its principles in all operations.

On an international scale, Lindström has been a forerunner in its operating sector in reporting of corporate social responsibility – in Finland the company has received an honorary mention in the Family Companies category for its exemplary reporting. The company's long-term reporting history goes back all the way to 1991, when the first environmental brochure was published. Since the 1990s, Lindström has set objectives for its environmental activities and has been monitoring their realisation in accounts that have been published since 1996. Being goal-oriented has produced results: the

company received the first ISO 14 001 environmental certificate in 1998.

Specifying the Essential

In the course of 2009, the Group's management and the project group responsible for sustainability communications have been working on Lindström's sustainability report. Particular attention has been paid to creation of a common vision of what are essential matters for Lindström Group in its sustainability work with regard to all the three perspectives – financial, social and environmental responsibility.

A development process aimed at bringing all aspects of Lindström's sustainability reporting to the G3 framework was started in 2008. At that time, the company prepared a benchmark analysis of the prevailing trends in Lindström's operating sector and operating environment, combined with the expectations of our interest group toward our reporting.

In the previous report, we described the potential impacts of climate change on our financial standing and emphasised not only the life cycle of products but also the overall life cycle of our services with the help of a description of the workwear service. We also promised to focus even more on specifying what is essential in responsibility management.

This development work continued with in-depth interviews of the Group's executives in 2009. A summary of those interviews was later processed in a workshop, where the Group's executives with the sustainability communications project group specified the most essential areas in business operations, whose management and development should be a primary focus.

The essential factors were divided into

a matrix, where the axles were constituted by how important those factors are for Lindström's own operations and, on the other hand, how they will be emphasised when one thinks about their significance for the interest groups. The essential factors in Lindström's operations are:

- perseverance of operations
- supply chain responsibility
- creation of a superior service experience for customers, and
- learning and constant development.

In its meetings, the Group's executive team regularly monitors the developments in the various sectors of responsibility. Lindström carries out constant development and monitoring of responsible management: being a good corporate citizen is already important for Lindström, but the definition will be further clarified in the course of 2010. Furthermore, a Code of Conduct will be prepared for the personnel.

Reporting Limitations

Publication of some fundamental information has been limited, and Lindström publishes information about its financial activities as segments: the Group, the parent company, and the European and Asian subsidiaries. The table at the end of the report also includes a statement of facts that have not been reported, because they are not essential with regard to the business.

GRI compliance

In order to guarantee openness and comparability, Lindström aims to comply with the G3 framework of the Global Reporting Initiative (GRI) as closely as possible. This report fulfils the requirements of C level reporting in the G3 standard of GRI re-

About Lindström Group

Lindström group consists of the parent company Lindström Oy, its Finnish subsidiary Comforta Oy and subsidiaries in Bulgaria, Great Britain, India, China, Latvia, Lithuania, Poland, Romania, Sweden, Germany, Slovakia, Slovenia, the Czech Republic, Turkey, Ukraine, Hungary, Russia and Estonia. Comforta also has subsidiaries in Finland and Sweden. The parent company has a representative office in China.

Lindström's Services

In all the countries it operates, Lindström provides workwear services. It also provides mat services in Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, the Czech Republic, Hungary, Estonia and Russia.

In Finland the company's service selection includes workwear and mats as well as hygiene, industrial towel, restaurant textile, personal protective equipment, and corporate gift services.

Lindström's subsidiary Comforta Oy provides textile services for the hotel, accommodation and nursing sectors in Finland, Sweden, Estonia and St. Petersburg in Russia.

Organisation

Lindström's organisation is such that the administrative competence centres, services and design department support the business operations in Finland, Europe and Asia as well as those of Comforta. It is the responsibility of the administrative competence centres to bring their specific competence to bear in the whole Group and to perform operative duties in their own areas independently, all the while

monitoring changes in business operations, the operating environment and legislation, and developing the operations of the competence centre.

There are six administrative competence centres, which serve the entire Group:

- Finance and Reporting
- Human Resources and Quality
- Investments, Method Development and Environment
- Corporate Purchasing
- Information Technology and
- Corporate Communications.

Service Competence Centres

Lindström provides services in seven fields: workwear, mat, hygiene, restaurant textile, personal protective equipment, industrial towel and corporate gift services. The workwear and mat services operate internationally, the other services are, for the time being, only offered in Finland. Lindström's personal protective equipment service will start going global during 2010.

Service competence is Lindström's strength. Our operations have been clear-

ly conceptualised, so it is easy to buy and sell products and services. After a purchasing decision has been made, our relationship with the customer continues within the service field. In workwear services, for example, this means that Lindström organises, in accordance with the customer's decision regarding the collection, textile material purchasing, manufacturing, fitting, customisation, deliveries, storage, washing and transport to maintenance and back to the customer. Lindström's locker service is a very popular way of acquiring a completely outsourced and efficient solution for a company that has employees who must wear uniforms. Good service is important in the daily lives of companies and organisations: it increases job satisfaction, and operations can be developed in collaboration, taking into account the sector's special needs and occupational safety.

Lindström is the leader in workwear services in many markets, and the company's strategic objective is to be the first one in the marketplace – creating a new workwear service market by building on its unique concept.



Lindström's designers from left: Emma Lehto, Katja Juhola, Anna Sairo, Hanna Morelius and Jouni Mervas.

Design & Brand Management

Lindström has a unit called Design & Brand Management that comprises the design and visual competence of the Group: product development of workwear and corporate gifts, graphic design as well as coordination of marketing communications and support for event marketing.

Operations of Design & Brand Management began in full force after Vision Design Clothing Oy merged with the parent company on 31 January 2009. Through-

out the 2009 reporting year, the department has carried out extensive and long-term modernisation of the basic collections and customer-specific collection suggestions. One indication of the workload is that several hundred individual collection suggestions were prepared for customers' needs in both workwear and corporate gift services.

In early October, the employees specialising in the company's marketing communications transferred to this depart-

ment, tasked with managing the planning and execution of marketing communications for services.

Furthermore, each service has a marketing manager who is responsible for support at the customer interface and masters the market situation and products in his or her own service.

CEO's Review

The Group's strategic focus in the medium term is profitable growth.



The parent company's business operations developed well during the financial year, in spite of the global economic downturn. The turnover of several subsidiaries, on the other hand, decreased as a consequence of reduced operations of several customer companies. Furthermore, weakening of local currencies in terms of the euro weighed on the Group's turnover.

The Group's turnover contracted by 3.5 per cent from the previous year, to EUR 242 million (EUR 251 million in 2008).

The turnover of the parent company was EUR 134 million (EUR 132 million in 2008). In 2009, the European and Asian subsidiaries accounted for 33 per cent, or EUR 79 million, of the consolidated turnover (EUR 89 million, or 36 per cent, in 2008).

The Group's profit before taxes was EUR 36.0 million (EUR 18.8 million in 2008). The parent company's result before extraordinary and profit adjusting items and taxes was EUR 26.8 million (EUR 27.8 million in 2008). Reduction of textile purchases due to dwindling growth, in particular, improved the Group's profitability.

In 2009, the net investments of the Group were EUR 9.3 million, compared with EUR 20.3 million a year earlier. The parent company's investments were EUR 6.7 million, compared with EUR 9.1 million the previous year. In the year under review, the parent company continued with an IT project whereby a large part of the Group's information systems have been replaced with new, modular systems. Other significant parent company investments included an enlargement of the Jyväskylä service centre, addition of capacity at the Turku service centre, and renovation of the wastewater systems in the industrial towel laundry in Hämeenlinna.

In 2009, investments in subsidiary offices focused on China, India and Russia.

The most significant investments were construction of new service centres in St. Petersburg in Russia, Beijing in China as well as Mumbai and Chennai in India. We also established a subsidiary in Bulgaria.

During the review year, the subsidiary Vision Design Clothing Oy merged with the parent company on 31 January 2009, and the parent company acquired Virtaco Oy's personal protective equipment business in Finland.

The Group's solvency remained good throughout the year under review. The bank loans of the Group are bank loans that have been negotiated for the European and Asian subsidiaries in a targeted manner through the parent company.

At the end of the review year, the number of personnel in the Group was 2,373 employees (2,478 employees in 2008), of whom 42.6 per cent worked for the European and Asian subsidiaries (44.9 per cent in 2008). The average number of personnel of the Group during the year was 2,203 persons (2,248 people in 2008). The personnel costs of the Group in 2009 were EUR 67.8 million (EUR 68.2 million in 2008).

Lindström's development activities are mainly targeted at modelling and development of its service concepts and processes. The company also develops its operation in the fields of product design and procurement.



We estimate that Lindström Group's 2010 turnover will remain at the 2009 level, as turnover in the workwear business of some subsidiaries continues to contract as a consequence of the global economic recession – thus arresting the growth of the Group. Profitability is expected to remain at a good level, though. We expect the turnover and profitability of the parent company to remain at the previous year's level.

We estimate that investments will grow in comparison with the preceding year's figures. The most significant investments in the parent company in 2010 will be the last stage of the ongoing renewal project of the IT systems, and investments in new

local service centres. In European and Asian operations, we will invest in the establishment of a new service centre in New Delhi in India and Sofia and Bulgaria as well as an expansion of the service centre network in Russia. The company will also increase its capacity in Mumbai in India, Bucharest in Romania, Kiev in Ukraine and Budapest in Hungary. We believe income financing will be sufficient for the planned investments.

We do not foresee significant risks relating to the business operations or financing. Because of the pressure caused by the global financial crisis and economic downturn, however, European and Asian subsidiaries located outside the eu-

ro zone face a risk of deteriorating euro-denominated turnover and profitability.

The risk of credit losses is also on the increase in all countries of operation, and more efficient debt collection is one of the special focus areas of the Group.

Competition is intensifying in all market areas. With our strong service concept and improvements in productivity and cost efficiency, we believe that Lindström will maintain its strong market position in all countries of operation and be able to kick off operations in a new country, if necessary. Continuity of the company's operations has been secured through appropriate insurance coverage.

Vision, Mission and Values

Lindström's values control all decision-making.

Lindström's values are:

- Profitable growth
- Long-term customer relationships
- Responsibility
- Enthusiasm and the joy of learning.

Mission

According to its mission, Lindström is global B-to-B partner that improves its customers' appearance and image by means of textiles and cleanliness. Our service is easy to use and provides the best value. We are a caring company and highly appreciated as an employer.

Vision and Strategy

According to its strategy, Lindström is a global service provider with own operations in Europe and Asia. It has the best supply chain management process in the industry, based on ethically sustainable operations and the leading management system for conceptualized operations. Lindström is a preferred employer whose personnel resources are developed and utilized internationally. Lindström constantly develops its strategy along with the market. The strategy process is very inclusive and has been designed for the long term; opinions in support of decision-making are widely sought from the company's executives operating in different markets. The strategy is being worked on by the executive team, which is also responsible for cascading the strategy throughout the company.

The Lindström Brand

The duty of the Lindström brand is to communicate the company's strategy to the marketplace, personnel and all of its interest groups. Lindström's brand promise is "Cares for your Image".

Lindström audits its brand regularly through customer surveys and in-depth interviews. The Brand Audit is based on a framework created at Lindström, used to review various sections in the value chain produced for the customer: properties of products, services and logistics; cost factors; and the customer-brand relationship created by the company, prioritising them according to importance, trustworthiness and distinguishability.

With this framework, the company can review international differences or the competitive situation, for example. The analysis is used to specify the company's competitive advantage factors and review the impacts of changes in long-term trends or the market situation on its business operations – and especially on its relationships with customers.

Lindström's 2009 Brand Audit was used to find out what added value customers expected from the company's workwear service in the new market situation. On the other hand, the company

wanted to know what impression customers had of Vision Design Clothing Oy, which was going to merge with the parent company. Customer feedback included expectations about the ease and effortlessness of service, delivery reliability, the ability to express the customer's brand, the garments' fit and the company's accountability.

Lindström began to develop new core messages as a synthesis of these results. For brand maintenance and development, the Group set up a new workgroup, a brand control team, that included the CEO, directors of operations in Finland, Europe and Asia, the design director and the communications manager.

Since the 2005 Brand Audit, brand building at Lindström has been guided by the following cornerstones: trustworthiness, partnership and good value for money, which were reevaluated in 2009.

They were replaced by new core messages in 2009:

- **Experience brings vision.**
- **Service makes your everyday life easier.**
- **Enthusiasm drives forward.**

The brand promise explains that Lindström attends to everyday partnership



Lindström's Brand Story

We have reason to be proud of our long history as a family business. With over 160 years in business our lasting customer relationships have given us the confidence to conclude that our chosen growth path has been the right one. Expansion into new market areas and lines of business has benefited our customers. Continuous development and our ability to question the status quo have brought the right kind of vision to our business operations.

We aim to complement our customers' processes by taking into account the way they operate. We listen carefully, because through listening, we develop a better understanding of our customers' needs and are better able to fulfil them. Cost-efficiency comes from the fact that our services are correctly dimensioned and match the relevant need. We truly aim to make the everyday life of our customers easier with the help of our services.

Our new product and service innovations support our customers' image and facilitate their growth by letting them focus on the development of their own businesses. We stay in motion, because activity brings rewards. We actively monitor the changes in the industry, operating environment, and marketplace, so we can react to them proactively. We drive our services forward with enthusiasm.

with the help of its services. Customers can trust the Lindström employees' long experience, which gives them vision. People at Lindström draw new strength from enthusiasm, which leads forward the personnel, customer relationships, products, services and partnerships.

In 2009, the brand management team collaborated on a review of the study's re-

sults and recommendations and, throughout 2009, took part in a workshop to define Lindström Group's new core messages, support messages and the company's brand story to the background of the brand, and to guide cascading of those messages.

The brand management team decided to invest in an extensive, in-house launch

that began in all countries on 15 January 2010. Passing-through of the messages is supported with country-specific launches, and the goal is to learn together and increase understanding through a method called Learning café. This in-house launch will end on 30 April 2010, followed by a measurement study.

Lindström Management

Board of Directors

The Chairman of the parent company's Board of Directors has been Jukka Roiha, and its permanent members have been Heikki Ahdekivi, Kim Hanslin, Petteri Kousa, Leena Lampén, Antti Roiha and Anssi Soila.

President and CEO

The company's President and CEO is Juha Laurio.

Group Executive Team

Lindström's Group Executive Team includes the following persons:

- President and CEO Juha Laurio (Chairman), Lindström Oy
- Jari Vihervuori, Senior Vice President, Finland Operations
- Mika Hartikainen, Senior Vice President, European and Asian Subsidiaries
- Santtu Jokinen, Managing Director, Comforta Oy
- Minna Kahri, Senior Vice President, CFO, Corporate Finances
- Kirsti Leisio, Senior Vice President, Corporate Human Resources and Quality
- Harri Puputti, Senior Vice President, Corporate Investments, Process Development and Environmental Issues.

Auditors

The auditor in 2009 was Tuokko Group which is an auditing firm approved by the Central Chamber of Commerce of Finland, and the auditor with main responsibility was Certified Public Accountant Timo Tuokko.

Lindström Management

Lindström has a methodical management system that is detailed in the company's operations manual. Clear instructions have been published on the meeting prac-

tices of the management, and all meetings have been planned and scheduled for a year in advance. The management uses meetings called Business Situation Overview to monitor the development of the various business units, services and countries of operation. Management and development are based on the ISO 9001 quality standard.

Environmental management is governed by the ISO 14001 standard and biocontamination control by the EN-SFS 14065 hygiene standard. All of Lindström's subsidiaries comply with the model as stated in the operations manual. Lindström's parent company in Finland and its European and Asian subsidiaries are broadly encompassed by the ISO certificate. In 2009, the certificate was awarded to Poland, Moscow, Romania and China. The next in line will be Sweden and India. Development work and quality control are an ongoing effort: the ISO certificate will be renewed in 2010, and then it will also be joined by Comforta Oy which until now has had a separate certificate for its operations.

Safety and Ethical Instructions

Lindström's general safety instructions are a part of enterprise resource planning, and the company has appointed people in charge of work safety, information security, access security and environmental safety. Non-compliance with the safety instructions is a serious problem that is handled with early intervention and by bringing compliance with the instructions up to the current level as quickly as possible. The company has clearly expressed that its personnel pledges to operate with responsible principles. No kinds of corruption or bribery are permitted within the operation. In its operations manual, Lindström has instructions on receiving of corporate gifts and travelling, for example.

Communication Ethics

Lindström has operating guidelines on how to handle press relations, and the company complies with the ethical instructions on communications based on the Code of Athens. A communications network called COMNetwork was set up in Lindström subsidiaries in 2006. It engages actively in annual planning as well as ongoing, Group-wide activities. The network develops internal and external communications in a methodical manner under the guidance of Group communications, thus guaranteeing regular information to the personnel and customers alike.

Lindström's Facilities

The parent company Lindström Oy has 13 offices in Finland. Most of them comprise entities, service centres consisting of business unit sales, customer service, and a laundry. Lindström also has a few sales offices in Finland. The Lindström subsidiary Comforta Oy has six offices in Finland and operations in Sweden, Estonia and St. Petersburg. Comforta also owns Quicky Tvättcentralen in Åland.

Outside Finland Lindström has a total of 30 offices in 18 different countries. The offices are entities based on Lindström's patented modular solution that integrate sales, washing and logistics, i.e., warehouses and delivery service. Operations of the modular concept as well as methods of sales and other operations are developed in a centralised fashion with the help of Software and Hardware modules. The centralised operating model enables comparison and thus helps the company develop the efficiency and accountability of sales and customer maintenance as well as washing and maintenance methods.



Lindström's Group Executive Team includes the following persons: Senior Vice President, CFO, Corporate Finances Minna Kahri; Senior Vice President, Corporate Investments, Process Development and Environmental Issues Harri Puputti; Senior Vice President, European and Asian Subsidiaries Mika Hartikainen; President and CEO Juha Laurio (Chairman); Managing Director, Comforta Oy Santtu Jokinen; Senior Vice President, Corporate Human Resources and Quality Kirsti Leisio and Senior Vice President, Finland Operations Jari Vihervuori.



Lindström's Board of Directors includes the following persons: Antti Roiha, Heikki Ahdekivi, Leena Lampén, Chairman Jukka Roiha, Anssi Soila, Kim Hanslin and Petteri Kousa. Also CEO Juha Laurio in the picture (second from right).



Management of Subsidiaries

The management of the subsidiaries of Lindström Group is presented below.

MANAGEMENT OF LINDSTRÖM'S EUROPEAN SUBSIDIARIES

Lindström SIA, Latvia,
Managing Director **Varis Smilga**

UAB Lindström, Lithuania,
Managing Director **Edvinas Gradauskas**

Lindström Services Ab, Sweden,
Business Unit Manager **Mikael Nielsen**

Lindström GmbH, Germany,
Managing Director **Lars Krämer**

Lindström s.r.o., the Czech Republic,
Managing Director **Tomas Frimmel**

Lindström Kft, Hungary,
Managing Director **Kim Seitz**

Lindström Sp z o.o, Poland,
Deputy Managing Director
Edvinas Gradauskas

Lindström SRL, Romania,
Managing Director **Dan Stere**

Lindström s.r.o, Slovakia,
Managing Director **Julius Kalisky**

Lindstrom d.o.o, Slovenia,
Managing Director **Zvone Volk**

Lindström Tekstil Hizmetleri, Turkey,
Managing Director **Kerem Aksaray**

Lindström Ltd, UK,
Business Unit Manager **Soresh Meeda**

TOV Lindström, Ukraine,
Managing Director **Konstantin Dovzhenko**

ZAO Lindström, St. Petersburg, Russia,
Managing Director **Andrey Zhavoronkov**

OOO Lindström, Moscow, Russia,
Managing Director **Svetlana Katsan**

Lindström Oü, Estonia,
Managing Director **Rain Vääna**

LINDSTRÖM ASIA

Lindström Oy China,
representative office in Shanghai
Manager of the representative office
Zhao "George" Guangxing

Lindström China, textile services
Managing Director **Frank ZhouLi**

Lindstrom services India Private Limited
Chennai, Business Unit Manager
Ajai Bhaskar
Mumbai, Business Unit Manager
Anupam Chakrabarty
New Delhi, Business Unit Manager
Manas Kumar

COMFORTA

Comforta Oy,
Managing Director **Santtu Jokinen**

Quicky Tvättcentralen Ab, Åland,
Managing Director **Karl Gustaf Pietilä**

Comforta AB, Sweden,
Managing Director **Anders Bonnevier**

Comforta, St. Petersburg/Lindström Oü,
Business Unit Manager **Ivan Keivomyagi**





Cooperation with Interest Groups

Lindström's corporate social responsibility covers all the interest groups: customers, owners, personnel, subcontractors, partners, public authorities, as well as the media and organisations in the company's line of business.

Lindström complies with the laws and regulations and acts according to the instructions of the local authorities in all its countries of operations. Lindström attends to its taxes and fees in order to pay its share of the common services and infrastructure of the society. Lindström employs almost 2,400 persons, and it is committed to paying the wages and social insurance contributions according to contracts and to look after its personnel.

In Cooperation with the Personnel

Lindström is an employer that looks after the well-being of its personnel. The Lindström personnel participate in work planning and development through cooperation and steering groups. In Finland, the company offers its personnel the opportunity to preventive health care by providing counselling and further examinations to those who respond to a survey on well-being. The company monitors absences and reacts to any absences that last more than two weeks in a year in accordance with a centralised intervention model. Supervisors in Finland have been offered training on this subject.

Work safety has been invested in with several projects, e.g. as a member of a zero accidents forum in Finland. The company had a special focus on work safety

and related communications in 2009, even on an international scale. Competence of the personnel is improved through internal job rotation and apprenticeship training, and with new mentoring and trainee programmes that started in 2009. For more information on those projects and the personnel's job satisfaction survey, Human Potential, please see the section on social responsibility. The personnel also give feedback to the Group's various competence centres and services. Development targets that come up in the surveys are specified and development is monitored closely, even through score cards.

Furthermore, the development discussion practice is maintained and updated on a regular basis. In order to clarify work objectives and improve profitability, Lindström's officials are given an annual score card, which helps guide realisation of important objectives. Good results are rewarded.

In its operations, Lindström aims to have true dialogue with employee organisations. We do not restrict our personnel's possibility to unionize.

Responsible Ownership

As a family company, the Lindström owners have a crucial role and long traditions

in developing the company. The company is owned by the Roiha family in the third and fourth generations.

Shareholders expect the company to act in accordance with its values, in a responsible manner. Lindström has been a member of the Finnish Family Business Association since it was established. The Finnish Family Business Association promotes the ability of family firms to operate and responsible ownership.

Customer Relationship Management

Performing local service, regional presence and location near the customer are central factors in Lindström's services. However, in the background there is a strong strategic intent to serve customers in an ever better and more efficient manner.

Lindström invested heavily in customer relationship management in 2009. The Finnish organisation has broken boundaries between service and business units and developed the company's service culture. Lindström's operations have been made customer-oriented by creating service or care models for different kinds of operating sectors. Thus, competence and experiences can be utilized in a central manner. This development work is aimed



at guaranteeing to customers a superior service experience – a factor that is becoming increasingly important, as the company aims to differentiate itself from its competitors while the market saturation rate increases.

Lindström is a global supplier of B-to-B textile services. It serves over 200,000 customer offices in Europe and Asia. Lindström's strategy includes the objective of comprehensive, not partial optimisation. Lindström's operations have been organised on a customer-oriented basis, which means that local subsidiaries and business units have the primary responsibility for their customers.

Effective and flexible service that lives with a customer requires constant interaction within Lindström with sales, customer service and production, i.e., laundries and delivery service and other logistics. A functional entity generates an effective service chain that, in the end, benefits the customer the most.

The Lindström values include an effort

to create long-lasting customer relationships. Within the framework of its quality system, the company aims to prevent problems and to repair and constantly improve upon its customer service. Customer retention is an important indicator, and it has remained at a good level.

As a part of quality, the company also monitors customer satisfaction in all countries of operation, and it is a very important indicator. A reform in the way customer satisfaction is measured produced a lot of new information in Finland. Furthermore, for the first time, a customer satisfaction survey was made by an outside research institution among customers of European and Asian subsidiaries in St. Petersburg, Moscow, Estonia and Hungary. It yielded particularly good results both in Lindström's internal comparison and according to general, international comparisons. In 2010, customer satisfaction survey will be conducted in all Lindström subsidiaries.

One consequence of the results of the

satisfaction survey has been a more rapid reaction to customer complaints.

Lindström's customer satisfaction has remained at a very good level for years.

Partners

Lindström's partners include several service providers and suppliers. Lindström invests in the cooperation and expects its subcontractors to be trustworthy, professional and responsible. Lindström's instructions and prerequisites for subcontractors are discussed in more detail in the section on social responsibility. Lindström strives to be cost-effective and to constantly challenge the suppliers to guarantee cost-efficiency.

Lindström Active in Developing the Sector

Lindström is a member of the Yleinen Teollisuusliitto (Confederation of Finnish General Industry) and of the Confederation of Finnish Industries. Lindström is a significant developer in its own sector: in



1995, when operations became international, Lindström was one of the founders of the European Textile Service Association (ETSA). Lindström has representatives in the Board of Directors of ETSA and several of its work groups.

Lindström Award

In 2000, Lindström launched an international corporate clothing design competition, the Lindström Award, whose goal is to bring new perspectives to corporate clothing. Another aim of the competition is to arouse the interest of future clothing designers in workwear design and to increase people's awareness of the role clothing has in corporate images.

Lindström Award is a guided invitational competition, in which the participating students work under the guidance of Lindström.

The case company in the 2010 competition is KONE Corporation, for which students will design a mechanic's uniform. Twelve workwear design students from China, the Czech Republic and Finland designed a suggestion for a workwear collection that was suitable for use around the world. The first stage of the competition was held and the finalists selected during the year under review.

Five finalists will compete for a traineeship position at Lindström's Design department and for a cash prize of 4,000 euros. The award ceremony will be held in Helsinki in June 2010.

Sponsorship Cooperation

According to Lindström's core messages, enthusiasm leads you forward. For several years, Lindström has invested in product development so the elements of office design would better match the current visual demands. The company has been involved in cooperation relating to the inte-

rior design sector in the areas of mat, hygiene and restaurant textiles. Throughout 2009, Lindström partnered with the Finnish Association of Interior Architects (SIO) to study opinions that the target group of interior architects had of Lindström and to make its rental textile service known. This cooperation involved, e.g., communications and marketing, meetings, and events celebrating the 60th anniversary of SIO where Lindström acted in the roles of sponsor and partner. Studies show that the cooperation has significantly increased the willingness of interior architects to recommend Lindström as a partner.

Lindström was also the namesake sponsor of the European Tennis Trophy of the European Tennis Federation. The Trophy is awarded as a national tribute to the most successful country in combined events in junior, senior, professional and wheelchair tennis. The 2009 Trophy was awarded to Russia. Lindström also sponsors the promising junior players of the Finnish Tennis Association's Team Finland.

UNICEF's WASH Project in India

Lindström has signed a multi-year cooperation contract with UNICEF. The project is aimed at preservation of water resources and improvement of hygiene awareness in the driest and poorest regions of the world, particularly among schoolchildren. Help has also been channelled at increasing the number of water sources near schools and construction of sanitary facilities, key factors when one tries to prevent girls from dropping out of school.

The objective of the three-year WASH project, which started in 2008, is to increase access to clean water, build more sanitary facilities and raise hygiene awareness in the state of Bihar in India.

Help is directed particularly at pupils in the 550 schools located in the Vaishal and Gaya regions. The goal of the WASH project was to cover 250 schools and 50,000 pupils, but by the end of the first year the programme had reached 550 schools and more than 150,000 pupils. In all, 453 schools received a place where pupils could wash their hands, water fountains and sanitary facilities were installed in 56 schools, and hygiene education was started in each of the 550 schools.

Since it is the duty of UNICEF to provide clean water to people in emergencies, development of local knowledge concerning water sources is important to it under normal circumstances, as well.

Media Service and Competence

Lindström aims to serve the media by reporting news concerning the Group, on a regular basis, with press releases that the company also publishes on its Web site. Lindström has a separate communications department that is responsible for internal and external communications and global media relations. It also looks after the company's intellectual property rights. The communications department gives employees guidelines and training with regard to, for example, ethical instructions on journalism and communications and, for its part, ensures that the company complies with copyright laws and marketing legislation. In 2009, Lindström renewed its crisis communication instructions, gave training at the executive team level and cascaded a great deal of information throughout the Group, both in Finland and all the Finnish and European and Asian subsidiaries, by taking advantage of the company's international communications network.





Financial Responsibility

Moderate risk-taking enables a company to survive even in financially uncertain times. When a company's profitability and financial stability are secure, it has a foundation to bring its operations back to a path of growth.

Financial Targets

Lindström's financial targets are based on maintenance of growth and a sufficient revenue level for the owners. The company's growth is organic, which is the best way to ensure that the concept selected is used efficiently. Mergers and acquisitions are made when they support the existing operations. The long-term goal is to reach 20 per cent in the return on investment.

Lindström does not want to take significant financial risks. Growth is financed mainly through income financing, and external financing is acquired mostly for financing peaks caused by significant investments. By keeping solvency at over 60 per cent, the company ensures a sufficient buffer to control any fluctuations in liquidity in a cost-efficient manner.

A good level of liquidity helps a company pay its obligations to the employees, authorities, financiers and suppliers without any trouble. This gives the company flexibility to make acquisitions rapidly, if that is called for. Liquidity of the Lindström Group is measured with Quick Ratio, and the minimum target is 1.2.

Moving to New Areas

The Lindström Group comprises 23 companies in 19 different countries. In early 2009, Lindström Oy's subsidiary Vision Design Clothing Oy merged with its parent company Lindström Oy. In the early part of the year it was also established a subsidiary in Bulgaria. The service centre expansions also continued particularly in China and India.

Textile service is local business. That is why administration is also organised through local organisations. Of the Lindström companies, 83 per cent are headed by local managers who are supported through a separate regional organisation

and the competence centres located in Finland. The remaining 17 per cent of the companies are, for the time being, managed by executives in either the head office or a neighbouring country.

Growth Dwindled

Uncertainty factors in the local markets, particularly in the Baltic countries and Russia, have weakened the operations of local customers. As a consequence, Lindström has also adapted its own operations to match the changing markets.

In 2009, the Group's turnover was EUR 242.4 million, 3.5 per cent less than in 2008. In the parent company, the turnover of customers outside the Group increased slightly, by 1.5 per cent, even though the rate of growth slowed down markedly compared with the previous year. All in all, the Finnish operations ended up at the preceding year's level, when Comforta's business contracted by more than four per cent as a result of the slow tourism market.

Share of International Operations Decreased

Changes in Lindström's European operations were more drastic. By the year 2009, turnover declined by more than 10 per cent, totalling EUR 79 million. Stable growth in the Asian economies supported Asian operations, which continued to grow and totalled EUR 1.4 million.

Over the past few years, the proportion of Lindström's international operations has grown consistently. In 2009, however, the weight of the international operations in the Group decreased. When the proportion of turnover coming from outside Finland in 2008 was 36 per cent, in 2009 that figure was only 33 per cent. It can be already seen positive signals of a recovery of the business in several operating sectors in Europe. Thus it can be assumed that the international operations will continue on their original path toward a larger proportion in the Group during the next two years, although in the textile service sector such changes are post-cy-

clical in comparison with other sectors.

Profitability Through Expense Discipline

Profitable operations enhance the company's capability to provide cost-efficient services for the customer and, on the other hand, enables employees to have meaningful jobs in the long term. A profitable company contributes – for its part – to the development of its own operating environment by paying taxes and other fees to public authorities.

In tight financial times it is especially important to hang on to profitability, because one can get back on track toward growth only through efficient operations. A financial crisis can be seen as a positive force, because it forces you to develop your own processes. The same cost-efficiency and willingness to develop operations is expected from the own subcontractors and suppliers.


Profitability Remained Good

The Group's profitability in 2009 was very good. As growth slowed down in the Group, the need to purchase textiles decreased, which improved profitability significantly. As for the Group's other purchases and services, we focused on the essential purchases with regard to the operations. The Group's profitability was also enhanced by the favourable price trends in energy commodities and the more-stable exchange rates of the currencies in the operating countries.

The Group has adapted labour costs to the smaller turnover. Temporary labour solutions have been largely abandoned and the efforts were concentrated on maintaining the jobs of the own employees. We have not been able to avoid job cancellations altogether –

the need for textiles care workers, in particular, has been redefined as washing volumes have fallen.

Growth years usually diminish the profitability of the Group in the short term. Thus the 2009 net profit, EUR 27.2 million, gives a good opportunity to get pre-



pared in advance for the investments and purchases required by upcoming years of growth. Return on investment also improved clearly, by almost six percentage points to 28.3 per cent.

From an operations perspective, profitability will remain steady in future. Yet Lindström operates on an international scale, in countries that have 16 different currencies. It is not possible to hedge the company against all exchange rate risks. Lindström is also prone to changes in the prices of energy commodities both directly and indirectly, through its suppliers. Potential growth in business operations may force us to buy more textiles, which may weaken the profitability in the short term.

Slowdown in Growth Reduced the Debt Load

The company's goal is to cover maintaining and expanding of operations with income financing. As growth slowed down, the Group's investment needs decreased clearly in comparison with earlier years, and we were able to dispense with loan financing in Finland. Thus the Group's loan liabilities worth three million euros, were taken in order to develop our operations in Asia. The value of the Group's investments was EUR 9.3 million, half of the previous year's figure. Contrary to recent years, in 2009 the majority of the investments were directed at the parent company's operations.

Thanks to the strong profit and the reduced debt load, solvency rate increased to the best value in the Group's history, 80.6 per cent. In the early part of the year the Group prepared for loan financing as uncertainty eroded the functionality of the financial markets. Once the markets had stabilised, such loan arrangements proved unnecessary.

We expect that 2010 will be a more intensive year for investments than 2009. Although significant growth in business operations is not yet expected, preparations for future growth have been made by building new service centres in several operating areas. It is expected that these

investments can be executed through income financing, so the Group probably will not need take out any big loans.

Liquidity at a Good Level

Lindström wants to make sure that it pays all its obligations in accordance with the payment terms agreed on and without any delays. On the other hand, the same punctuality is expected from the customers as well.

The company's liquidity has remained at a good level. The company has been able to pay salaries for the employees and fees levied by public authorities and to carry out investments and other acquisitions within the framework of the original timetables. Efficient collection of receivables is essential with regard to maintenance of a good level of liquidity; the company has allocated a lot of resources for this in 2009. We have also paid a great deal of attention to efficient payment of the Group's assets back to the parent company.

Lindström did not have any difficulties with regard to asset management in 2009. Quick ratio rose to 2.6 at the end of the year.

Responsibilities for Customers

Lindström wants to improve the daily lives of its customers through its services. The company performs its services in a cost-efficient and professional manner as required by the signed contracts. Lindström wants to improve its services by taking into account the wishes of its customers: indeed, Lindström's customers have benefited from the recession as the costs of textile services have fallen in accordance with the decreased customer needs.

Cost-efficiency comes from the development of processes. For several years now, Lindström has favoured electronic invoicing services in its operations. These days 36 per cent of the parent company's invoices are sent to the customers in a paperless form. A new customer relationship system was implemented in Finland in 2009 to enhance the efficiency of the re-

lationships with the customers. In international operations, customers in several countries are encouraged to utilise solutions that promote the effective use of working capital.

The year 2009 caused many Lindström customers financial hardship that in many ways reflected on Lindström, as well; it was difficult for us to repatriate our receivables with a sufficient degree of efficiency. Even though Lindström's credit loss risks are relatively low due to a large customer base, special attention has been paid to management of customer risks and corporate reorganisations, particularly in Europe. The only effective means to fight off significant credit losses has been rapid management of the collection process and, if necessary, to cut off service from customers who are unable to commit themselves to payment schedules that have been jointly agreed.

Responsibilities for Employees

Lindström employs people in several countries and is responsible for preserving those jobs in the long term. Lindström prefers to recruit its own employees rather than hire temporary staff, if the labour market makes it possible. Thus 98 per cent of the Group's overall labour costs consist of wages and salaries and social security expenses (96 per cent in 2008), whereas service fees for employment agencies account for two per cent.

Wages and salaries, social security expenses and other benefits for the personnel in the course of the last five years are presented in the attached graph.

Good results by the personnel are rewarded. Success with regard to the company's significant strategic objectives is monitored with the help of Balanced Scorecard. Monitoring relates to all of the personnel groups of Lindström Group. The company has been able to reward employees for personal successes in spite of the unstable economic situation. On the other hand, the economic uncertainty has forced us to adapt our personnel resources to the jobs that offered.

Responsibilities for Public Authorities

Lindström and its personnel must comply with the local laws and regulations in all countries and circumstances. The company pays its obligations to public authorities punctually in accordance with valid stipulations. As an employer, it meticulously pays all the public fees. The company also submits all reports and statistics to the relevant authorities.

In 2009, Lindström Oy paid a total of EUR 26.6 million (EUR 22.2 million in 2008) in value-added tax, income tax, operating taxes and withholding tax on wages and salaries. The Group paid a total of EUR 46.6 million (EUR 44.4 million in 2008) of corresponding items. Lindström Oy paid a total of EUR 8.5 million in obligatory social security and pension contributions to the Government (EUR 8.4 million in 2008). The pension and social security costs of the Group were EUR 14.9 million (EUR 15.8 million in 2008). In the year under review, a tax audit was performed in the parent company but no report of the end result had been submitted by the beginning of March 2010.

The Lindström Group did not receive external subsidies for its operations in 2009.

Responsibilities for Suppliers and Partners

Lindström buys products, services and energy for its textile leasing and maintenance business and production subcontracting services, such as delivery and laundry services. In addition, Lindström acquires products and services required for maintaining administration and operations. Long-term investment commodities are also a significant part of the cash flow directed at the suppliers.

With all the suppliers, the terms of contract are followed and invoices are paid according to the terms of payment. By operating responsibly regarding payments, we assist our partners in keeping their own cash flows in order. All fees paid to suppliers are based on contracts and invoices. The company does not tolerate bribery of reporters or other people, and the use of so-called unauthorised staff in the Group is absolutely forbidden. Compliance with good contract practices is controlled by the Group's internal audits.

Seventy-nine per cent of the purchases related to the production of the Finnish Lindström Group companies were made in the EU region (84 per cent in 2008) – energy purchases are excluded from these figures. Of the purchases, 49 per cent were made from Finland (50 per cent in 2008). In the entire Group, purchases made from the own countries of operation accounted for 47 per cent of total purchases (45 per cent in 2008). Additionally, 34 per cent of purchases of goods for production were intra-community procurement between EU countries (38 per cent in 2008). At Group level, the rise in purchases from Finland is due to the reduction in textile purchases, which in turn increases the weight of other commodities in the purchases.

Responsibilities for Financial Institutions

Lindström's objective is to finance its operations with income financing. Bank loans are used to even out cash flow and to secure that subsidiaries that are launching operations get off to a smooth start. In 2009 the company had only loans to support operations in Asia. Loans that European units had early in the year were paid

off in their entirety. At the end of 2009, the Group had a total of EUR three million in bank loans (EUR 8.2 million in 2008)

Responsibilities for Shareholders

Dividend has been paid annually to the owners' capital investments. It is the duty of the company's management to take care of the company in both the short and the long term, so that the company's operations can be developed with accumulated profits and that stockholders receive fair compensation from the profit of the company. In 2009, the parent company paid a total of EUR 8.4 million in dividends to the shareholders.

Indirect Effects of Lindström's Operations

Lindström's operations are labour-intensive. Thus Lindström is, in proportion to its size, a significant employer that secures the livelihoods and development of people particularly in small towns. Lindström acts as the principal client of many entrepreneurs. Thus the company also has an impact on the financial well-being of its subcontractors' employees.

Often Lindström is established in countries where textile services have not been available on a large scale previously. Thus Lindström has been helping develop the corporate structure of the target country for its part. At the same time, Lindström –for its part – brings environmental consciousness to new countries of operation.

Through the services it provides, Lindström can affect the comfort and occupational safety of its customers' premises. Lindström's operations increase hygiene awareness in the marketplace, which in turn drives up demand for other products that emphasise cleanliness. Appropriate textiles and occupational safety products improve the productivity and reduce the number of accidents of customer employees. In addition to strengthening the customer's image, textile services enhance the job satisfaction of the employees.

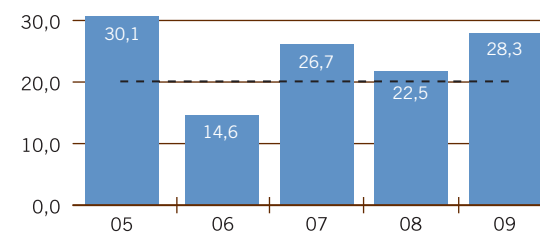
Financial Impacts of Climate Change on Our Operations

Climate change will probably increase the awareness of Lindström's potential clientele about environmentally oriented products. This means that they will forgo disposable products that strain the environment, and instead choose solutions with the longest possible life cycles and light environmental burdens during their service lives. Lindström's product selection contributes to fulfilment of stricter hygiene level requirements, and it also promotes environmentally oriented choices. Thus climate change will, for its part, have a positive impact on the development of Lindström's turnover.

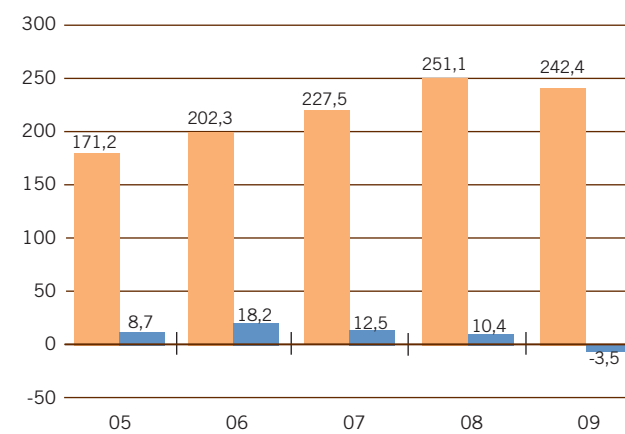
On the other hand, climate change also brings along regulated energy and water markets. Even though industrial laundry operations have much better cost-efficiency than private households,

it is likely that future energy and water consumption will become a more expensive cost item for the company, and the cost structure of product maintenance will change somewhat as a consequence. When new service centres are built, special attention will be paid to availability of energy and environmental values as far as energy selections are concerned.

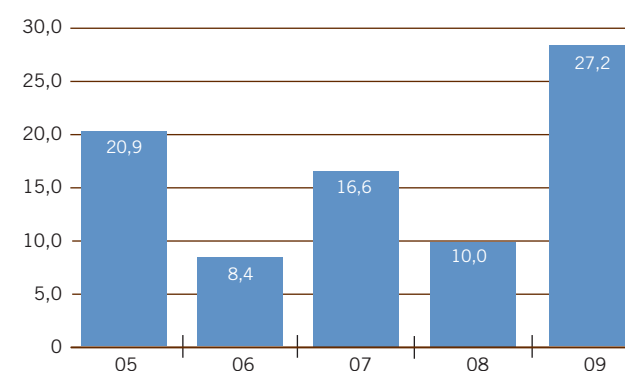
Return on investment %



Turnover M € and annual growth rate



Net profit M €



Lindström will take service logistics into consideration more than before, so the company can balance the location of service centres together with procurement sources and delivery channels in a cost-effective but also environmentally oriented way. Lindström's light laundry modular structure contributes to this trend for its part.

Calculation formulas used

The key figures are calculated from the statutory, audited financial statement material according to the following calculation formulas.

$$\text{Change \% of turnover} = \frac{\text{turnover of the current year} - \text{turnover of the previous year}}{\text{turnover of the previous year}} \times 100$$

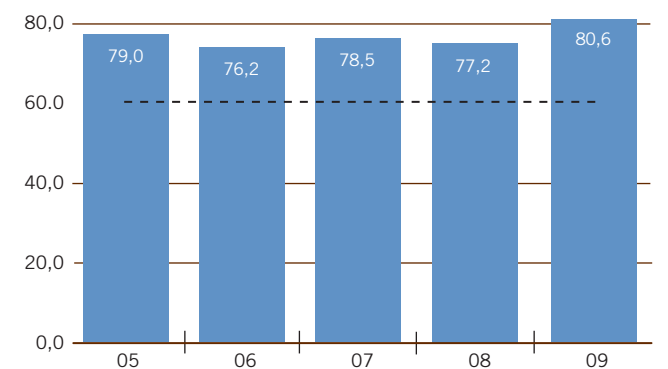
$$\text{Return on investment \%} = \frac{\text{net profit} + \text{taxes} + \text{financial expenses} \pm \text{exchange rate difference}}{\text{equity} + \text{liabilities at interest (average of last two fiscal years)}} \%$$

$$\text{Equity-debt ratio} = \frac{\text{equity}}{\text{sum total of balance sheet}} \%$$

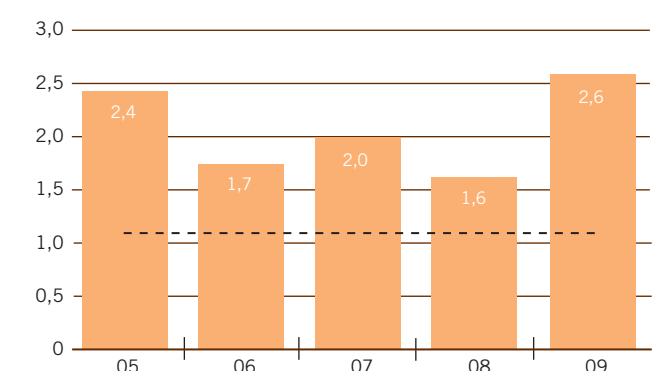
$$\text{Quick ratio} = \frac{\text{financial assets}}{\text{short-term liabilities} - \text{prepayments}}$$

$$\text{Net profit} = \text{profit of the fiscal year} \pm \text{taxes of the previous year} \pm \text{extraordinary items}$$

Equity-debt ratio

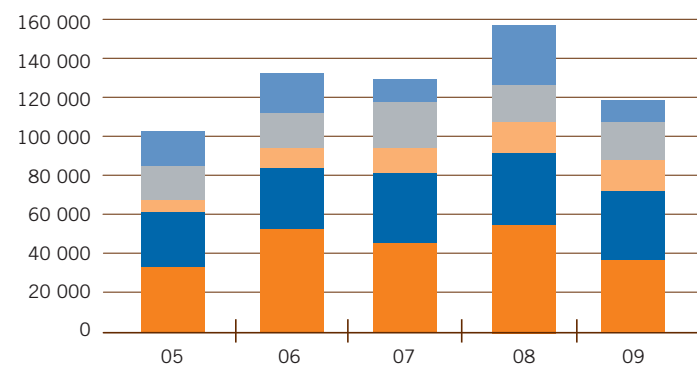


Quick ratio

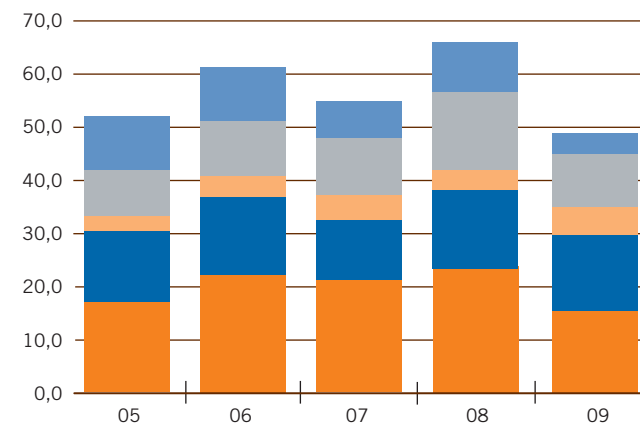




Purchases, M €



Purchases, % of turnover



Investments Other goods and services Energy Subcontracting services Product purchases

Distribution of corporate turnover, EUR 1,000

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|------------------|--------|--------|--------|--------|--------|
| Finland | 124736 | 138882 | 150192 | 161732 | 161973 |
| Other EU region* | 32384 | 45302 | 55260 | 63621 | 58717 |
| Other countries | 14093 | 18159 | 22041 | 25717 | 21709 |

* The entire turnover of the whole year in the countries that joined EU in 2004 is in the EU row

Wages and salaries, social expenses and other benefits of the personnel, EUR 1,000

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------|-------|-------|-------|-------|-------|
| Wages | 35174 | 42765 | 49278 | 54291 | 53978 |
| Social expenses | 9209 | 11310 | 13005 | 13859 | 13809 |
| Other benefits | 1828 | 2508 | 2834 | 3053 | 2570 |
| Total | 46211 | 56583 | 65117 | 71203 | 70357 |

Direct Economic Value Generated in Lindström Group (1000 euros)

| | 2009 | % of turnover | 2008 | % of turnover |
|--|---------------|---------------|---------------|---------------|
| Turnover | 242399 | | 251070 | |
| Financial income | 306 | | 542 | |
| Contributions from public sector | 0 | | 106 | |
| Other income | 659 | | 1494 | |
| Income received | 243364 | | 253212 | |
| Raw material and product purchases | -40145 | -16,6 | -53998 | -21,5 |
| Energy | -10446 | -4,2 | -11361 | -4,5 |
| Subcontracting services | -37162 | -14,8 | -38675 | -15,4 |
| Other purchases from suppliers | -37064 | -14,8 | -40388 | -16,1 |
| Direct economic value after supplier compensations | 118547 | 47,2 | 108790 | 43,3 |
| Salaries and compensations to personnel | -55871 | -22,3 | -56309 | -22,4 |
| Taxes and social fees to authorities | -23209 | -9,2 | -23380 | -9,3 |
| Direct economic value for financiers | 39467 | 15,7 | 29101 | 11,6 |
| Interests to financial institutions | -679 | -0,3 | -467 | -0,2 |
| Dividends to shareholders | -8385 | -3,3 | -8600 | -3,4 |
| Direct economic value for investments and development efforts | 28510 | 12,1 | 20034 | 8,0 |

Environmental Responsibility

Continuous improvement and reduction of the environmental load are an essential part of Lindström's success. Sustainable development continued also in 2009.

The Group's average consumption of detergents per kilo of textiles washed decreased by eight per cent and water consumption by four per cent. Energy efficiency did not improve as expected, but the company still managed to keep it at the previous year's level. The total amount of waste was reduced by an astonishing 15 per cent and, at the same time, the waste recycling rate increased both in Finland and the European and Asian subsidiaries. The amount of carbon dioxide emissions reflected the neutral development in energy efficiency.

For the number of transportation kilometres, the trend was negative and kilometrage per kilo of textiles washed grew by three per cent. Energy efficiency declined in areas in Europe and Asia where the service centres serve geographically large areas.

Focus points in 2010 include energy efficiency, washing method concepts and more effective treatment of wastewater.

Environmental Effects of Textile Service

The most important environmental impacts due to service of rental products are:

- Energy consumption
- Water consumption
- Wastewater
- Quality and consumption of detergents
- Waste
- Delivery kilometrage and the resulting emissions
- Carbon dioxide emissions.

This report reviews the aggregate development of environmental factors at Group level. For the operations, it is essential to

monitor consumption per produced unit, as the expansion of operations increases the total consumption of raw materials and goods. Specific consumption proportioned to kilos washed indicates the ecological efficiency of production with parameters typical to the laundry industry.

Consumption of energy, water and detergents, and the amount of waste generated have been selected as the most important environmental impacts, which will be monitored on a monthly basis.

Forerunner in Material Efficiency

- Durable and recyclable products
- Efficient use of textile products during their life cycle
- Material efficiency of the textile care and service process
- Modular operating models.

The material efficiency of textile services is based on the long service life and management of the life cycle with maximum attention to the environment. The eco-efficiency of a textile service chain is formed by the following three sub-factors:

- Selection and procurement of products
- Textile care and service process during use, and
- Disposal of worn-out products.

The basis for a long service life is products that are best suited for the customers' needs and usage conditions, and products that are suitable for the industrial textile care process. The wear resulting from washing and finishing must be properly controlled, and products which have been broken during use must be repaired.

Lindström's Environmental Policy

- Lindström has signed the ICC Business Charter for Sustainable Development, whereby we have committed ourselves to taking into account the environmental effects of our operations in planning and decision-making and to comply with relevant laws and regulations in all of our activities.

- To ensure a improvement in environmental control throughout the Group, each business unit draws up its own annual environmental programme defining the aims and measures to reduce environmental impact.

- We train our staff to be aware of the environmental effects of their tasks and to act in an environmentally responsible manner.

- We inform our subcontractors of issues relating to environmental control and require that they apply environmentally sustainable methods in their operations. We also require that our major suppliers give an account of the way in which they deal with environmental issues.

In order to have the life cycle of the product under control, disposal of the product that has reached the end of its useful life must be managed according to the Waste Act and the principles of sustainable development.

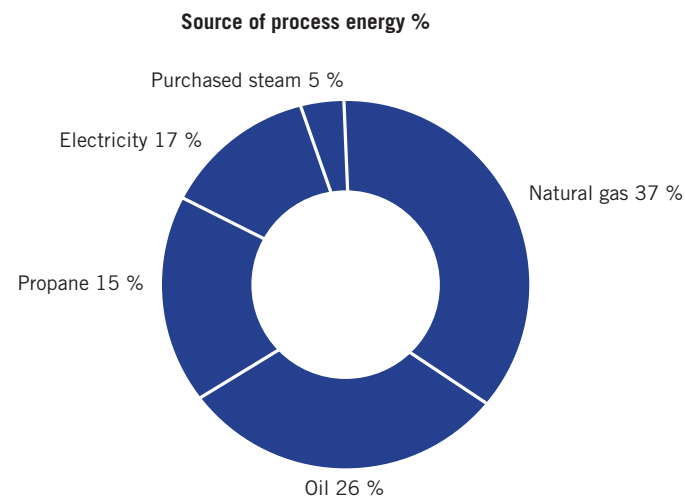
The eco-efficiency of a rental service is



Industrial Washing Has a Lighter Carbon Footprint Than Home Washing

In the last couple of years, the impact of textile services on global warming has been at the centre of studies commissioned by the European Textile Services Association (ETSA). In the most recent life cycle study, the Association compared the overall environmental impact of industrial and home washing of workwear (2.0 LCA Consultants, 2007). The study showed that CO₂ emissions caused by energy consumption were 10 per cent smaller in industrial than home washing. The overall impact on global warming, in particular, is up to 30 per cent smaller in comparison with home washing. Since home washing not deemed to cause any separate transportation needs at all, the effect of transports on the quality of the air we breathe was, naturally, bigger in industrial than home washing. In all, the environmental impact of professional textile maintenance was 16 per cent smaller than that of home washing.

Source: LCA study by 2.0 LCA Consultants, 2007



also reflected on the amount of waste produced at the customer's premises. A textile product that can be recycled can replace a disposable product and consequently reduce the amount of waste produced. Clean products are packed in washable textile bags and protective hoods instead of disposable packing materials. Furthermore, as a result of washing, harmful substances such as oils and heavy metals end up as the laundry's waste, and the textile renter is responsible for its appropriate disposal. This is particularly significant in the case of washable industrial towels and absorption mats, which contain hazardous waste that could end up in landfills if disposable towels and cleaning rags were used instead.

Textiles are maintained from 20 to 200 times during their service life, depending on the use. A Lindström roll towel, for example, which is normally washed more than 100 times during its life cycle, is equivalent to some 24,000 disposable paper towels. A roll towel that has reached the end of its useful life results in two kilos of solid waste, while an equivalent number of disposable towels is equivalent to 80 kilos of waste. A Vipperi® rental shop towel is equivalent to approximately five disposable towels. In other words, disposable shop towels produce many times the amount of waste compared to a textile towel. In addition, the service life of the Vipperi® rental shop towel is doubled by using it as raw material in absorption mats.

Material efficiency thinking has been included in Lindström's modular operating model, which is applied in all countries of operation. The use of space at modular laundries is efficient and the operating models are standardised. Small units are located near the customer, which reduces transportation distances and thus the emissions from transports. It is also essential to utilize existing rental facilities. The company prefers to place modular laundries in existing facilities, which minimises the indirect consumption of material and energy from the construction process.



Choices Have an Effect on the Environmental Load

When choosing textile suppliers, we favour suppliers that pay attention to the environmental impact of their production activities and try to meet the requirements for environmental labels for textiles. Choosing suppliers is made easier by the international ecolabels, the most common of which is Öko-Tex Standard 100. The roll towel material as well as more than 90 per cent of Lindström's workwear fabrics and hotel textiles have already been granted the Öko-Tex Standard 100 label. As far as hotel textiles are concerned, Lindström is gradually shifting toward the more demanding EU Ecolabel. At present, approximately 20 per cent of Comforta's hotel textiles meet with the requirements of the EU Ecolabel.

The environmental values of the workwear service are also visible in the selections of materials. In a workwear collection launched for the nursing sector in 2009, Lindström adopted a blended fabric where the polyester consists of fibres recycled from plastic bottles.

The Lindström cloth roll towel system was awarded the Nordic Swan environmental label in 1996. In 2006, the Swan label was also granted to Lindström's workwear laundry and Comforta's hotel and restaurant textile laundry in Sweden. The latest laundry to receive the Swan label is Comforta's hotel textile laundry,

Quickly Tvättcentralen, in Åland. It was awarded the Swan label in 2009.

Focus on Energy Efficiency

Lindström has made deliberate improvements on its energy-efficiency since the early 1980s. The foundation for the sustainable development has been gradually implemented saving actions of water and energy in laundries, and a shift toward products requiring less energy-intensive washing. Product selections in particular, such as a polyamide mat as well as workwear and table linen manufactured from blended fabrics, enhance the energy efficiency of laundries. In addition, introduction of low-temperature washing and new washing method concepts has been, and is expected in future years to be, apparent as reductions in consumption of both energy and water.

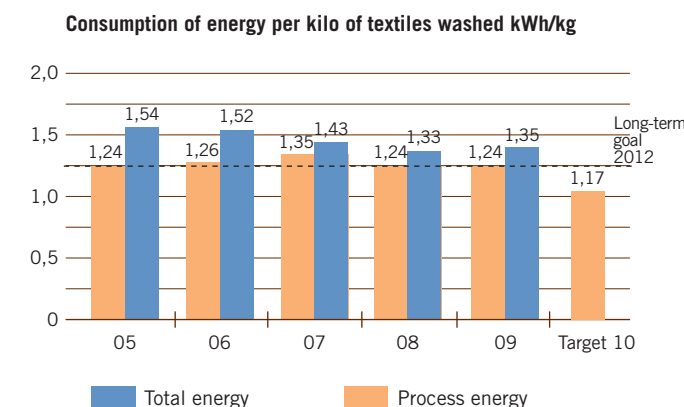
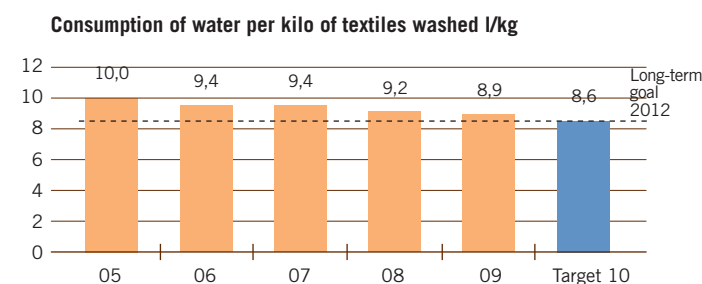
Most of the energy consumed by the laundries is used for heating the washing water and for drying and finishing the wash. In 2009, the company started several development projects around the energy-saving theme, which will in future years result in better optimisation of energy use and implementation of new energy-saving technology in the textile care process. Gradual and determined building of sustainable development will continue. In addition to optimizing energy consumption, insulation of steam and condensing lines and recovery of heat can

decrease fuel consumption in laundries. Furthermore, the consumption greatly depends on the condition and efficient use of the boiler plants and production machines.

Lindström produces steam mostly with natural gas. In 2009, as much as 37 per cent of the process energy used was produced with natural gas. Furthermore, when purchasing new production machinery, energy-efficient gas driers and finishing tunnels have been preferred.

One third of the electricity consumption of service centres is spent on operating production machinery and equipment, one third on air conditioning and the rest on lighting and use of other electrical equipment. In the latest construction projects, attention has been paid to energy consumption of the laundry and the office. Energy efficiency in the office has received particular attention in the new head office, which was completed in early 2010. The office windows do not allow heat radiation from the sun pass through, so there is no unreasonable need for cooling in the summer. Motion detectors and automatic timing have been used in lighting of the building. Furthermore, employees turn off light fittings whenever they leave their place of work.

The proportion of heating of the premises to total energy consumption varies between seven and nine percent annually, and so far it has not been adjusted in ac-





New Washing Methods

In 2009, Lindström actively tested new washing method concepts suggested by the detergent suppliers. The aim of these new concepts is overall efficiency in both the economic and environmental sense.

A workwear laundry in Slovenia started testing the new concept in January 2009. They replaced their detergents with new phosphate free and liquid detergents in order to increase the use of low-temperature washing programmes. Contrary to earlier practices, low-temperature washing was also introduced for coloured textiles. The most revolutionary aspect was the one-rinsing programmes. Wash quality, microbiological cleanliness and rinsing result were not supposed to suffer from the experiment. By September, the laundry's

- water consumption decreased by 20 per cent
- energy consumption declined by 28 per cent
- consumption of detergents was down by 23 per cent, and
- average washing time was cut by 20 per cent.

The hand towel laundry in Oulu tested another washing method concept. Even in this concept, the detergents contained no phosphates and low-temperature washing was used for all categories, including blue ones. Subsequently, it was necessary to go back to high washing temperatures for white programmes in order to guarantee wash quality. As a result of the experiment, the laundry's

- water consumption decreased by 18 per cent
- energy consumption declined by eight per cent
- consumption of detergents was down by 17 per cent, and
- washing programmes were shortened and lead-through of production was enhanced.

cordance with specific temperature degree-days at each locality. Due to the factors described above, the objectives have been set on the consumption of energy, which includes the total consumption of electricity and the fuel used for process energy, but excluding the share of heating of the premises. However, this report also presents the total energy consumption of the Group, including heating. Consumption of total energy has been elevated as an indicator of objectives in new long-term environmental goals for the year 2012.

Energy Efficiency Remained at the Previous Year's Level

In 2009, Lindström's total production in kilos washed decreased by less than one per cent from the previous year and amounted to 125 million kilos.

Figures of total consumption decreased in the same proportion as kilos washed. Total consumption of process energy was 155,800 MWh and consumption of total energy 169,600 MWh. The company was able to maintain the level of energy efficiency reached in the preceding year, but the goal of an improvement of five per cent was not reached. The specific consumption of process energy was 1.24 kWh/kg and the corresponding consumption of total energy 1.35 kWh/kg.

Maintaining of the Group's total energy efficiency was facilitated by measures in Comforta's hotel textile laundries, which reduced their specific consumption by five per cent. This reduction in consumption was achieved by enhancing productivity and focusing on the development of washing methods and maintenance of machinery. These actions were particularly visible in the service centres in Sodankylä, Åland and Turku. In Tampere the company started testing a new washing concept to optimise the combined effect of energy, water, detergents and process time. The results are expected to show more clearly during 2010.

In Finland, energy consumption on the whole remained at the previous year's level, even though energy efficiency in new laundries was improved thanks to development projects and other savings. In roll towel washing, in particular, the company tested new washing methods that yielded good results with regard to the overall efficiency of the washing process. In washing of restaurant textiles, savings measures started in the preceding year took effect and further enhanced the use of energy. However, the winter was cold, so the increased need for heating of premises levelled the overall trend to the 2008 level.

Energy efficiency in the European subsidiaries declined by five per cent. The economic recession was reflected in the washing amounts in laundries and thereby on energy efficiency. At the same time, however, many European subsidiaries achieved positive results through focused savings and pilot projects in washing methods. As a result of successful pilots, the concepts will be expanded to other laundries in the course of 2010.

In order to keep pace with our environmental goals, Lindström has set an objective for 2010 of a reduction in energy consumption by six per cent. It is possible to reach that objective, with the development projects and saving actions that have already been started.

Water Consumption Decreased

In 2009, the total consumption of water was 1 114 000 m³, and specific consumption in proportion to kilos washed was 8.9 l/kg. The specific consumption was reduced by four per cent from the previous year, slightly below the targeted savings of six per cent. This development can, however, be regarded as good and sustainable, because there were steady improvements in laundries of all product groups and in all areas of operation.

In 2009, Lindström started several washing method pilots, aimed at increasing the total efficiency of the washing



process. The effects of these pilots were particularly visible in roll towel and workwear laundries in Finland and selected service centres outside of Finland.

In most of the service centres, however, reductions in water consumption were achieved through ordinary optimisation of the textile care process and particular attention paid to machinery maintenance. The modular laundry arrangements in Russia and the Baltic region became established, which manifested itself as a good trend in water consumption in the newest service centres. Furthermore, the continuing growth of the relative amount of mat washing always has a positive influence on the Group's total consumption of water, as mats consume less clean water than the other product groups.

Water consumption at Comforta's hotel textile laundries decreased by three per cent and, together with the growth in production volume, it had a favourable effect on the Group's total water consumption. The water recycling technology of new continuous batch washers has enabled the company to use water more efficiently. Furthermore, laundries have gradually implemented a new washing method whose overall effect became apparent as a reduction in the consumption of water, energy and detergents.

In an industrial laundry, water can be recycled between operational sites, as long as the washing result and microbiological quality are monitored. Washing and rinsing water of cleaner products can be used for washing dirtier products. Recovery can also be used within the same process and product group, so the share of recycled water of the total water consumption in the process will be between 30 and 50 per cent, depending on the product group. During 2009 Lindström has tested wastewater treatment whereby the proportion of recycled water would be increased to as much as 80 per cent. Testing has been centralised in India where the use of clean water as well as

production of wastewater is limited. New pilot projects have been planned for Europe, too.

For 2010, our target is to reduce water consumption by three per cent at Group level. We will aim for that target with the same development projects and saving measures as in energy consumption.

Wastewater is Monitored

Due to effective recycling of washing water, good-quality water is not discharged as wastewater. Lindström's laundries monitor wastewater quality with regular measurements. The results of those measurements help the laundries to choose their detergents and to recycle water. The quality of wastewater generated by a laundry depends on its clientele and the product group washed. Washing of hotel textiles and roll towels produces the cleanest wastewater, while the dirtiest is generated by the washing of industrial towels and rental mats.

Due to more effective recycling of water, the concentration of impurities in wastewater increases. In addition to the concentration, Lindström monitors load data of wastewater. Wastewater is regularly measured for the pH, BOD and COD, phosphorus, nitrogen, chloride and grease content and the content of suspended solids. Laundries handling workwear and mats also measure their heavy metal and oil contents.

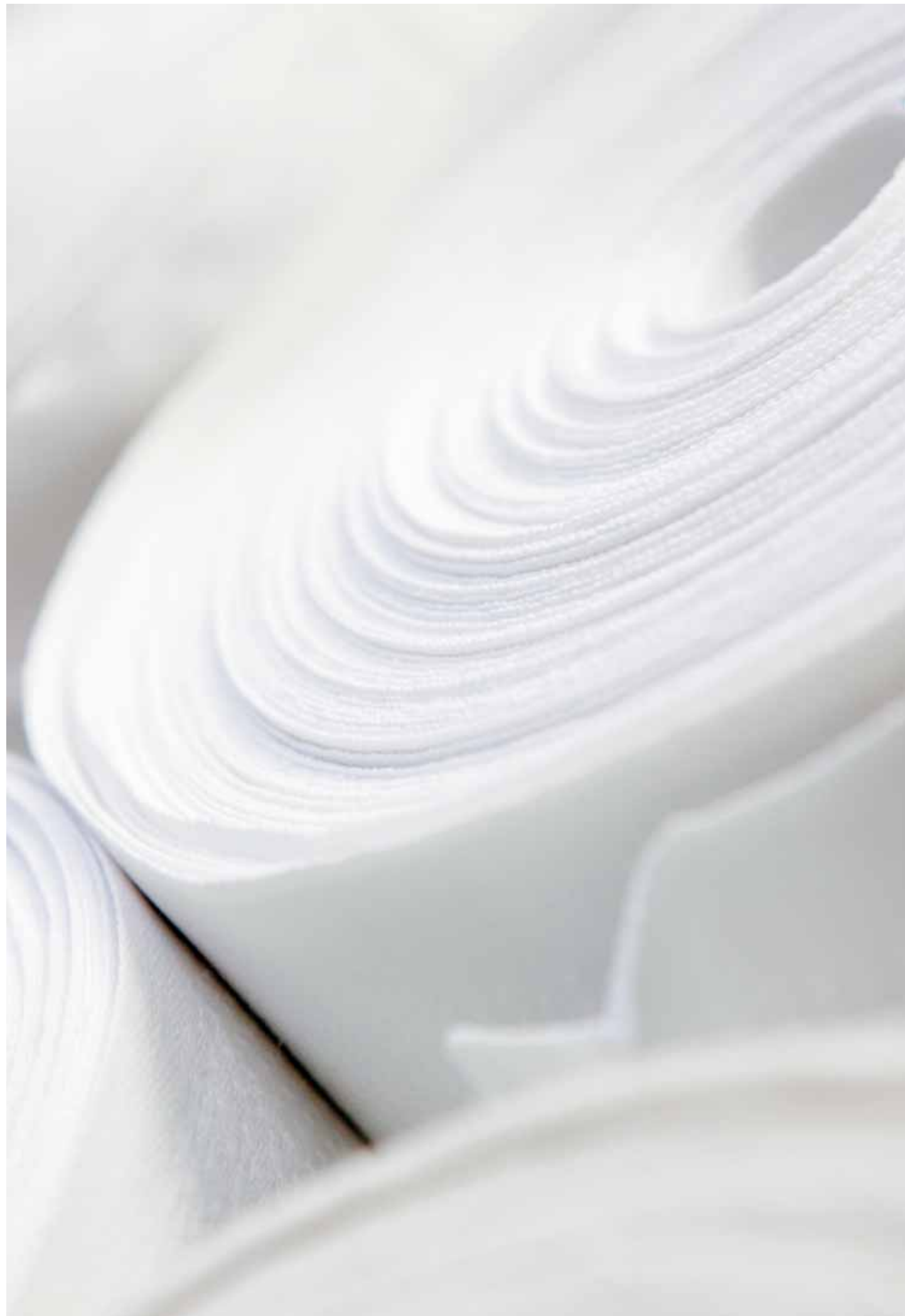
The values for hotel textile laundries are below the averages found in wastewater conducted to treatment plants. The figures for workwear and mat laundries are mostly under the limits set out in wastewater agreements or environmental permits. If the values have momentarily exceeded the limits, measurements have been taken more frequently, and the required actions have been agreed together with the local authorities or representatives of the treatment plant.

In 2009, there were individual cases where limits were exceeded at 13 Lind-

ström service centres. The anomalies have been identified and, where necessary, corrective action has been taken. For Finland, the most significant measures have been carried out in the Hämeenlinna industrial towel laundry and in mat laundries, which have invested in sand separation of wastewater. We have decided to add a wastewater treatment system in Romania, and to enhance the existing wastewater treatment system in Slovakia in the spring of 2010. With smaller overruns, anomalies have been brought under control through maintenance procedures and by adjusting the washing or wastewater treatment process. In 2010, the company will make a special investment in the upkeep and supervision of the wastewater systems.

The wastewater generated by a laundry handling industrial towels is treated with a combined flotation and flocculation method. In 2007 we carried out an extensive project to increase the capacity of the flotation method and to improve the quality of processed wastewater. The capacity of the new system proved insufficient, however, and we continued actions in 2009. The project was successfully completed at the end of the year. With the improved system, we will be able to separate not only oils and greases but also heavy metals from the wastewater of industrial towels. The resulting sludge is delivered to Ekokem Oy for disposal.

Depending on local wastewater regulations and legislation, wastewater is processed before it is discharged into the municipal sewer. Most of the wastewater from laundries is treated with a modular flocculation unit designed for removal of heavy metals. In 2007–2009, we have tested several different wastewater treatment systems in various countries of operations. The new systems have been well suited for laundry wastewater and have improved the quality of wastewater discharged into sewers.



Choice of Detergents Can Also Save the Environment

The following factors guide the choice of detergents:

- Overall efficiency of the washing process
- Detergents are easy to rinse off
- Requirements set by the environmental labels on the composition of the chemicals
- Environmental impact of the detergents.

The total consumption of detergents in 2009 was 1.7 million kilos, in other words eight per cent less than in the previous year. We also managed to reduce relative consumption by eight per cent compared with the preceding year. Relative consumption was 13.9 g/kg.

The large reduction in detergent consumption is a testament to successful development projects. In 2009, Lindström actively tested new washing method concepts suggested by the detergent suppliers. The concepts included not only new types of washing chemicals but also a new kind of thinking regarding the overall efficiency and ecology of the washing process. Detergents were replaced with agents that contained no phosphates and were more ecological than the old ones. The change in washing chemistry was considerable, and it took us a long time to optimise all the washing parameters. The aim of these new concepts is overall efficiency in both the economic and environmental sense. That is why it is important to continue the developments in 2010.

An annual saving target is set for the consumption of detergents per kilo of washed textiles for each laundry. The target is set in such a way that it aims at optimizing the washing process and quality, not so much cut the dosages of each

washing programme. In workwear laundries in subsidiaries, good results have been achieved by rationalising the sorting of laundry correctly for different washing program according to dirtiness. At Group level, the positive development has been affected by a relative increase in the washing amounts of mat and hotel textiles, because in both product groups the consumption of detergents is significantly smaller than in other Lindström product groups. However, the washing power of mat programs has been increased due to the prolonged replacement interval of the mats. In some laundries, the washing capacity has been intentionally maximised by shortening the washing time and increasing the detergent dose.

Sodium hypochlorite is used on a limited scale in laundries. Laundries of workwear and restaurant textiles still use it to wash very dirty categories. In hotel textiles the use of chlorine has been necessary to ensure the microbiological cleanliness of the process. In 2007–2008, a new washing and bleaching method for hotel textiles was implemented in stages that made it possible to discontinue the use of disinfection chlorine. Comforta's consumption of chlorine was cut in half in 2008, and in 2009 its use declined by a further four per cent. At Group level, however, the total consumption of chlorine grew because use at workwear laundries increased. Relative consumption per kilo of textiles washed was 0.6 g/kg, when the previous year's figure was 0.5 g/kg. It is our strategic intent to dispense with chlorine altogether.

Waste Amounts Are Tracked

Since 2008, the total amount of waste has been reported for the entire Group. Before this, only Finnish service centres

have been included in the calculations, because collection of information from European and Asian subsidiaries has not been systematic. Systematic collection of data in the subsidiaries began in 2006.

The total amount of waste at Lindström's service centres was 4,060 tons, of which municipal waste accounted for 430 tons (11 per cent) and hazardous waste for 550 tons (14 per cent). The municipal waste does not include sand and sludge from mat laundries, although it ends up as filling material at landfills. The majority of the hazardous waste comes from the industrial towel laundry in Hämeenlinna. The total amount of waste generated was 15 per cent smaller than in 2008. The decrease was mainly due to a reduction in the number of mats washed in the European subsidiaries. Sand separation in Finland was improved, and now the sand that is disposed is dryer than before.

The proportion of recycled waste grew in Finland from 71 per cent to 75 per cent and in the European and Asian subsidiaries from eight to 13 per cent. The result in subsidiaries was affected by an exceptionally small amount of sand sludge in the total waste, and we assume that the utilisation rate will be slightly lower once the production amounts are back to normal. As far as Finland is concerned, it must be noted that the hazardous waste from the Hämeenlinna industrial towel laundry is included in the recycled amount, because the energy generated at disposal is used for district heating. The company raised the recycling rate evenly by directing a part of the municipal waste to incineration and a part of the plastic waste to recycling instead of energy incineration.

Renovation of the industrial towel flota-

tion system, which began in the autumn of 2006, has caused a considerable increase in the amount of sludge disposed as hazardous waste. In 2009 the amount of sludge was 520 tons, compared with 420 tons in 2008. Improved wastewater treatment enables the company to separate oils and heavy metals more accurately from the wastewater of industrial towels into the sludge.

Waste Ends Up in Recycling

In Finland all textile waste is recycled. Discarded workwear, mats and industrial towels are burned at power plants as raw material for energy production. Roll towels are cut into rags and sold to industrial towel service customers for purposes in which recyclable towels cannot be used. All hotel textiles are supplied to a subcontractor for reuse or charity. Reuse functions for textile waste are searched for actively.

Energy incineration of textiles at the subsidiaries in Europe and Asia is minuscule because of the local waste recycling opportunities. In some countries textiles are simply disposed of through incineration without utilizing them as energy, in other countries they still end up at landfills. Lindström is constantly searching for alternatives to disposal of textile waste that are in accordance with sustainable development.

The sand and sludge waste from mat laundries contains large amounts of water and is suitable material for landfills. Usability of waste for landfills was last studied in 2007.

Hazardous waste generated in water laundries comprises mostly fluorescent tubes, batteries and waste oil. However, the amounts are fairly small. In dry-cleaning laundries, hazardous waste comprises distillation waste from dry-cleaning machines. Lindström has given up dry cleaning almost completely, and all that remains is a small dry-cleaning unit that has two dry-cleaning machines. The largest amounts of hazardous waste are produced by the industrial towel laundry, which generates sludge containing oils and solvents.

Transportation Is Part of the Life Cycle

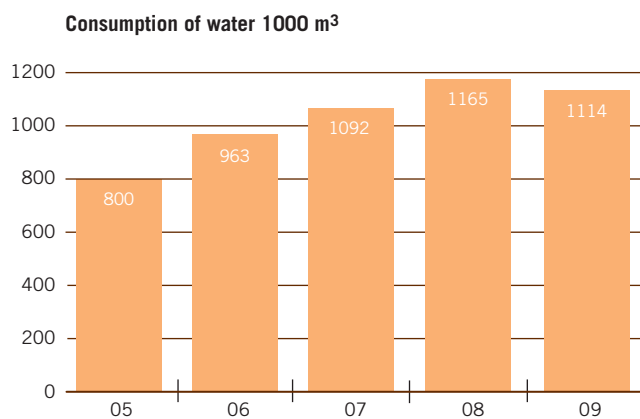
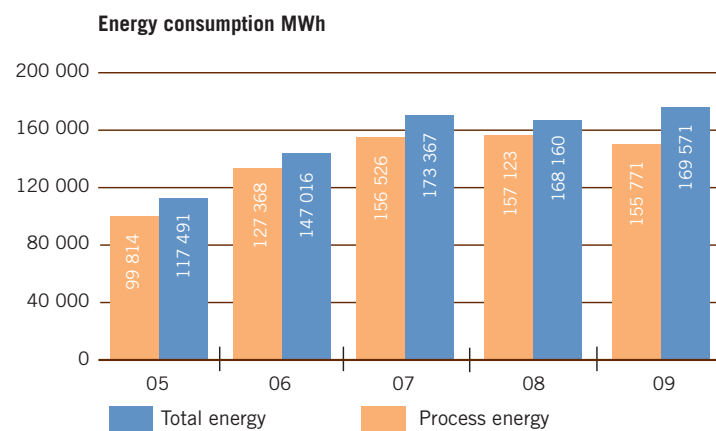
In 2009 the kilometrage increased by two per cent over 2008, to a total of 23.4 million kilometres. The number of kilometres driven per kilo washed was 0.19 km, which was three per cent more than in the previous year. Transport emissions grew in the same proportion.

Enhancement and optimisation of transports were especially successful in Comforta's services whose delivery efficiency rose by 14 per cent. Lindström's Finnish trunk traffic was lightened by new workwear laundries in Oulu and Vaajakoski which, together with ongoing route planning, provided an excellent boost to deliveries in Finland. Indeed, our long-term goal is to set up smaller modular laundries closer to customers and thus reduce the transport distances.

Textiles are washed in specialised laundries after which trunk

transports take them to distribution centres for delivery to customers. Trunk and delivery routes are being continuously optimized. Full loads are the goal in space usage and the 'One vehicle' principle is followed in transports: the same vehicle delivers clean textiles and picks up dirty ones. In the optimum case the same delivery vehicle delivers all products related to Lindström's services to the customer at the same time. The exception to combined deliveries is large cities, where the delivery vehicles are filled with products in one or two product groups. In 2010, a new delivery system will be implemented in Finland that includes new tools for route planning, as well. We aim to increase the share of combined deliveries at the same time.

Service centres in European and Asian subsidiaries serve a wider geographical area. For this reason, the proportion of delivery kilometrage per transported kilo of textiles outside of Finland is higher than in Finland. Growing clientele and new service centres will decrease the delivery kilometrage in the future. In 2009 the delivery kilometres of the European and Asian subsidiaries in proportion to kilos of textiles washed increased over the preceding year.



Group's ecological balance 2009

| IN | 2009 | 2008 |
|--------------------|--------------|--------------|
| Purchased textiles | 1 508 ton | 2 034 ton |
| Process energy | 155 771 MWh | 157 123 MWh |
| Oil | 41 315 MWh | 45 078 MWh |
| Natural gas | 57 216 MWh | 57 209 MWh |
| Propane | 23 495 MWh | 19 866 MWh |
| Purchased steam | 7 619 MWh | 6 804 MWh |
| Electricity | 1 776 MWh | 3 036 MWh |
| Electricity | 24 351 MWh | 25 131 MWh |
| Water | 1 114 242 m³ | 1 164 859 m³ |
| Detergents | 1 746 ton | 1 903 ton |

| | | |
|-----------------|-------------|-------------|
| Washed textiles | 125 457 ton | 126 351 ton |
|-----------------|-------------|-------------|

| OUT | 2009 | 2008 |
|----------------------------|------------|------------|
| Discarded textiles | 995 ton | 895 ton |
| CO ₂ emissions | 49 681 ton | 50 107 ton |
| Discharge to sewer network | | |
| BOD7 | 401 ton | 485 ton |
| COD | 1 190 ton | 1 318 ton |
| Phosphorus | 25 ton | 50 ton |
| Suspended solids | 307 ton | 377 ton |
| Heavy metals | 1,5 ton | 2,5 ton |
| Grease and oil | 80 ton | 107 ton |
| Municipal waste | 438 ton | 425 ton |

Environmental Goals 2012

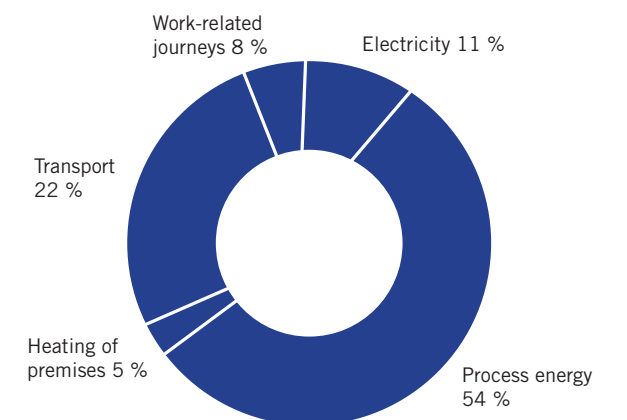
1. Reduction of the Group's average water consumption by eight per cent from the 2007 level.
2. Improvement of the Group's average energy efficiency by 14 per cent from the 2007 level.
3. Increase of the waste recycling degree to 70 per cent in Finland and 15 per cent in the European and Asian subsidiaries.

Carbon Dioxide Emissions

Total carbon dioxide emissions in 2009 were 49,700 tons, and CO₂ emissions in proportion to kilos washed were 400 g/kg. The emissions corresponded to the previous year's levels.

Carbon dioxide emissions have been monitored at Group level since 2004. The calculation of carbon dioxide emissions takes into consideration the use of electricity and process energy of the service centres, heating of premises, delivery and trunk transport and work-related car journeys by staff. It was not possible to calculate work-related journeys made by the personnel by public transport. Finnish emission factors have been used in calculating the CO₂ emissions of all countries of operation.

Breakdown of carbon dioxide emissions in 2009



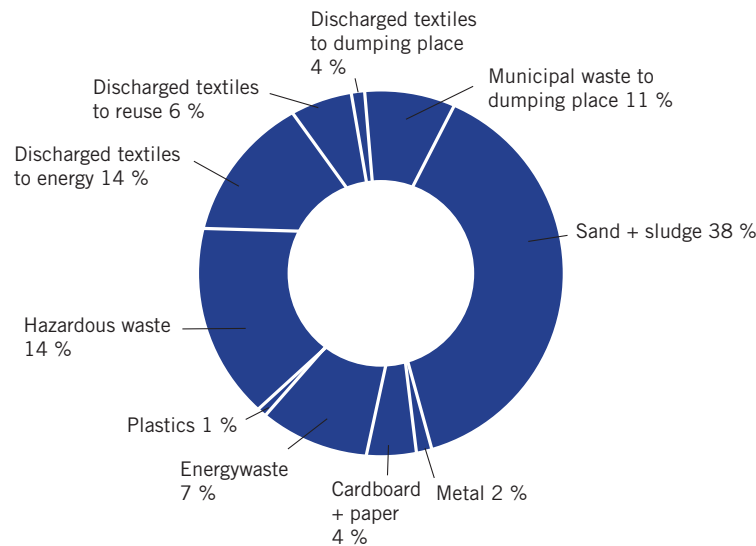
Fuel emission factors of the Nordic environmental label have been used in calculating the carbon dioxide emissions of energy. The emissions generated by electricity production are based on specific release figures supplied by the electricity supplier. Emissions generated by district heating have been calculated based on average district heating emissions in Finland. Transport emissions have been calculated using the unit emissions of VTT's Liisa system.



Social Responsibility

Personnel strategy is a part of the business strategy, and personnel matters are of great significance in Lindström Group's vision.

Distribution of total amount of waste in 2009



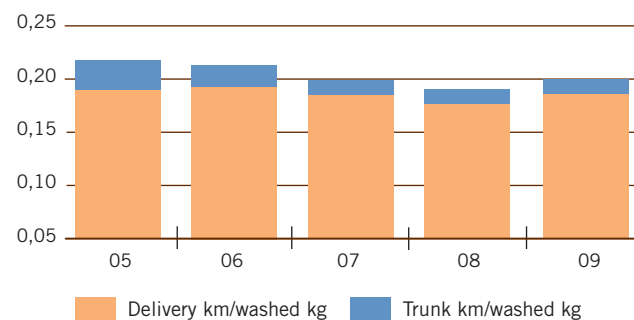
Sustainable Development Continues

In 2008 Lindström started certification of the ISO 14001 environmental system at the company's subsidiaries. A certification round encompassing all the service centres will be completed in 2010. The parent company received its first environmental certificate as early as 1998, and an environmental certificate encompassing all Finnish facilities has been in effect since 2004. Certification of the subsidiaries increases the significance of environmental matters in the company's business operations.

In addition to annual service centre specific objectives, environmental matters are guided with the help of goals at Group level. Material efficiency and especially energy efficiency are still focus areas of Lindström's environmental efforts, aimed at reducing greenhouse gasses and slowing down climate change. Developments related to water recycling and wastewater treatment will also be ever more important as our operations are expanding to countries with scarce water resources and poor municipal treatment of wastewater.

Reducing the amount of waste generated by our operations will be a challenge in the laundry sector, where most of the waste comes from an ever growing amount of textiles washed. It is even desirable that hazardous waste contained in dirty textiles ends up in a controlled manner in a laundry, and is sent from there for proper treatment. Since growing amounts of waste in a laundry may signify the best solution for the environment, future objectives are particularly related to increasing recycling of waste components.

Kilometrage per kilo of textiles washed km/kg



Emissions of transport per kilo of textiles washed

| Year | CO ₂ g/kg | CO g/kg | HC g/kg | NOX g/kg | Particles g/kg |
|------|----------------------|---------|---------|----------|----------------|
| 2005 | 99,2 | 0,16 | 0,15 | 0,67 | 0,03 |
| 2006 | 87,3 | 0,15 | 0,14 | 0,56 | 0,02 |
| 2007 | 78,1 | 0,15 | 0,14 | 0,45 | 0,02 |
| 2008 | 73,5 | 0,14 | 0,13 | 0,42 | 0,02 |
| 2009 | 86,8 | 0,21 | 0,18 | 0,48 | 0,01 |

Emission coefficients of three-year-old vehicles are used as a basis for the calculations. When selecting emission coefficients, it has been observed that the empty space above the roll containers cannot be utilised at the moment, so only half of the maximum capacity can be used. Transport emissions have been calculated using the unit emissions of VTT's Liisa system.

Personnel issues are of great significance in the Group's vision 2012, when Lindström wants to be a preferred employer in the minds of both personnel and outside parties, and to rank with the best quarter of the reference companies assessed by the staff in terms of Internal Company Image. According to the vision, we will invest in the well-being and development of our personnel and utilize our personnel resources on a global scale.

In 2009, strategic guidelines concerning the Group vision were kept unchanged and developed into practical steps. The company retains its goal of long-term, permanent employment, which will be made possible by promoting job rotation and investing in internal recruitment. Mapping of competence and personal development programmes will be used to enhance the competence of the personnel.

Well-being of the personnel is important, and it will be fostered with methods of preventive occupational health care and various development programmes. Success at work is supported with systematic performance evaluations and supportive rewards. We will focus particularly on successful selection of superiors and development of supervisory duties.

Personnel statistics cover the operations of the entire Lindström Group. The average number of personnel is calculated by taking into account the monthly numbers of those employees who were paid a salary that month and by dividing the number of part-time employees by two.

Number of Employees Decreased Slightly

In 2009, the Group's average number of personnel was 2,203, two per cent smaller than in the preceding year. The number of staff in Finnish operations fell by a little over three per cent, in the European and Asian units the number of employees remained at the 2008 level.

At the end of 2009, the number of personnel was 2,373. The total personnel employed by the Finnish companies at the end of the year was 1,362 (1,421 in 2008), whereas the figure for the European and Asian subsidiaries stood at 1,011 (1,056 in 2008).

In Finland the company's adaptation to an unstable market situation was evident in the decline of fixed-term employment from 18 per cent to 14 per cent, while part-time employment increased at the same time. In the subsidiaries outside Finland the number of personnel decreased toward the end of the year. There was a higher number of fixed-term jobs, whose proportion grew from 18 per cent to 23 per cent. Furthermore, especially in Finland, more employees were on a part-time pension, partial child-care leave, maternity or child-care leave and on job alternation or study leave than a year earlier.

Significant Reduction in Personnel Turnover

The Finnish companies hired fewer permanent employees than in the preceding year – only 50 (172 in 2008). They hired about 50 per cent fewer fixed-term employees than in 2008.

There were 118 summer workers in Finland, 41 of them acquainting themselves with working life. A total of 324 jobs were cancelled, 57 of them permanent, 14 persons retired on old-age pension and three on disability pension. A total of 23 people were terminated for production-related and financial reasons, as textile laundering was relocated to some other service centre closer to customers. The number of jobs cancelled during a trial period was 16. Thus the turnover of employees with permanent jobs dropped by one third and stood at less than 10 per cent, with undesirable turnover at four and one-half per cent.

The same trend was visible in the European and Asian subsidiaries that hired 126 new, permanent and 63 fixed-term employees – the number of new employees was about one third of the 2008 figure. 131 permanent and 146 fixed-term employments were cancelled. Turnover in the European and Asian subsidiaries was 18 and undesirable turnover seven per cent. A training programme on sales management was carried out in 2009, aimed at increasing sales efficiency as well as enhancing the motivation and well-being of the sales personnel. In the subsidiaries outside Finland, the largest turnover occurred as in earlier years in sales personnel, although it was nearly halved. Investments in recruitment and sales management, in particular, have reduced turnover substantially over the last three years, in addition to the situation in the labour market.

Inside the Group, approximately 40 persons changed their jobs in Finland.



Average Employee Age and Duration of Employment Are on the Rise

The average age of employees was 38.4 years, two years higher than in the previous year. In Finland the average age of personnel was 40 years: one year higher than before. In the European and Asian units the average age is 36.5 years: two years higher than before.

As in the preceding year, in the European and Asian subsidiaries the largest age group was 25–34 years, whilst in Finland the largest age group now is 35–44 years of age. In Finland, the relative share of people more than 55 years of age grew by one percentage point to 13 per cent and outside of Finland by one and one-half percentage point to 4.5 per cent. The number of part-time pensioners in Finland increased: 25 per cent of people over the age of 58 are on a part-time pension.

The average length of employment in the Finnish companies increased by a little less than a year to nine years, and the number of employments lasting more than 15 years grew by one percentage point to 22 per cent. In the European and Asian subsidiaries, the average duration of employments was 3.6 years. Duration of employments outside of Finland is affected by the ongoing establishment of new subsidiaries, and the longest employments are 16 years – that is how long it has been since the first subsidiary was founded.

Employees of the Year

Lindström annually rewards employees for quality performance.

In 2009, six employees were chosen for the reward in Finland: the sales person, customer service officer, textile care worker, service agent, internal partner and supervisor of the year. An employee of the year was also selected in each of the European and Asian subsidiaries. Also, the ten best sales representatives, as measured by sales results, with regard to each service were rewarded in the European and Asian units.

Proportion of Men Grew

At the end of 2009, 65 per cent of the Group's employees were female and 35 per cent were male. The proportion of males grew, as it did in the preceding year, by one percentage point. There was a similar trend throughout the Group: in Finland the division was 68 per cent female and 33 per cent male, and in the European and Asian subsidiaries 60 per cent female and 40 per cent male.

Women clearly dominate in tasks relating to customer service, where women's share is 94 per cent. In laundry production jobs, women's share is still high, i.e. 75 per cent, while men in production perform tasks in mat laundries and maintenance. The more mobile a job is, the more men hold such jobs. Of the sales personnel, however, women's share increased by six percentage points and now stands at 37 per cent. The number of sales person-

nel in proportion to other staff increased slightly compared with the previous year's figure.

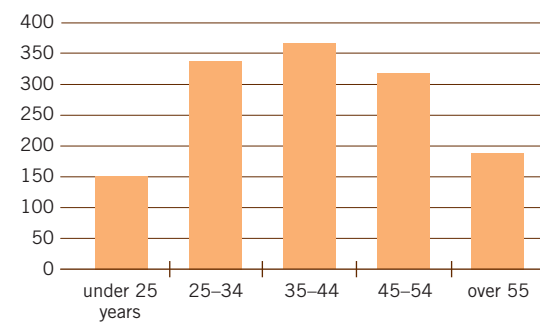
Women's share in managerial duties fell from 24 per cent to 20 per cent, likewise in supervisory jobs where it decreased by two percentage points to 39 per cent. Of the 16 country managers in the European and Asian subsidiaries, one is female. The Group's executive team had seven members, two of them female. The Board of Directors of the Group had one female member.

Job Satisfaction Increased

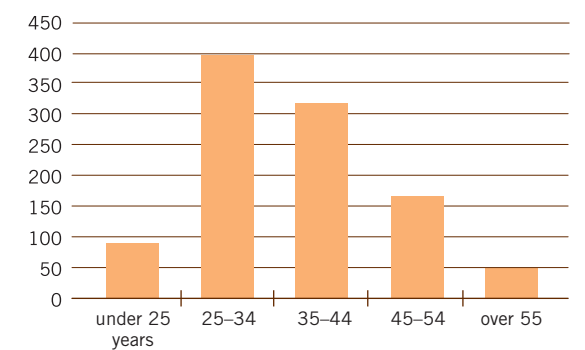
Lindström has measured job satisfaction for 15 years. A new Human Potential survey, which had been adopted in 2008 and which assesses the state and productivity of the work community, was repeated in 2009. The survey measures those qualities in the work community that affect development of competence, working prerequisites and work motivation. The results from the survey are condensed into one key figure, called the Human Potential Index, which can be used to monitor and analyse results and developments. Of the Group's entire personnel, 73 per cent answered the survey, a few percentage points more than in the preceding year.

In 2009, the Lindström Group's index figure was 326 (305 in 2008). The parent company Lindström Oy's index was 278 (266 in 2008), which is slightly better than the averages obtained by Finnish

Age structure of personnel in Finland



Age structure of personnel outside Finland



reference companies but still a little lower than the best quarter, the company's vision objective for 2012. The index of the European and Asian subsidiaries improved to 460 (438 in 2008), well above the average of the global reference companies and already at the vision objective.

As in the previous year, Finnish respondents felt that the most positive qualities were self-knowledge, working capacity, and being comfortable in the work community. Knowledge of the company's business operations and knowledge of customer expectations were also regarded as strengths. High on the list of negative issues were matters related to supportive rewards, although the level of results was somewhat higher than in the reference companies.

Some of the employees were dissatisfied with communication as well as training and influence opportunities. There was progress in these matters compared with the previous year, however, particularly in units where small-group activities started at Lindström was well underway before the survey was conducted. Development measures agreed to in the preceding year, such as training of the basic qualification of textile care workers and development of Web learning methods, will continue. Work community conciliation tested in problematic situations gave some good results – conciliation will be used as a tool in the future. Lindström is one of the first companies in Finland that has applied this method successfully.

Employees at the European and Asian units experienced the same things as most positive as in Finland, but the significance of the work and clear objectives also made it to the list of most positive matters. Possibilities for new duties and training opportunities ranked in the list of the most negative factors. Launch of small-group activities in new countries and development of the Web learning environment for the subsidiaries were selected as measures for development. The small-group activity model was adopted in almost all the Finnish units and the Hungarian subsidiary. In one year, small groups produced more than 500 suggestions for development, and approximately 80 per cent of them had been carried out by the end of the year. On the basis of the Hungarian experience, the small-group activities will next be implemented in Estonia and Lithuania.

The profit sharing system covers the entire personnel. The company pays particular attention to incentive remuneration and suitability of pay basis for the jobs of its employees. Different bonuses accounted for approx. 4.5 per cent of the entire Group's wages and salaries.

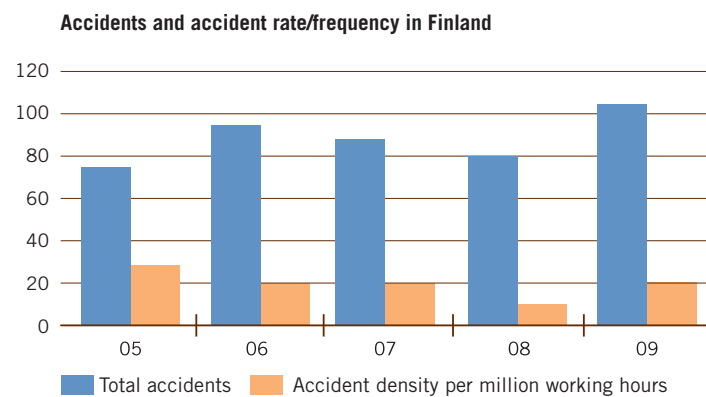
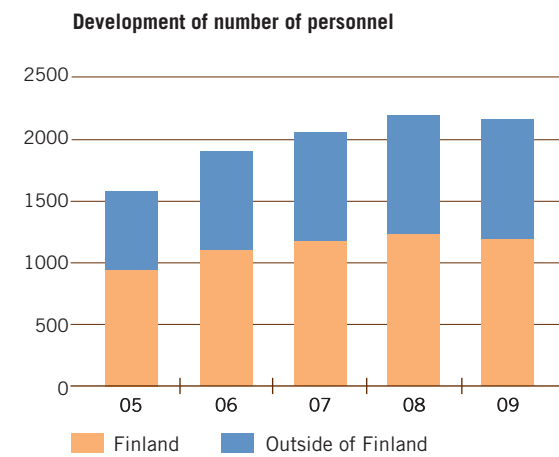
In Finland, 480 euros per employee, i.e., 20 per cent more than in the previous year were spent on maintaining working capacity and treatment of illnesses. The increase was due to the fact that Comforta's occupational health benefits were raised to the same level with the parent company. Comforta was also joined in charting of personnel resources that has been done in the parent company four years running, and also during a pre-employment examination. About one third of those who responded were invited to a medical examination at the occupational health

clinic, where they were given an individual development programme. The overall health of the respondents was somewhat weaker compared with people who have usually responded to a similar study in Finland, and no change from the previous year could be detected.

Investments in the working capacity of the personnel and the work atmosphere have led to a decrease in sick days. In Lindström Group, the number of sick days was 9.6 days per person, a reduction by eight per cent for the second year in a row. The favourable trend continued in and outside of Finland. There were a total of 12,750 sick days in Finland, 900 days less than in the preceding year, a decrease of just under one day per person. The European and Asian subsidiaries had 8,380 sick days, or 8.5 days per person. That is a reduction of more than 10 per cent in comparison with 2008.

An Increase in the Number of Occupational Accidents

The number of occupational accidents in Finland had fallen three years in a row but in 2009 they totalled 103, 20 accidents more



than in 2008. The rate of accidents causing more than one sick day again rose above 19, the figure from two years ago. Also, the number of sick days caused by accidents grew to 10 days per accident (8 days in 2008).

The main causes of sick days were accidents during removal of malfunctions and careless movement inside production facilities. Many employees hurt their fingers in packing situations, such as handling of roll containers.

The trend in the subsidiaries outside Finland was more favourable: five occupational accidents (15 in 2008). The accidents caused 55 sick days. Compilation of statistics in European and Asian companies was improved such that all accidents could be registered. At the same time, practices were unified in accordance with the Finnish operations.

The Finnish parent company continued with measures selected on the basis of the preceding year's occupational safety survey, and a similar survey was also conducted at Comforta Oy. Risk assessments were updated and evaluations were made for all officials, and training was also provided. Lindström also tried to af-

fect employee attitudes toward occupational safety with a monthly bulleting. The company chose occupational safety card training for all work safety representatives and executives as the focal point of 2010. Members of the work safety management group will make occupational safety audits, so that all the units will be audited in the course of this year. Chemical safety is a particular audit issue. Furthermore, usability and safety will be areas of special focus in a roll container development project. Each unit will select its own development targets on the basis of an occupational safety survey. The European and Asian subsidiaries will invest in audits and chemical safety as well as the use of personal protective equipment and protection shoes.

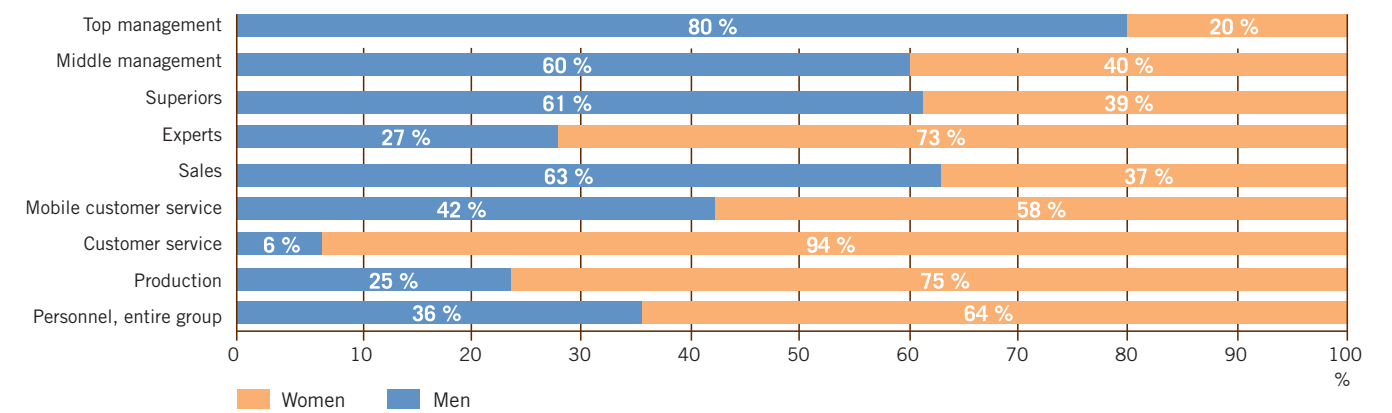
Investments in Training

Lindström's training investments were slightly smaller than in 2008, totalling 698,000 euros, or 317 euros per person. There were, however, the same number of training days, 1.1 days per person. Investment in training does not include wages and salaries paid during personnel training, Lindström's internal training

Quality of attachments

| | Finland | Outside of Finland | Group |
|---------------------------|---------|--------------------|-------|
| Number of personnel | 1 362 | 1 011 | 2 373 |
| Permanent employment | 1 171 | 728 | 1 899 |
| Fixed term employment | 191 | 238 | 429 |
| Part-time employment | 281 | 92 | 373 |
| Maternity / nursing leave | 52 | 40 | 92 |
| Alternation / study leave | 9 | 4 | 13 |

Various positions held by men and women





nor preparation of training materials. About half of all training was conducted as internal training.

The sales organisation completed a training programme on management and sales skills. Its objective was to improve efficiency. Participants included the entire sales personnel in Finland and sales supervisors from the European and Asian subsidiaries. In addition, a continuing training plan was prepared for the sales personnel.

In Finland we completed a training programme called “The Customer and Us”, which focused on customer service and service culture; the participants were employees at the customer interface.

The programme was realised as contact teaching, supported with Web learning methods. It will continue as internal training in the subsidiaries outside Finland.

Training events in supervisory work were directed at employment issues and development discussions, in use throughout the Group. The company monitors realisation of the development discussions in Finland in a personal information system, where personal development plans are saved. Implementation of the personal information system in the European and Asian subsidiaries began last year, and the training and development module of the system in its entirety will be operational by the end of 2010.

Last spring, Lindström launched its first one-year mentoring programme, for which 15 mentor-actor pairs were selected. The programme yielded positive experiences and, since it is a good personnel development tool, it will be continued as an annual programme.

In the spring of 2009 Lindström Group also started its first Trainee programme, in which three recent graduates with a higher university degree were chosen for permanent employment. The programme lasts one year and includes training periods at various units of the organisation, including European and Asian subsidiaries.

Late last year, the company started in Finland two programmes aimed at the basic qualification of a textile care worker, with 35 textile care workers as participants. A training plan was prepared for each participant, taking into account his or her current competence. The programmes will last for approximately two

years. They will be conducted as contact and remote teaching, through Web learning methods. The contact teaching will take place under the guidance of a teacher from an educational institution or an in-house expert.

Lindström implemented a customer relationship management (CRM) section in the C-Orbit information system project that has lasted three years. In the first stage of user training, the company trained a sizable network of support persons that trained the end users and managed post-implementation support. These training events are not included in the Group’s training days.

Web Learning as Part of Development

Web learning methods provided by various educational companies have been used in several training events. At the end of the year, however, Lindström Group started a project to create its own Web learning concept. The objective is to create a simple and cost-efficient concept to enhance both the orientation of new employees and create the framework for realisation of internal training courses.

Unionisation of the Personnel

In Finland, the collective bargaining agreement between the Chemical Workers’ Union and the General Industrial Association is applied to the personnel in laundries.

Officials, on the other hand, are covered by the collective labour agreement for officials of the Chemical Industry Federation of Finland. Each year, there are at least two annual meetings arranged between management and shop stewards who deal with the previous year’s events and the plans and focus areas for the following year.

In all countries of operation, the personnel have full freedom of association. Countries where the subsidiaries operate do not, however, have similar procedures on terms of employment as in Finland, so work is governed by local labour legislation and Lindström’s internal practices.

Social Responsibility in Procurement of Products

Lindström ensures that qualitatively its products meet even the strictest special requirements. The Group continuously monitors the development of legislation,

especially on workwear and protection equipment.

Lindström’s internationalisation and success in it have led to growth. The larger-than-ever company size makes possible bargaining power and larger one-off purchases – and also more economical textile service to the customers.

Lindström favours long-term supplier relations. Products that we rent and sell are purchased from known suppliers, we do not use one-time suppliers. Purchase contracts include a Code of Conduct section, which is based on the SA 8000 standard and to which the suppliers are committed through their signatures. It contains requirements on compliance with laws and statutes, management of environmental issues, occupational safety, use of child labour, observance of working hours and non-discrimination. When auditing textile suppliers, the company pays particular attention not only to matters of quality and delivery reliability but also to the manner in which issues relating to the environment, occupational safety and employment relationships have been handled.

In 2009, the company audited approximately 15 per cent of its important suppliers. Also, a representative office in China audits the local suppliers regularly; European suppliers are controlled from Finland.

Furthermore, a quality manual has been written for suppliers to guarantee product quality. The manual covers quality requirements set on suppliers as regards both the quality of products and the correctness of deliveries. The manual also establishes criteria for new suppliers and acts as a great tool for evaluating current suppliers.



GRI Correspondence Table

| GRI Content Index | Included and reported | Variation or deviation |
|---|--|---|
| 1 CEO's review, General description of sustainability – key impacts, risks and opportunities | The report includes the CEO's Review. The key impacts, risks and opportunities regarding sustainability have been considered in several parts of the report. | Economical, social and environmental responsibility guide Lindström's operations. Therefore the company has not defined a separate sustainability strategy, vision or management system. |
| 2 Organizational information | The report includes general information about the company. | |
| 3 Description, scope and assurance of the report | The report describes Lindström's operations widely and defines: - reporting principles - calculations formulas - changes in reporting - GRI-content comparison. The process of defining the essential issues has been completed and is commented in this report. | Lindström's sustainability report has not been assured. |
| 4 Corporate Governance Commitments towards initiatives Product safety Cooperation with interest groups | The report describes firm administrative bodies, independence of the board, interest groups, initiatives that Lindström is committed to - and memberships in different associations. The report states, that leadership rewarding is based on both financial and social responsibility indicators. | Sustainability principles, values and procedures (see comment 1 on this page). Processes in place for the highest governance body to ensure conflicts of interest are not reported. The precautionary approach introduced in the Rio Principles is not as such reported although product safety matters are perceived in this report. |
| 5 The Disclosures on Management Approach and results | | |
| Economical responsibility | Flow of capital among different stakeholders. Main economic impacts of the organization throughout society have been reported. Suppliers of goods and services have been reported. Recruitment of local leaders is reported. Development of local infrastructure and work-division into provinces has been reported. | Geographical segments reported are: Finland, European subsidiaries, and Asia. |
| Environmental responsibility | The environmental dimension of sustainability reported cover impacts on natural systems. Indicators cover management approach, usage of raw materials, energy and water. Effluents and CO ₂ and transport emissions have been reported. Waste distribution, environmental risks, and possible environmental remarks have been reported. | The following matters are not relevant to Lindström's operations: - Performance related to biodiversity - Impacts on ozone loss - Return of product packaging materials (a rental textile service). Lindström has not received fines or environmental penalties during the reporting period. |
| Social responsibility | Development of the number of employees has been reported. The quality of attachments, the turnover of workers and rearrangement of employment have been reported. Freedom of association and collective bargaining has been reported. Occupational safety statistics and preliminary precautions are reported. Time and budget spent on personnel training has been reported as well as the division of men and women into different positions. In addition the life cycle and supply chain of products is described and product safety and information and labelling issues reported. Human rights i.e. child labour issues are relevant and only reported as a part of the Supplier Code of Conduct. | Men and women's salaries are not followed or reported separately. Internal rules towards bribery and corruption and communication guidelines have been described earlier in this report. Political donations are described in corporate sponsoring principles. Lindström has not reported or received fines or sanctions regarding product safety. |

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