

Lassila & Tikanoja plc  
Stock Exchange Release  
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## **Lassila & Tikanoja plc: Half-Year Report 1 January – 30 June 2017**

- Net sales for the second quarter were EUR 167.2 million (EUR 166.9 million), operating profit was EUR 10.1 million (EUR 14.1 million) and earnings per share EUR 0.19 (EUR 0.38)
- Net sales for January–June increased by 0.5% to EUR 329.2 million (EUR 327.5 million), operating profit was EUR 15.2 million (EUR 20.9 million) and earnings per share EUR 0.30 (EUR 0.52)
- Full-year net sales in 2017 are expected to remain at the 2016 level and operating profit is expected to be below the 2016 level

### **CEO PEKKA OJANPÄÄ:**

“Lassila & Tikanoja’s result for the first half of the year was weaker than expected. The Industrial Services business grew and improved its profitability year-on-year thanks to strong demand. The net sales of Environmental Services increased slightly year-on-year, but profitability declined. The result of Facility Services fell short of expectations, mainly due to the weaker-than-anticipated result in renovation business and the maintenance of technical systems as well as the expenses related to the deployment of the new ERP system. We will continue to implement our current measures to improve profitability. In line with our strategy, we will expand our service offering in the growing Swedish market by acquiring Veolia FM AB, which provides maintenance of technical systems. The acquisition will also provide opportunities for transferring special expertise from Sweden to Finland, especially in operations involving hospitals and the public sector. The acquisition is expected to be finalised during the third quarter of 2017.”

### **GROUP NET SALES AND FINANCIAL PERFORMANCE**

#### **April–June**

Lassila & Tikanoja’s net sales for the second quarter increased by 0.2% to EUR 167.2 million (EUR 166.9 million). Operating profit totalled EUR 10.1 million (EUR 14.1 million), representing 6.0% (8.4%) of net sales. Earnings per share were EUR 0.19 (EUR 0.38).

Net sales increased in Industrial Services and Renewable Energy Sources, but decreased year-on-year in Facility Services and Environmental Services.

Operating profit increased in Industrial Services and Renewable Energy Sources, but the profitability of Environmental Services and Facility Services was lower than in the previous year. In addition to the lower profitability of business operations compared to the previous year, the operating profit was weighed down by expenses of EUR 0.7 million recognised in the second quarter in relation to the Veolia FM AB acquisition announced in June. The Group also increased its cost provisions related to the closure of landfills by EUR 0.6 million in the second quarter.

#### **January–June**

Net sales for January–June increased by 0.5% to EUR 329.2 million (EUR 327.5 million). Operating profit totalled EUR 15.2 million (EUR 20.9 million), representing 4.6% (6.4%) of net sales. Earnings per share were EUR 0.30 (EUR 0.52).

During the first half of the year, net sales increased in Industrial Services and Environmental Services, but decreased year-on-year in Facility Services and Renewable Energy Sources.

Operating profit increased in Industrial Services, while the profitability of Environmental Services, Renewable Energy Sources and Facility Services was lower than in the comparison period.

**Financial summary**

	<b>4–6/ 2017</b>	<b>4–6/ 2016</b>	<b>Change</b>	<b>1–6/ 2017</b>	<b>1–6/ 2016</b>	<b>Change</b>	<b>1–12/ 2016</b>
Net sales, EUR million	<b>167.2</b>	166.9	0.2%	<b>329.2</b>	327.5	0.5%	661.8
Operating profit, EUR million	<b>10.1</b>	14.1	-28.4%	<b>15.2</b>	20.9	-27.1%	50.5
Operating margin, %	<b>6.0</b>	8.4		<b>4.6</b>	6.4		7.6
Profit before tax, EUR million	<b>9.4</b>	13.9	-32.6%	<b>14.6</b>	20.8	-29.8%	50.1
Earnings per share, EUR	<b>0.19</b>	0.38	-49.0%	<b>0.30</b>	0.52	-42.2%	1.13
Cash flow from operating activities/share, EUR	<b>0.40</b>	0.61	-34.0%	<b>0.58</b>	0.12	395.4%	1.99
EVA, EUR million	<b>5.0</b>	9.1	-45.1%	<b>5.1</b>	10.9	-53.4%	30.7

**NET SALES AND OPERATING PROFIT BY DIVISION****Environmental Services****Second quarter**

The division's net sales for the second quarter amounted to EUR 67.4 million (EUR 68.2 million). Operating profit totalled EUR 7.7 million (EUR 9.2 million).

The operating profit of Environmental Services was particularly weighed down in the second quarter by an increase of EUR 0.6 million in cost provisions related to the closure of landfills.

**January–June**

Net sales for the first half of the year totalled EUR 130.3 million (EUR 130.0 million). Operating profit was EUR 13.7 million (EUR 14.6 million).

The division's operating profit for the first half of the year was reduced by fuel costs being higher than in the previous year, the impact of municipalisation on the availability and prices of secondary raw materials and an increase in cost provisions related to the closure of landfills.

**Industrial Services****Second quarter**

The division's net sales for the second quarter increased by 13.2% to EUR 23.6 million (EUR 20.9 million). Operating profit increased by 19.7% to EUR 2.6 million (EUR 2.1 million).

Net sales grew across all of the division's service lines, particularly in environmental construction and sewer maintenance.

Operating profit increased in hazardous waste management and process cleaning but declined in environmental construction.

**January–June**

The net sales of the Industrial Services division grew by 12.7% in January–June and amounted to EUR 41.5 million (EUR 36.8 million). Operating profit was EUR 2.4 million (EUR 1.8 million).

Net sales grew across all of the division's service lines during the first half of the year. Operating profit increased in hazardous waste management and process cleaning.

**Facility Services****Second quarter**

The division's net sales for the second quarter were down by 1.9% to EUR 71.4 million (EUR 72.8 million). Operating profit totalled EUR 1.1 million (EUR 3.7 million).

Net sales decreased in the renovation business and the maintenance of technical systems. The net sales of the cleaning business and the property maintenance business remained on a par with the comparison period.

The operating profit of the cleaning business grew year-on-year due to previously implemented efficiency improvement measures. The operating profit of the division's other service lines declined. The decrease in profitability was attributable to the operational efficiency of the maintenance of technical

systems business being weaker than in the comparison period and, in particular, the expenses arising from efficiency improvement measures in the renovation business, which reduced the service line's operating profit in the second quarter. The result of the property maintenance business was weighed down by the deployment of a new ERP system in the Facility Services division.

#### **January–June**

The Facility Services division's operating profit in January–June was EUR 142.9 million (EUR 145.0 million). Operating profit totalled EUR 0.9 million (EUR 4.9 million).

The division's net sales increased during the first half of the year in the renovation business and the cleaning business. Profitability improved in the cleaning business but declined in the division's other service lines. In the renovation business, the decline in profitability was due to the weak result in the first quarter and the costs arising from the efficiency improvement measures implemented in the second quarter. In the maintenance of technical systems business, the result showed a decline due to profitability being lower than in the previous year. In the property maintenance business, the weaker profitability was due to the impact on profit and loss from the deployment of the new ERP system.

### **Renewable Energy Sources**

#### **Second quarter**

The second quarter net sales of Renewable Energy Sources (L&T Biowatti) amounted to EUR 7.3 million (EUR 7.0 million). Operating profit totalled EUR 0.2 million (EUR 0.0 million). The increase was mainly due to the improved energy content of fuel deliveries.

The division's net sales and operating profit increased compared to the previous year.

#### **January–June**

The net sales of the Renewable Energy Sources division totalled EUR 19.4 million (EUR 19.8 million) in January–June. Operating profit was EUR 0.5 million (EUR 0.7 million).

The division's net sales and operating profit decreased year-on-year due to weaker demand in the first quarter.

### **FINANCING**

Cash flow from operating activities amounted to EUR 22.3 million (EUR 4.5 million) in the first half of the year. A total of EUR 6.4 million in working capital was committed (EUR 27.2 million committed). The amount of working capital in the comparison period was increased by a different payment practice for employment pension contributions in 2016.

At the end of the period, interest-bearing liabilities amounted to EUR 111.0 million (EUR 103.8 million).

Net interest-bearing liabilities amounted to EUR 70.8 million (EUR 87.5 million), showing an increase of EUR 32.2 million from the beginning of the year and a decrease of EUR 16.6 million from the comparison period.

Net financial expenses in January–June amounted to EUR 0.6 million (EUR 0.1 million), including EUR 0.7 million in positive change in the fair value of currency hedges. Net financial expenses were 0.2% (0.0%) of net sales. The net financial expenses in the comparison period included EUR 0.7 million in exchange rate gains arising from the appreciation of the Russian rouble.

The average interest rate on long-term loans (with interest rate hedging) was 1.1% (1.5%). Loans totalling EUR 41.3 million will mature in 2017, including the short-term commercial papers currently in use.

The equity ratio was 43.5% (44.1%) and the gearing rate was 35.6 (43.9). Liquid assets at the end of the period amounted to EUR 40.2 million (EUR 16.3 million).

Of the EUR 100 million commercial paper programme, EUR 40 million (EUR 10.0 million) was in use at the end of the period. A committed limit totalling EUR 30.0 million was not in use, as was the case in the comparison period.

### **DISTRIBUTION OF ASSETS**

The Annual General Meeting held on 16 March 2017 resolved that a dividend of EUR 0.92 per share be paid on the basis of the balance sheet that was adopted for the financial year 2016. The dividend, totalling EUR 35.3 million, was paid to shareholders on 27 March 2017.

## **CAPITAL EXPENDITURE**

Gross capital expenditure in the first half of the year totalled EUR 20.6 million (EUR 18.7 million), consisting primarily of machine and equipment purchases, investments in information systems and acquisitions. Of the significant ongoing information system projects, the new ERP system for Facility Services was deployed in the property maintenance business in the first half of 2017. The deployments in other service lines continue.

## **PERSONNEL**

In the second quarter, the average number of employees converted into full-time equivalents was 6,942 (6,961). At the end of the period, Lassila & Tikanoja had 8,512 (8,631) full-time and part-time employees. Of these, 7,549 (7,758) worked in Finland and 963 (873) in other countries.

## **SHARES AND SHARE CAPITAL**

### **Traded volume and price**

The volume of trading on Nasdaq Helsinki in January–June 2017, excluding the shares held by the company in Lassila & Tikanoja plc, was 3,455,513 shares, which is 9.0% (9.6%) of the average number of outstanding shares. The value of trading was EUR 64.2 million (EUR 59.4 million). The highest share price was EUR 19.36 and the lowest EUR 17.22. The closing price was EUR 18.41. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 706.9 million (EUR 639.0 million).

### **Own shares**

At the end of the period, the company held 400,862 of its own shares, representing 1.0% of all shares and votes.

### **Share capital and number of shares**

The company's registered share capital amounts to EUR 19,399,437 and the number of outstanding shares is 38,398,012. The average number of shares excluding the shares held by the company was 38,391,847.

### **Shareholders**

At the end of the period, the company had 12,064 (10,515) shareholders. Nominee-registered holdings accounted for 18.6% (17.3%) of the total number of shares.

### **Authorisation for the Board of Directors**

The Annual General Meeting held on 16 March 2017 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the company's unrestricted equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on a share issue and the issuance of special rights entitling their holders to shares.

The Board of Directors is authorised to purchase a maximum of 2,000,000 company shares (5.2% of the total number of shares). The repurchase authorisation is effective for 18 months.

The Board of Directors is authorised to decide on the issuance of new shares or shares which may be held by the company through a share issue and/or issuance of option rights or other special rights conferring entitlement to shares, referred to in Chapter 10, Section 1 of the Finnish Companies Act, so that under the authorisation, a maximum of 2,000,000 shares (5.2% of the total number of shares) may be issued and/or conveyed. The share issue authorisation is effective for 18 months.

## **BOARD OF DIRECTORS**

The members of Lassila & Tikanoja plc's Board of Directors are Heikki Bergholm, Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Miikka Maijala and Laura Tarkka. At its constitutive meeting after the Annual General Meeting, the Board of Directors elected Heikki Bergholm as Chairman of the Board and Sakari Lassila as Vice Chairman.

Sakari Lassila was elected as the Chairman of the Audit Committee and Teemu Kangas-Kärki and Laura Tarkka as members. Heikki Bergholm was elected as the Chairman of the Personnel Committee and Laura Lares and Miikka Maijala as members.

## **SUMMARY OF STOCK EXCHANGE RELEASES PURSUANT TO ARTICLE 4, CHAPTER 6 OF THE SECURITIES MARKET ACT**

On 13 June 2017, the company announced a change to its outlook for 2017. Full-year net sales in 2017 are expected to remain at the 2016 level and operating profit is expected to be below the 2016 level. Previously, the company had estimated that the 2017 net sales and operating profit were expected to remain at the 2016 level. The company lowered its outlook for the operating profit due to weak profitability in Facility Services and particularly in the renovation business.

On 20 June 2017, the company announced that it has signed an agreement to acquire Veolia's facility management business in Sweden through the acquisition of 100 per cent of the shares of Veolia FM AB from Veolia Nordic AB. The company indicated that the acquisition is aimed at strengthening its presence in the Swedish facility services market by broadening its service offering in Sweden to include the maintenance of technical systems. The acquisition is expected to be finalised during the third quarter of 2017.

### **EVENTS AFTER THE REVIEW PERIOD**

On 4 July 2017, the company announced that it has received a notification from Kabouter Management, LLC according to which its holding in Lassila & Tikanoja had increased above 5% to 7.53%.

### **NEAR-TERM RISKS AND UNCERTAINTIES**

Changes in the economy may result in significant changes in the secondary raw material markets for Environmental Services and the demand for Facility Services and Industrial Services.

Changes in the prices of fossil fuels may affect the demand of the recovered and renewable fuels produced by the company.

The deployment of the company's new ERP system, which began last year, will continue in 2017 and 2018. The deployment of the new system may lead to temporary costs arising from changes in the operating model, which can have a negative effect on the company's result.

More detailed information on Lassila & Tikanoja's risks and risk management is available in the 2016 Annual Report, and in the Report of the Board of Directors and the consolidated financial statements.

### **OUTLOOK FOR THE YEAR 2017**

Lassila & Tikanoja's full-year net sales in 2017 are expected to remain at the 2016 level and operating profit is expected to be below the 2016 level.

**CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 30 JUNE 2017****CONSOLIDATED INCOME STATEMENT**

EUR million	4–6/2017	4–6/2016	1–6/2017	1–6/2016	1–12/2016
<b>Net sales</b>	<b>167.2</b>	166.9	<b>329.2</b>	327.5	661.8
Other operating income	<b>2.6</b>	1.7	<b>3.6</b>	2.6	4.8
Change of inventory	<b>-0.2</b>	1.4	<b>0.6</b>	1.3	1.1
Materials and services	<b>-50.9</b>	-50.4	<b>-104.9</b>	-100.7	-206.3
Employee benefit expenses	<b>-74.4</b>	-73.3	<b>-145.0</b>	-144.8	-280.8
Other operating expenses	<b>-24.5</b>	-22.6	<b>-48.5</b>	-45.6	-91.4
Depreciation and impairment	<b>-9.8</b>	-9.5	<b>-19.7</b>	-19.4	-38.8
<b>Operating profit</b>	<b>10.1</b>	14.1	<b>15.2</b>	20.9	50.5
Financial income and expenses	<b>-0.7</b>	-0.2	<b>-0.6</b>	-0.1	-0.4
<b>Profit before tax</b>	<b>9.4</b>	13.9	<b>14.6</b>	20.8	50.1
Income taxes	<b>-2.0</b>	0.6	<b>-3.0</b>	-0.8	-6.7
<b>Profit for the period</b>	<b>7.4</b>	14.5	<b>11.6</b>	20.0	43.4
<b>Attributable to:</b>					
Equity holders of the company	<b>7.4</b>	14.5	<b>11.6</b>	20.0	43.4
Non-controlling interest	<b>0.0</b>	0.0	<b>0.0</b>	0.0	0.0
<b>Earnings per share attributable to equity holders of the parent company:</b>					
Earnings per share, EUR	<b>0.19</b>	0.38	<b>0.30</b>	0.52	1.13
Diluted earnings per share, EUR	<b>0.19</b>	0.38	<b>0.30</b>	0.52	1.13

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
<b>Profit for the period</b>	<b>7.4</b>	14.5	<b>11.6</b>	20.0	43.4
<b>Items not to be recognised through profit or loss</b>					
Items arising from re-measurement of defined benefit plans	<b>0.0</b>	0.0	<b>0.0</b>	0.0	0.0
Items not to be recognised through profit or loss, total	<b>0.0</b>	0.0	<b>0.0</b>	0.0	0.0
<b>Items potentially to be recognised through profit or loss</b>					
Hedging reserve, change in fair value	<b>0.0</b>	0.2	<b>0.0</b>	0.2	0.4
Currency translation differences	<b>-0.3</b>	-0.1	<b>-0.2</b>	-0.1	-0.1
Currency translation differences, non-controlling interest	<b>0.0</b>	0.0	<b>0.0</b>	0.0	0.0
Items potentially to be recognised through profit or loss, total	<b>-0.3</b>	0.1	<b>-0.2</b>	0.2	0.3
Total comprehensive income, after tax	<b>7.1</b>	14.7	<b>11.3</b>	20.2	43.7
<b>Attributable to:</b>					
Equity holders of the company	<b>7.1</b>	14.6	<b>11.3</b>	20.1	43.7
Non-controlling interest	<b>0.0</b>	0.0	<b>0.0</b>	0.0	0.0

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

EUR million	6/2017	6/2016	12/2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Goodwill	117.9	116.5	116.5
Customer contracts arising from acquisitions	5.5	5.6	5.2
Agreements on prohibition of competition	0.1	0.1	0.1
Other intangible assets arising from business acquisitions	0.5	0.6	0.6
Other intangible assets	21.9	18.6	20.8
	<b>145.9</b>	141.5	143.2
Property, plant and equipment			
Land	5.3	5.0	5.3
Buildings and constructions	40.6	39.1	40.7
Machinery and equipment	103.3	104.0	104.8
Other	0.1	0.1	0.1
Prepayments and construction in progress	3.2	6.0	5.3
	<b>152.5</b>	154.2	156.1
Other non-current assets			
Available-for-sale investments	0.6	0.6	0.6
Finance lease receivables	0.6	1.6	1.2
Deferred tax assets	5.5	5.8	5.5
Other receivables	2.3	1.8	1.7
	<b>9.1</b>	9.8	9.0
<b>Total non-current assets</b>	<b>307.5</b>	305.5	308.3
<b>Current assets</b>			
Inventories	25.4	25.0	24.9
Trade and other receivables	93.9	91.3	90.5
Derivative receivables	0.7	0.2	0.3
Prepayments	1.8	25.4	0.6
Current available-for-sale financial assets	0.0	0.0	0.0
Cash and cash equivalents	40.2	16.3	28.2
<b>Total current assets</b>	<b>162.0</b>	158.1	144.5
<b>Total assets</b>	<b>469.5</b>	463.6	452.8



**EQUITY AND LIABILITIES**

EUR million	6/2017	6/2016	12/2016
<b>Equity</b>			
Equity attributable to equity holders of the parent company			
Share capital	19.4	19.4	19.4
Other reserves	-3.3	-3.2	-3.1
Invested unrestricted equity reserve	0.6	0.4	0.4
Retained earnings	170.7	162.4	162.7
Profit for the period	11.6	20.0	43.4
	<b>198.9</b>	199.0	222.8
Non-controlling interest	0.2	0.2	0.2
	<b>199.1</b>	199.1	223.0
<b>Liabilities</b>			
Non-current liabilities			
Deferred tax liabilities	24.0	24.3	24.8
Retirement benefit obligations	1.0	0.9	1.0
Provisions	4.4	4.0	4.8
Borrowings	66.9	60.9	63.5
Other liabilities	0.4	0.3	0.3
	<b>96.6</b>	90.4	94.3
Current liabilities			
Borrowings	44.1	42.8	3.4
Trade and other payables	128.1	127.8	129.9
Derivative liabilities	0.3	0.4	0.1
Tax liabilities	0.0	0.3	0.1
Provisions	1.3	2.6	2.0
	<b>173.7</b>	174.0	135.5
	<b>270.4</b>	264.5	229.8
<b>Total equity and liabilities</b>	<b>469.5</b>	463.6	452.8

**CONSOLIDATED STATEMENT OF CASH FLOW**

EUR million	1-6/2017	1-6/2016	1-12/2016
<b>Cash flow from operating activities</b>			
Profit for the period	11.6	20.0	43.4
<b>Adjustments</b>			
Income taxes	3.0	0.8	6.7
Depreciation and impairment	19.7	19.4	38.8
Financial income and expenses	0.6	0.1	0.4
Gain on sale of shares	-	-	0.0
Other	-1.1	-1.9	-2.1
Net cash generated from operating activities before change in working capital	33.8	38.4	87.2
Change in working capital			
Change in trade and other receivables	-3.3	-29.2	-2.5
Change in inventories	-0.5	-1.4	-1.4
Change in trade and other payables	-2.6	3.4	6.6
Change in working capital	-6.4	-27.2	2.7
Interest paid	-1.1	-0.9	-2.0
Interest received	0.9	0.1	0.3
Income taxes	-5.0	-5.9	-11.7
<b>Net cash from operating activities</b>	22.3	4.5	76.4
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries and businesses, net of cash acquired	-2.8	-1.8	-1.8
Purchases of property, plant and equipment and intangible assets	-10.1	-15.1	-33.9
Proceeds from sale of property, plant and equipment and intangible assets	0.0	0.8	0.8
Purchases of available-for-sale investments	-0.8	-	-
Change in other non-current receivables	0.2	0.1	0.2
Dividends received	-	0.0	0.0
<b>Net cash used in investing activities</b>	-13.5	-15.8	-34.6
<b>Cash flow from financing activities</b>			
Change in short-term borrowings	39.9	9.8	-0.2
Repayments of long-term borrowings	-1.3	-3.6	-34.8
Dividends paid	-35.3	-32.6	-32.6
<b>Net cash generated from financing activities</b>	3.3	-26.4	-67.6
<b>Net change in liquid assets</b>	12.1	-37.7	-25.9
Liquid assets at beginning of period	28.2	54.0	54.0
Effect of changes in foreign exchange rates	-0.1	0.0	0.0
<b>Liquid assets at end of period</b>	40.2	16.3	28.2

**Liquid assets**

EUR million	6/2017	6/2016	12/2016
Cash and cash equivalents	40.2	16.3	28.2
Available-for-sale financial assets	0.0	0.0	0.0
Total	40.2	16.3	28.2

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
Equity on 1 Jan. 2017	19.4	-3.0	-0.1	0.4	206.1	222.8	0.2	223.0
Total comprehensive income								
Profit for the period					11.6	11.6	0.0	11.6
Items arising from remeasurement of defined benefit plans					0.0	0.0		0.0
Hedging reserve, change in fair value			0.0			0.0		0.0
Currency translation differences		-0.2			0.0	-0.2	0.0	-0.2
Total comprehensive income		-0.2	0.0		11.6	11.3	0.0	11.3
Transactions with shareholders								
Share-based benefits				0.1	-0.1	0.0		0.0
Dividends paid					-35.3	-35.3		-35.3
Dividends returned					0.0	0.0		0.0
Transactions with shareholders, total				0.1	-35.5	-35.3		-35.3
Other changes					0.1	0.1		0.1
<b>Equity on 30 June 2017</b>	<b>19.4</b>	<b>-3.2</b>	<b>-0.1</b>	<b>0.6</b>	<b>182.3</b>	<b>198.9</b>	<b>0.2</b>	<b>199.1</b>

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
Equity on 1 Jan. 2016	19.4	-2.9	-0.4	0.5	194.7	211.2	0.1	211.4
Total comprehensive income								
Profit for the period					20.0	20.0	0.0	20.0
Items arising from re-measurement of defined benefit plans						0.0		0.0
Hedging reserve, change in fair value			0.2			0.2		0.2
Currency translation differences		-0.1				-0.1	0.0	0.0
Total comprehensive income	0.0	-0.1	0.2	0.0	20.0	20.1	0.0	20.2
Transactions with shareholders								
Share-based benefits				0.0	0.3	0.3		0.3
Dividends paid					-32.6	-32.6		-32.6
Dividends returned					0.0	0.0		0.0
Transactions with shareholders, total	0.0	0.0	0.0	0.0	-32.3	-32.3		-32.3
Other changes					-0.1	-0.1		-0.1
<b>Equity on 30 June 2016</b>	<b>19.4</b>	<b>-3.0</b>	<b>-0.2</b>	<b>0.4</b>	<b>182.3</b>	<b>199.0</b>	<b>0.2</b>	<b>199.1</b>

**KEY FIGURES**

	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
Earnings per share, EUR	<b>0.19</b>	0.38	<b>0.30</b>	0.52	1.13
Diluted earnings per share, EUR	<b>0.19</b>	0.38	<b>0.30</b>	0.52	1.13
Cash flow from operating activities/share, EUR	<b>0.40</b>	0.61	<b>0.58</b>	0.12	1.99
EVA, EUR million*	<b>5.0</b>	9.1	<b>5.1</b>	10.9	30.7
Gross capital expenditure, EUR million	<b>10.3</b>	10.8	<b>20.6</b>	18.7	41.6
Depreciation, amortisation and impairment, EUR million	<b>9.8</b>	9.5	<b>19.7</b>	19.4	38.8
Equity per share, EUR			<b>5.19</b>	5.19	5.81
Return on equity, % (ROE)			<b>11.0</b>	19.5	20.0
Return on invested capital, % (ROI)			<b>10.7</b>	14.2	17.4
Equity ratio, %			<b>43.5</b>	44.1	50.4
Gearing, %			<b>35.6</b>	43.9	17.3
Net interest-bearing liabilities, EUR million			<b>70.8</b>	87.5	38.7
Average number of employees in full-time equivalents			<b>6,942</b>	6,961	7,199
Total number of full-time and part-time employees at end of period			<b>8,512</b>	8,631	7,931
Number of outstanding shares adjusted for issues, 1,000 shares average during the period			<b>38,392</b>	38,372	38,375
at end of period			<b>38,398</b>	38,378	38,378
average during the period, diluted			<b>38,407</b>	38,387	38,390

\* EVA = operating profit - cost calculated on invested capital (average of four quarters) WACC: 2017 6.69%, 2016 6.56%

**ACCOUNTING POLICIES**

This half-year report is in compliance with the IAS 34 (Interim Financial Reporting) standard.

The half-year report has been prepared with application of the current IFRS standards and interpretations presented in the financial statements dated 31 December 2016. Amendments to IFRS standards that have entered into force thereafter have also been applied. Such amendments to IFRS standards have not had a material effect on the half-year report.

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc dated 31 December 2016.

The Alternative Performance Measures reported by the company are EVA and cash flow from operating activities per share. The calculation formulas for the performance measures are presented at the end of the half-year report.

The information presented in the half-year report has not been audited.

**Application of IFRS 15 Revenue from Contracts with Customers**

Lassila & Tikanoja will apply the standard as of 1 January 2018.

IFRS 15 lays down a comprehensive framework for determining when revenue can be recognised and to what extent. IFRS 15 replaces the existing guidance on revenue recognition. In accordance with IFRS 15, an entity shall recognise revenue as a monetary amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services in question.

The new standard includes a five-step model for recognising revenue from contracts with customers. According to IFRS 15, revenue must be allocated to performance obligations based on relative transaction prices. A performance obligation is defined as a promise to transfer goods and/or services to a customer. The recognition takes place over time or at a specific point in time, with the passing of control as the key criterion.

Lassila & Tikanoja began preparing for the introduction of the standard in 2016 by carrying out a high-level analysis of the company's customer contracts by division/income flow. The provision of services accounts for a significant share of the company's income flows. Currently, revenue from services is recognised as the services are provided. The company has preliminarily estimated that control concerning a service is passed over time, as the customer simultaneously receives and consumes the benefit from the company's performance as the entity performs. Thus, the company satisfies the performance obligation and recognises revenue over time in accordance with IFRS 15. Therefore, according to current estimates, there will not be any substantial changes to the existing revenue recognition practices.

Customer accounts and contracts in which the timing of revenue recognition and, for example, the calculation method of variable consideration can change have also been identified in connection with the review of contracts. The changes are mainly related to the timing and amount of recognition of revenue from projects and environmental construction. The income flows that may be subject to potential changes represent approximately 13% of the Group's current net sales. Furthermore, IFRS 15 requires more detailed notes. The company will prepare the processes for collecting such notes during the 2017 financial year. The company has not yet decided on the transition method to be applied.

## SEGMENT INFORMATION

### Net sales

EUR million	4–6/2017			4–6/2016			Total net sales, change %
	External	Inter-division	Total	External	Inter-division	Total	
Environmental Services	66.4	0.9	67.4	67.3	0.8	68.2	-1.2
Industrial Services	22.7	0.9	23.6	20.4	0.5	20.9	13.2
Facility Services	70.9	0.6	71.4	72.1	0.7	72.8	-1.9
Renewable Energy Sources	7.2	0.1	7.3	7.0	0.0	7.0	3.6
Eliminations		-2.5	-2.5		-2.1	-2.1	
<b>Total</b>	<b>167.2</b>	<b>0.0</b>	<b>167.2</b>	<b>166.9</b>	<b>0.0</b>	<b>166.9</b>	<b>0.2</b>

  

EUR million	1–6/2017			1–6/2016			Total net sales, change %
	External	Inter-division	Total	External	Inter-division	Total	
Environmental Services	128.6	1.7	130.3	128.2	1.7	130.0	0.2
Industrial Services	39.8	1.7	41.5	36.0	0.8	36.8	12.7
Facility Services	141.5	1.3	142.9	143.6	1.5	145.0	-1.5
Renewable Energy Sources	19.3	0.1	19.4	19.8	0.1	19.8	-2.1
Eliminations		-4.8	-4.8		-4.1	-4.1	
<b>Total</b>	<b>329.2</b>	<b>0.0</b>	<b>329.2</b>	<b>327.5</b>	<b>0.0</b>	<b>327.5</b>	<b>0.5</b>

EUR million	12/2016		Total
	External	Inter-division	
Environmental Services	261.2	3.6	264.8
Industrial Services	78.7	3.4	82.1
Facility Services	285.3	2.9	288.3
Renewable Energy Sources	36.6	0.2	36.8
Eliminations		-10.1	-10.1
Total	661.8	0.0	661.8

### Operating profit

EUR million	4-6/2017		4-6/2016		1-6/2017		1-6/2016		1-12/2016	
		%		%		%		%		%
Environmental Services	7.7	11.5	9.2	13.5	13.7	10.5	14.6	11.3	31.3	11.8
Industrial Services	2.6	10.9	2.1	10.3	2.4	5.7	1.8	5.0	7.8	9.5
Facility Services	1.1	1.6	3.7	5.1	0.9	0.6	4.9	3.3	13.5	4.7
Renewable Energy Sources	0.2	2.9	0.0	0.3	0.5	2.6	0.7	3.4	1.5	4.1
Group administration and other	-1.5		-1.0		-2.2		-1.1		-3.7	
Total	10.1	6.0	14.1	8.4	15.2	4.6	20.9	6.4	50.5	7.6

### OTHER SEGMENT INFORMATION

EUR million	6/2017	6/2016	12/2016
<b>Assets</b>			
Environmental Services	215.2	222.3	215.4
Industrial Services	72.5	71.8	69.5
Facility Services	109.7	123.4	97.2
Renewable Energy Sources	21.3	21.3	23.5
Group administration and other	1.3	0.9	11.1
Unallocated assets	49.6	23.9	36.0
L&T total	469.5	463.6	452.8
<b>Liabilities</b>			
Environmental Services	48.8	54.6	54.7
Industrial Services	24.6	23.2	22.4
Facility Services	53.1	50.0	46.9
Renewable Energy Sources	5.9	5.9	7.0
Group administration and other	2.1	1.6	6.6
Unallocated liabilities	135.7	129.2	92.2
L&T total	270.4	264.5	229.8

EUR million	4-6/2017	4-6/2016	1-6/2017	1-6/2016	1-12/2016
<b>Capital expenditure</b>					
Environmental Services	6.0	5.3	11.5	9.4	18.5
Industrial Services	1.6	2.4	3.5	3.3	8.2
Facility Services	2.8	3.1	4.9	5.9	14.5
Renewable Energy Sources	0.1	0.0	0.1	0.1	0.3
Group administration and other	0.0	0.0	0.5	0.0	0.0
L&T total	10.3	10.8	20.6	18.7	41.6
<b>Depreciation and amortisation</b>					
Environmental Services	4.8	4.9	9.6	9.9	19.6
Industrial Services	1.8	1.7	3.5	3.3	6.7
Facility Services	3.2	2.9	6.5	6.2	12.2
Renewable Energy Sources	0.1	0.1	0.2	0.1	0.3
Group administration and other	0.0	0.0	0.0	0.0	0.0
L&T total	9.8	9.5	19.7	19.4	38.8

### INCOME STATEMENT BY QUARTER

EUR million	4-6/2017	1-3/2017	10-12/2016	7-9/2016	4-6/2016
<b>Net sales</b>					
Environmental Services	67.4	62.9	66.5	68.2	68.2
Industrial Services	23.6	17.9	21.4	23.9	20.9
Facility Services	71.4	71.4	71.8	71.5	72.8
Renewable Energy Sources	7.3	12.1	11.6	5.3	7.0
Interdivision net sales	-2.5	-2.3	-3.0	-2.9	-2.1
L&T total	167.2	161.9	168.3	166.0	166.9
<b>Operating profit</b>					
Environmental Services	7.7	5.9	6.5	10.2	9.2
Industrial Services	2.6	-0.2	2.6	3.4	2.1
Facility Services	1.1	-0.3	2.6	6.1	3.7
Renewable Energy Sources	0.2	0.3	0.7	0.1	0.0
Group administration and other	-1.5	-0.6	-1.8	-0.7	-1.0
L&T total	10.1	5.1	10.5	19.1	14.1
<b>Operating margin</b>					
Environmental Services	11.5	9.4	9.7	14.9	13.5
Industrial Services	10.9	-1.1	11.9	14.2	10.3
Facility Services	1.6	-0.4	3.6	8.5	5.1
Renewable Energy Sources	2.9	2.4	6.2	2.0	0.3
L&T total	6.0	3.2	6.2	11.5	8.4
Financial income and expenses, net	-0.7	0.1	0.1	-0.4	-0.2
<b>Profit before tax</b>	9.4	5.2	10.6	18.7	13.9



**MATCHING THE EVA RESULT TO OPERATING PROFIT**

EUR million	1-6/2017	1-6/2016	1-12/2016
Operating profit	15.2	20.9	50.5
Invested capital (rolling 12-month quarterly average)	302.9	304.6	300.6
Cost calculated on invested capital	-10.1	-10.0	-19.7
EVA	5.1	10.9	30.7

**BUSINESS ACQUISITIONS, COMBINED**

<b>Fair value, total</b>			
EUR million	1-6/2017	1-6/2016	1-12/2016
Intangible assets	0.6	1.1	1.1
Property, plant and equipment	1.0	1.8	1.8
Investments	0.0	0.0	0.0
Receivables	0.3	1.7	1.7
Cash and cash equivalents	1.0	2.3	2.3
Total assets	2.9	6.9	6.9
Other liabilities	0.3	1.0	1.0
Deferred tax liabilities	0.0	0.0	0.0
Total liabilities	0.3	1.0	1.0
Net assets acquired	2.6	5.9	5.9
Total consideration	4.1	8.8	8.8
Goodwill	1.5	2.9	2.9
Effect on cash flow			
Consideration paid in cash	-4.1	-8.8	-8.8
Cash and cash equivalents of the acquired company	1.0	2.3	2.3
Paid in the previous year	-	3.6	3.6
Unpaid	-	1.0	1.0
Cash flow from investing activities	-3.2	-1.8	-1.8

**CHANGES IN INTANGIBLE ASSETS**

EUR million	1-6/2017	1-6/2016	1-12/2016
Carrying amount at beginning of period	143.2	134.9	134.9
Business acquisitions	2.2	1.4	1.4
Other capital expenditure	3.6	5.0	9.2
Disposals	0.0	0.1	0.2
Depreciation and impairment	-2.9	-2.3	-4.8
Transfers between items	0.0	2.6	2.7
Exchange differences	-0.1	-0.2	-0.4
Carrying amount at end of period	145.9	141.5	143.2

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

EUR million	1–6/2017	1–6/2016	1–12/2016
Carrying amount at beginning of period	156.1	161.5	161.5
Business acquisitions	0.0	0.8	0.8
Other capital expenditure	14.3	11.4	30.2
Disposals	-0.9	-0.3	-0.7
Depreciation and impairment	-16.9	-17.1	-34.0
Transfers between items	0.0	-2.6	-2.7
Exchange differences	-0.2	0.5	1.0
Carrying amount at end of period	152.5	154.2	156.1

**CAPITAL COMMITMENTS**

EUR million	6/2017	6/2016	12/2016
Intangible assets	0.2	0.1	0.1
Property, plant and equipment	7.4	8.0	7.2
Total	7.6	8.0	7.3

**FINANCIAL ASSETS AND LIABILITIES BY CATEGORY**

EUR million	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured using the effective interest method	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
30 June 2017						
<b>Non-current financial assets</b>						
Available-for-sale investments		0.6			0.6	
Finance lease receivables	0.6				0.6	3
Other receivables	1.4				1.4	2
<b>Current financial assets</b>						
Trade and other receivables	87.0				87.0	
Finance lease receivables	0.8				0.8	
Derivative receivables				0.7	0.7	
Cash and cash equivalents	40.2				40.2	
Total financial assets	130.0	0.6		0.7	131.2	
<b>Non-current financial liabilities</b>						
Borrowings			57.0		57.0	2
Finance lease payables			9.9		9.9	
Other liabilities			0.1		0.1	

**Current financial liabilities**

Borrowings		42.6		42.6	
Finance lease payables		1.5		1.5	
Trade and other payables		66.5		66.5	
Derivative liabilities			0.3	0.3	2
<b>Total financial liabilities</b>		<b>177.6</b>	<b>0.3</b>	<b>177.9</b>	

The fair values of balance sheet items do not differ significantly from the carrying values of balance sheet items.

EUR million 30 June 2016	Loans and other receivable s	Available- for-sale financial assets	Financial liabilities measured using the effective interest method	Derivative s under hedge accountin g	Carrying amounts by balance sheet item	Fair value hierarchy level
<b>Non-current financial assets</b>						
Available-for-sale investments		0.6			0.6	3
Finance lease receivables	1.6				1.6	2
Other receivables	1.7				1.7	
<b>Current financial assets</b>						
Trade and other receivables	84.2				84.2	
Finance lease receivables	1.0				1.0	
Derivative receivables				0.2	0.2	
Cash and cash equivalents	16.3				16.3	
<b>Total financial assets</b>	<b>104.8</b>	<b>0.6</b>		<b>0.2</b>	<b>105.5</b>	
<b>Non-current financial liabilities</b>						
Borrowings			59.6		59.6	2
Finance lease receivables			1.4		1.4	
Other liabilities			0.0		0.0	
<b>Current financial liabilities</b>						
Borrowings			42.6		42.6	
Finance lease payables			0.2		0.2	
Trade and other payables			67.0		67.0	
Derivative liabilities				0.4	0.4	2
<b>Total financial liabilities</b>			<b>170.8</b>	<b>0.4</b>	<b>171.1</b>	

The fair values of balance sheet items do not differ significantly from the carrying values of balance sheet items.

**CONTINGENT LIABILITIES**

EUR million	6/2017	6/2016	12/2016
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**Securities for own commitments**

Mortgages on rights of tenancy	0.2	0.2	0.2
Company mortgages	-	0.8	-
Other securities	0.1	0.1	0.1

Bank guarantees required for environmental permits	10.4	10.2	10.9
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Other securities are security deposits.

**Operating lease liabilities**

EUR million	6/2017	6/2016	12/2016
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Maturity not later than one year	5.7	7.6	7.4
Maturity later than one year and not later than five years	7.3	11.7	11.4
Maturity later than five years	3.5	4.0	4.0
Total	16.5	23.3	22.7

**Liabilities associated with derivative agreements****Interest rate swaps**

EUR million	6/2017	6/2016	12/2016
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Nominal values of interest rate swaps

Maturity not later than one year	61.6	-	-
Maturity later than one year and not later than five years	-	-	-
Maturity later than five years	-	-	-
Total	61.6	-	-
Fair value	0.7	-	-

**Interest rate swaps**

EUR million	6/2017	6/2016	12/2016
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Nominal values of interest rate swaps

Maturity not later than one year	1.8	30.8	1.8
Maturity later than one year and not later than five years	1.8	3.6	2.7
Maturity later than five years	0.0	0.0	0.0
Total	3.6	34.4	4.5
Fair value	-0.1	-0.3	-0.1

The interest rate swaps are used for the hedging of cash flow related to floating rate loans, and hedge accounting under IAS 39 has been applied to them. The hedges have been effective, and the changes in their fair values are shown on the consolidated statement of comprehensive income for the period. The fair values of the swap contracts are based on the market data at the end of the review period.

**Commodity derivatives**

EUR million	6/2017	6/2016	12/2016
Nominal values of diesel swaps			
Maturity not later than one year	1.3	1.2	1.3
Maturity later than one year and not later than five years	0.0	0.0	0.0
Total	1.3	1.2	1.3
Fair value	-0.1	0.1	0.3

Commodity derivative contracts were signed for the hedging of future diesel oil purchases. IAS 39-compliant hedge accounting is applied to these contracts, and the effective change in fair value is recognised in the hedging reserve within equity. The fair values of commodity derivatives are based on market prices on the balance sheet date.

**CALCULATION OF KEY FIGURES**

Earnings per share:

profit attributable to equity holders of the parent company / adjusted average basic number of shares

Diluted earnings per share:

profit attributable to equity holders of the parent company / adjusted average diluted number of shares

Cash flow from operating activities/share:

cash flow from operating activities as in the statement of cash flow / adjusted average basic number of shares

EVA:

operating profit - cost calculated on invested capital (average of four quarters)

WACC 2017: 6.69% and 2016: 6.56%

Equity per share:

profit attributable to equity holders of the parent company / adjusted basic number of shares at end of period

Return on equity, % (ROE):

(profit for the period / equity (average)) x 100

Return on invested capital, % (ROI):

(profit before tax + financial expenses) / (total equity and liabilities - non-interest-bearing liabilities (average)) x 100

Equity ratio, %:

equity / (total equity and liabilities - advances received) x 100

Gearing, %:

net interest-bearing liabilities / equity x 100

Net interest-bearing liabilities:

interest-bearing liabilities - liquid assets

Helsinki, 2 August 2017

LASSILA & TIKANOJA PLC

Board of Directors

Pekka Ojanpää

President and CEO

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Lassila & Tikanoja is a service company that is transforming consumer society into an efficient recycling society. In co-operation with our customers, we are reducing waste volumes, extending the useful lives of properties, recovering materials and decreasing the use of raw materials and energy. We help our customers to focus on their core business and protect the environment. Together, we create well-being and jobs. With operations in Finland, Sweden and Russia, L&T employs 8,000 persons. Net sales in 2016 amounted to EUR 661.8 million. L&T is listed on Nasdaq Helsinki.

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