



Lassila & Tikanoja plc
Stock exchange release
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Lassila & Tikanoja plc: Half-Year Report 1 January – 30 June 2020

DECISIVE ACTIONS LIMITED THE NEGATIVE BUSINESS IMPACTS OF THE CORONAVIRUS PANDEMIC

Unless otherwise mentioned, the figures in brackets refer to the corresponding period in the previous year.

- Net sales for the second quarter were EUR 183.2 million (196.2), operating profit was EUR -2.2 million (16.8). The decrease in operating profit was attributable to costs of EUR 10.8 million arising from the discontinuation of Russian operations and the EUR 5.9 million positive profit impact from the sale of L&T Korjausrakentaminen Oy recognised in the comparison period. Earnings per share were EUR -0.07 (0.37).
- Net sales for January–June were EUR 367.5 million (394.9), operating profit was EUR 0.7 million (17.6) and earnings per share were EUR -0.07 (0.38). Earnings per share were negatively affected by the costs arising from the discontinuation of Russian operations as well as an increase in exchange differences. Exchange differences amounted to EUR -1.2 million (0.6).
- Operating profit excluding Russian operations and the divestment of L&T Korjausrakentaminen was EUR 8.3 million (10.3) in April–June and EUR 10.8 million (10.6) in January–June.
- The decrease in net sales was attributable to the Q2/2019 divestment of the L&T Korjausrakentaminen business, which is included in the figures for the comparison period, and the coronavirus pandemic.
- The operating profit of Facility Services Finland improved significantly during both quarters year-on-year due to successful operational excellence and efficiency measures.

Outlook

Full-year net sales for 2020 are expected to decrease year-on-year and operating profit is estimated to be EUR 30–40 million (40.5) excluding loss related to the discontinuation of Russian operations.

PRESIDENT AND CEO EERO HAUTANIEMI:

“In the first half of 2020, the coronavirus pandemic had a negative impact on the Group’s net sales and operating profit. Net sales decreased by 6.9% year-on-year and amounted to EUR 367.5 million. The figures for the comparison period also included the L&T Korjausrakentaminen business, which was divested in the previous financial year. The Group’s operating profit in January–June, excluding Russian operations and the divestment of L&T Korjausrakentaminen, rose to EUR 10.8 million (10.6) thanks to the improved profit performance of Facility Services Finland. This was a good achievement considering the fact that the coronavirus pandemic had a negative impact of approximately EUR 4.5 million on operating profit in the first half of the year. The Group’s liquidity remained strong.

The demand for Lassila & Tikanoja’s services weakened due to the restrictions imposed by the authorities as well as production restrictions implemented by customers themselves, and the pandemic had negative impacts on all of the Group’s business segments. During the first half of the year, the negative effects of the pandemic are estimated to have been approximately EUR 12 million on the Group’s net sales and approximately EUR 4.5 million on operating profit.

We have made determined efforts to reduce the impacts of the coronavirus pandemic on our business and to create the conditions for our operations to return to normal as quickly as possible. We have taken extensive measures to ensure the health and safety of our personnel and customers.

We introduced new digital service channels and working methods that enabled the continuation of our services and the start-up of new service agreements in spite of the restrictions on face-to-face encounters. We developed new services, such as disinfection and cleaning services in the cleaning business, whose increased sales have reduced the negative effects of the pandemic on our result.

We have successfully mitigated the financial impacts of the rapid changes in the market by adjusting our personnel resources to the reduced demand.

In response to the significant change in the operating conditions, we decided in April to discontinue our Russian operations in 2020. The discontinuation will not have negative effect on cash flow.”

GROUP NET SALES AND FINANCIAL PERFORMANCE

April–June

Lassila & Tikanoja’s net sales for the second quarter amounted to EUR 183.2 million (196.2), down 6.6% year-on-year. Operating profit was EUR -2.2 million (16.8), representing -1.2% (8.6%) of net sales. Earnings per share were EUR -0.07 (0.37).

The decrease in net sales and operating profit was attributable to the decline in demand caused by the coronavirus pandemic. The decrease in operating profit was attributable to costs of EUR 10.8 million arising from the impairment of balance sheet items in relation to the discontinuation of Russian operations. The discontinuation of Russian operations will have a negative impact of EUR 8.2 million on the Group’s equity. The decrease in operating profit was also attributable the EUR 5.9 million positive profit impact from the sale of L&T Korjausrakentaminen Oy recognised in the comparison period. The profit impact of the coronavirus pandemic is also reduced by the temporary lowering of pension insurance contributions by 2.6 percentage points from 1 May to 31 December 2020, which had an impact of approximately EUR 0.9 million in the second quarter, as well as lower fuel prices.

In Environmental Services, net sales decreased year-on-year and operating profit declined significantly due to costs of EUR 10.8 million recognised in relation to the discontinuation of Russian operations. Excluding the effect of Russian operations, the operating profit of Environmental Services decreased slightly year-on-year. In Facility Services Finland, net sales declined but operating profit improved substantially year-on-year. In Industrial Services, net sales and operating profit decreased year-on-year. In Facility Services Sweden, net sales were on a par with the comparison period, while operating profit decreased year-on-year.

January–June

Net sales for January–June amounted to EUR 367.5 million (394.9), down 6.9% year-on-year. Operating profit was EUR 0.7 million (17.6), representing 0.2% (4.4%) of net sales. Earnings per share were EUR -0.07 (0.38).

The negative effects of the coronavirus pandemic are estimated to have been approximately EUR 12 million on the Group’s net sales and approximately EUR 4.5 million on operating profit.

In Environmental Services, net sales decreased year-on-year and operating profit declined significantly due to costs of EUR 10.8 million recognised in relation to the discontinuation of Russian operations. Excluding the effect of Russian operations, the operating profit of Environmental Services decreased slightly year-on-year. In Facility Services Finland, net sales declined but operating profit improved substantially year-on-year. In Industrial Services, net sales and operating profit decreased year-on-year. In Facility Services Sweden, net sales and operating profit decreased year-on-year.

The Group’s operating profit was improved by a gain of EUR 5.7 million recognised in the first quarter on the sale of property included in property, plant and equipment. Non-recurring costs totalling EUR 4.8 million were recognised during the first quarter, including impairment related to fixed assets. The non-recurring items had a positive net effect of EUR 0.9 million on the Group’s operating profit. The items in question are not included in the figures of the business segments. Net profit was negatively affected by the depreciation of the Russian rouble and Swedish krona. Exchange differences amounted to EUR -1.2 million (0.6).

Financial summary

	4-6/2020	4-6/2019	Change %	1-6/2020	1-6/2019	Change %	2019
Net sales, EUR million	183.2	196.2	-6.6	367.5	394.9	-6.9	784.3
Operating profit, EUR million	-2.2	16.8	-113.1	0.7	17.6	-96.1	45.0
Operating margin, %	-1.2	8.6		0.2	4.4		5.7
EBITDA, EUR million	10.8	30.5	-64.5	31.3	44.8	-30.3	99.4
EBITDA, %	5.9	15.5		8.5	11.4		12.7
Profit before tax, EUR million	-2.5	15.8	-115.9	-2.5	16.2	-115.2	42.0
Earnings per share, EUR	-0.07	0.37	-119.8	-0.07	0.38	-118.8	0.90
Cash flow from operating activities/share, EUR	0.20	0.50	-60.2	0.71	1.08	-34.8	2.46
EVA, EUR million	-8.2	10.5	-178.2	-11.6	5.3	-318.7	19.8
Return on equity (ROE), %				-3.0	14.7		16.8
Invested capital, EUR million				362.2	388.8		380.5
Return on invested capital (ROI), %				0.5	9.7		12.4
Equity ratio, %				30.5	31.9		35.6
Gearing, %				99.5	84.6		66.8

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

April-June

The division's net sales for the second quarter decreased to EUR 71.9 million (76.8). Operating profit declined year-on-year to EUR -2.6 million (8.8) due to costs of EUR 10.8 million recognised in relation to the discontinuation of Russian operations. Excluding Russia, the Environmental Services division's net sales for the second quarter decreased to EUR 69.9 million (74.3), while operating profit declined slightly year-on-year and amounted to EUR 7.9 million (8.1).

January-June

The Environmental Services division's net sales for the first half of the year decreased to EUR 149.0 million (156.4). Operating profit declined year-on-year to EUR 2.1 million (13.4) due to costs of EUR 10.8 million recognised in relation to the discontinuation of Russian operations. Excluding Russia, the Environmental Services division's net sales for the first half of the year decreased to EUR 144.6 million (151.6), while operating profit was on a par with the comparison period at EUR 12.2 million (12.3).

The coronavirus pandemic reduced the Environmental Services division's service volume. The decline in volume from corporate customers was mitigated by an increase in e-commerce packaging volumes. Demand remained at the normal level in the household segment. Net sales and operating profit were negatively affected by the decreased prices and volumes of secondary raw materials compared to the reference period. Service demand improved towards the end of the period and is expected to gradually return to normal during the second half of the year.

Industrial Services

April-June

The division's net sales for the second quarter decreased to EUR 23.4 million (26.2). Operating profit declined year-on-year and amounted to EUR 1.3 million (3.3).

January-June

The Industrial Services division's net sales for the first half of the year decreased to EUR 43.7 million (45.2). Operating profit declined year-on-year and amounted to EUR 1.0 million (3.7).

In Industrial Services, there were substantial and unpredictable fluctuations in demand during the review period due to the coronavirus pandemic. Industrial action, production adjustment measures taken by customers and the postponement of maintenance breaks to later in the year had a negative effect on net sales and operating profit. The division strengthened its market position in the first half of the year thanks to new customer agreements, and demand is expected to return to normal during the second half of the year.

Facility Services Finland

April–June

The division's net sales for the second quarter decreased to EUR 56.7 million (61.3). Operating profit improved substantially year-on-year and amounted to EUR -0.4 million (-2.0).

January–June

The net sales of Facility Services Finland decreased to EUR 114.9 million (130.8) during the first half of the year. Operating profit improved substantially year-on-year and amounted to EUR -2.2 million (-5.5).

The decline in net sales was due to the divestment of L&T Korjausrakentaminen during the comparison period. Facility Services Finland was able to adjust its resources appropriately in response to the fluctuations in demand caused by the coronavirus pandemic. The negative business impacts of the coronavirus pandemic were fairly minor thanks to successful sales, improved customer satisfaction and active service development.

Operating profit improved substantially year-on-year in all service branches thanks to efficiency improvement measures and the market position was strengthened.

Facility Services Sweden

April–June

The division's net sales for the second quarter amounted to EUR 32.7 million (33.4). Operating profit declined year-on-year and amounted to EUR 0.3 million (0.8).

January–June

The net sales of Facility Services Sweden amounted to EUR 63.1 million (65.5) during the first half of the year. Operating profit declined year-on-year and was EUR 0.5 million (1.5).

The effects of the coronavirus pandemic were clearly apparent in Sweden in March–May. Operating profit during the review period was weighed down by a substantially higher-than-usual sickness rate and the resulting increase in subcontracting costs on the one hand and the reduced additional sales orders of certain customer accounts on the other hand. The Swedish state's support measures for businesses partially compensated for the impacts of the coronavirus pandemic starting from the beginning of May. The substantial decline in additional sales orders and caution amongst customers nevertheless had a negative impact on business operations.

FINANCING

Net cash flow from operating activities amounted to EUR 14.6 million (34.5) in the first half of the year. A total of EUR 3.4 million in working capital was committed (EUR 11.5 million released). Cash flow in the comparison period was increased by the sale of L&T Korjausrakentaminen Oy. Cash flow during the review period was improved by the sale of property included in property, plant and equipment and reduced by a planned increase in inventories (EUR 7.6 million) and the timing of pension contributions at the end of the quarter (EUR 6.7 million).

At the end of the period, interest-bearing liabilities amounted to EUR 194.8 million (202.5). Net interest-bearing liabilities totalled EUR 166.5 million (157.6). The average interest rate on long-term loans excluding IFRS 16 liabilities, with interest rate hedging, was 1.3% (1.2).

Of the EUR 100.0 million commercial paper programme, EUR 15.0 million (0.0) was in use at the end of the period. A committed credit limit totalling EUR 30.0 million was not in use, as was the case in the comparison period. The

Group renewed the credit limit during the review period. The newly signed credit facility will mature in the second quarter of 2022.

Net financial expenses in the first half of the year amounted to EUR -3.1 million (-1.4). Exchange rate changes accounted for EUR -1.2 million (0.6) of net financial expenses. Net financial expenses were 0.9% (0.3%) of net sales. The exchange rate changes were caused by the depreciation of the Russian rouble and Swedish krona.

The equity ratio was 30.5% (31.9) and the gearing rate was 99.4% (84.6). Liquid assets at the end of the period amounted to EUR 28.3 million (44.9). The company has taken measures to ensure its liquidity in response to the coronavirus pandemic. Overdue trade receivables and credit losses have not increased during the pandemic.

DISTRIBUTION OF ASSETS

The Annual General Meeting held on 12 March 2020 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 2019. The dividend, totalling EUR 35.0 million, was paid to shareholders on 23 March 2020.

CAPITAL EXPENDITURE

Gross capital expenditure in the first half of the year totalled EUR 22.0 million (21.7), consisting primarily of machine and equipment purchases as well as investments in information systems and buildings. During the review period, we invested in the construction of strategically important final disposal locations and critically evaluated replacement investments due to the market uncertainty caused by the coronavirus pandemic.

PERSONNEL

In the first half of the year, the average number of employees converted into full-time equivalents was 7,132 (7,122). At the end of the period, we had 8,501 (9,077) full-time and part-time employees. Of these, 6,918 (7,318) worked in Finland and 1,583 (1,759) in other countries.

The first half of 2020 was exceptional due to the coronavirus pandemic also from the perspective of the Group's personnel. We worked together to ensure safe working conditions and personal protective equipment for employees as well as a smooth transition to remote work for those whose work allow it. Employee well-being has been supported in a number of ways, including a dedicated coronavirus helpline and digital discussion services that help employees cope with the mental strain caused by the situation.

In March, negotiations concerning temporary layoffs were held in Finnish operations pursuant to Chapter 8 of the Act on Co-operation within Undertakings due to the impact of the coronavirus pandemic. In addition, second negotiations were held in May concerning temporary layoffs in Facility Services business pursuant to Chapter 8 of the Act on Co-operation within Undertakings. Following the aforementioned negotiations, employees from Lassila & Tikanoja's Finnish operations have been temporarily laid off and the duration of the layoffs varies by employee. At the end of the review period, the total number of laid-off employees throughout the Group was approximately 365.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading in the first half of the year, excluding the shares held by the company in Lassila & Tikanoja plc, was 7.6 million shares, which is 20.0% (7.9) of the average number of outstanding shares. The value of trading was EUR 103.7 million (45.2). The highest share price was EUR 16.76 and the lowest EUR 10.06. The closing price was EUR 13.08. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 498.4 million (551.7).

Own shares

At the end of the period, the company held 693,589 of its own shares, representing 1.8% 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 38,105,285. The average number of shares excluding the shares held by the company was 38,100,673.

Shareholders

At the end of the period, the company had 18,668 (14,745) shareholders. Nominee-registered holdings accounted for 10.1% (19.4) of the total number of shares.

Authorisations for the Board of Directors

The Annual General Meeting held on 12 March 2020 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 authorisation is effective for 18 months.

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting, which was held on 12 March 2020, adopted the financial statements and consolidated financial statements for 2019 and released the members of the Board of Directors and the President and CEO from liability.

The Annual General Meeting resolved that a dividend of EUR 0.92 per share, totalling EUR 35.0 million, be paid on the basis of the balance sheet adopted for the financial year 2019. It was decided that the dividend be paid on 23 March 2020.

The Annual General Meeting confirmed the number of members of the Board of Directors as seven. Heikki Bergholm, Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Miikka Majjala and Laura Tarkka were re-elected to the Board until the end of the following Annual General Meeting, and Pasi Tolppanen was elected as a new member.

KPMG Oy Ab, Authorised Public Accountants, was elected auditor. KPMG Oy Ab named Leenakaisa Winberg, Authorised Public Accountant, as its principal auditor.

The Annual General Meeting resolved to establish a permanent Shareholders' Nomination Board. The Nomination Board shall be responsible for preparing and presenting proposals covering the remuneration and number of members of the Company's Board of Directors as well as proposals on the members of the Board of Directors to the Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board shall also be responsible for identifying successors to existing Board members.

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 12 March 2020.

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, Laura Tarkka and Pasi Tolppanen. 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 Pasi Tolppanen as members. Heikki Bergholm was elected as the Chairman of the Personnel Committee and Laura Lares, Miikka Maijala and Laura Tarkka as members.

KEY EVENTS DURING THE REVIEW PERIOD

On 8 April, the Group announced that it has signed a new revolving credit facility of EUR 30 million. The revolving credit facility will mature in the second quarter of 2022. The agreement includes a one-year extension option. The agreement was signed with Danske Bank.

On 24 April, the company issued a profit warning, lowered its outlook for 2020 and announced the discontinuation of Russian operations. According to the updated outlook, full-year net sales for 2020 are expected to decrease year-on-year and operating profit is estimated to be EUR 30–40 million (40.5) excluding loss related to the discontinuation of Russian operations.

EVENTS AFTER THE REVIEW PERIOD

The company management is not aware of any events of material importance that might have affected the preparation of the half-year report.

NEAR-TERM RISKS AND UNCERTAINTIES

The measures and recommendations issued by the authorities to restrict the coronavirus pandemic and the resulting customer-specific production restrictions are expected to cause disruptions in service production throughout the remainder of the year, although the gradual lifting of the restrictions imposed by the authorities has begun to normalise service demand.

The economic uncertainty caused by the pandemic is still reflected in the demand for industrial services and makes it difficult to predict. Maintenance breaks in industry have been postponed from the spring to later in the year due to the coronavirus. If the maintenance breaks are not carried out during the remainder of the year, it will have a significant impact on the demand for and the result of process cleaning services.

The decline in industrial volumes caused by the coronavirus pandemic has reduced the demand for, and prices of secondary raw materials, which may have a negative effect on the profitability of recycling services.

Lower energy consumption reduces the price of emission rights and may weaken the profitability of renewable energy sources. Decreasing oil prices reduce fuel costs but, at the same time, they have a negative effect on the prices of oil-based secondary raw materials, such as recycled plastic and regenerated lubricants.

Labour availability risks have been reduced in the short term but, under normal circumstances, they may limit business growth and increase production costs.

The company has several ERP system renewal projects under way. Temporary additional costs arising from system deployments and establishing the operating model may weigh down the company's result.

The Large Taxpayers Office proposes in an initial audit report that EUR 1.1 million in waste tax would be payable for 2018. The company's view is that the tax authorities' proposal is unfounded. The matter is still under review.

More detailed information on Lassila & Tikanoja's risks and risk management is provided in the 2019 Annual Report and in the Report of the Board of Directors and the consolidated financial statements.

Outlook for the year 2020

Full-year net sales for 2020 are expected to decrease year-on-year and operating profit is estimated to be EUR 30–40 million (40.5) excluding loss related to the discontinuation of Russian operations.

LASSILA & TIKANOJA PLC

Board of Directors
Eero Hautaniemi
President and CEO

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Lassila & Tikanoja is a service company that is putting the circular economy into practice. Together with our customers, we keep materials and properties in productive use for as long as possible and we enhance the use of raw materials and energy. This is to create more value with the circular economy for our customers, personnel and society in a broader sense. Achieving this also means growth in value for our shareholders. Our objective is to continuously grow our actions' carbon handprint, our positive effect on the climate. We assume our social responsibility by, for example, looking after the work ability of our personnel and also offering jobs to those who are struggling to find employment. L&T operates in Finland, Sweden and Russia. L&T employs 8,200 people. Net sales in 2019 amounted to EUR 784.3 million. L&T is listed on Nasdaq Helsinki.

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KEY FIGURES

	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Earnings per share, EUR	-0.07	0.37	-0.07	0.38	0.90
Diluted earnings per share, EUR	-0.07	0.37	-0.07	0.38	0.90
Cash flow from operating activities/share, EUR	0.20	0.50	0.71	1.08	2.46
EVA, MEUR *	-8.2	10.5	-11.6	5.3	19.8
Gross capital expenditure, MEUR	13.0	12.4	22.0	21.7	46.1
Depreciation, amortisation and impairment, MEUR	13.0	13.6	30.6	27.3	54.4
Equity per share, EUR			4.40	4.85	5.33
Return on equity (ROE), %			-3.0	14.7	16.8
Invested capital, MEUR			362.4	388.8	380.5
Return on invested capital (ROI), %			0.5	9.7	12.4
Equity ratio, %			30.5	31.9	35.6
Gearing, %			99.4	84.6	66.8
Net interest-bearing liabilities, MEUR			166.5	157.6	135.6
Average number of employees in full-time equivalents			7,132	7,122	7,308
Total number of full-time and part-time employees at end of period			8,501	9,077	8,207
Number of outstanding shares adjusted for issues, 1,000 shares					
average during the period			38,101	38,413	38,354
at end of period			38,105	38,416	38,094
average during the period, diluted			38,109	38,427	38,368

* EVA = operating profit - cost calculated on invested capital (average of four quarters) WACC: 2020 6.64%, 2019 6.55%

CONSOLIDATED INCOME STATEMENT

MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Net sales	183.2	196.2	367.5	394.9	784.3
Other operating income	0.6	8.2	8.1	9.0	10.6
Change of inventory	4.0	0.3	5.8	-1.5	0.3
Materials and services	-64.3	-64.1	-131.0	-138.3	-270.4
Employee benefit expenses	-79.0	-85.1	-160.1	-169.6	-327.1
Other operating expenses	-33.6	-24.9	-59.1	-49.6	-98.3
Depreciation and impairment	-13.0	-13.6	-30.6	-27.3	-54.4
Operating profit	-2.2	16.8	0.7	17.6	45.0
Financial income and expenses	-0.3	-1.0	-3.1	-1.4	-3.0
Share of the result of associated companies	0.0	0.0	0.0	0.0	0.0
Profit before tax	-2.5	15.8	-2.5	16.2	42.0
Income taxes	-0.3	-1.8	-0.3	-1.7	-7.3
Profit for the period	-2.8	14.1	-2.7	14.5	34.7
Attributable to:					
Equity holders of the company	-2.8	14.1	-2.7	14.5	34.7
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Earnings per share attributable to equity holders of the parent company:					
Earnings per share, EUR	-0.07	0.37	-0.07	0.38	0.90
Diluted earnings per share, EUR	-0.07	0.37	-0.07	0.38	0.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Profit for the period	-2.8	14.1	-2.7	14.5	34.7
Items not to be recognised through profit or loss					
Items arising from re-measurement of defined benefit plans	0.0	0.0	0.0	0.0	0.0
Items not to be recognised through profit or loss, total	0.0	0.0	0.0	0.0	0.0
Items potentially to be recognised through profit or loss					
Hedging reserve, change in fair value	0.0	-0.1	0.0	-0.4	-0.3
Currency translation differences	3.6	-1.6	-0.4	-1.6	-0.6
Currency translation differences recognized through profit and loss	2.6	-	2.6	-	-
Currency translation differences, non-controlling interest	0.0	0.0	0.0	0.0	0.0
Items potentially to be recognised through profit or loss, total	6.2	-1.7	2.1	-2.0	-0.9
Total comprehensive income, after tax	3.4	12.4	-0.6	12.6	33.8
Attributable to:					
Equity holders of the company	3.4	12.4	-0.6	12.6	33.8
Non-controlling interest	0.0	0.0	-0.1	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	6/2020	6/2019	12/2019
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	152.3	151.4	151.9
Other intangible assets *)	30.2	38.9	36.2
	182.5	190.3	188.0
Property, plant and equipment *)	126.9	129.9	129.5
Right-of-use asset	79.3	74.6	4.2
	206.3	204.5	206.7
Other non-current assets *)			
Finance lease receivables	-	0.0	-
Deferred tax assets	4.4	4.5	4.6
Other receivables	1.3	1.5	1.4
	5.7	6.0	6.0
Total non-current assets	394.4	400.9	400.7
Current assets			
Inventories	27.4	19.4	21.5
Trade receivables *)	63.6	79.8	84.2
Contract assets	30.5	36.9	22.0
Other receivables *)	16.8	16.1	13.4
Cash and cash equivalents	28.3	44.9	41.8
	166.6	197.1	182.9
Total current assets	166.6	197.1	182.9
Total assets	561.0	598.0	583.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	6/2020	6/2019	12/2019
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent company			
Share capital	19.4	19.4	19.4
Other reserves	-8.3	-11.5	-10.4
Invested unrestricted equity reserve	0.6	0.6	0.6
Retained earnings *)	158.4	163.0	158.6
Profit for the period	-2.7	14.5	34.7
	167.4	186.1	202.8
Non-controlling interest	0.1	0.2	0.2
Total equity	167.5	186.3	203.0
Liabilities			
Non-current liabilities			
Deferred tax liabilities	26.7	27.9	29.2
Retirement benefit obligations	1.3	1.3	1.3
Provisions	5.4	5.4	5.4
Financial liabilities	163.1	159.2	161.6
Other liabilities	0.3	0.3	0.3
	196.8	194.2	197.8
Current liabilities			
Financial liabilities	31.7	43.3	15.8
Trade and other payables	162.7	172.8	165.3
Provisions *)	2.2	1.5	1.7
	196.6	217.6	182.8
Total liabilities	393.4	411.7	380.6
Total equity and liabilities	561.0	598.0	583.6

*) The balance sheet values for the comparison period have been adjusted due to prior period errors. More information on this is provided in the section Correction of prior period errors under accounting principles.

CONSOLIDATED STATEMENT OF CASH FLOW

MEUR	1-6/2020	1-6/2019	1-12/2019
Cash flow from operating activities			
Profit for the period	-2.7	14.5	34.7
Adjustments			
Income taxes	0.3	1.7	7.3
Depreciation and impairment	30.6	27.3	54.4
Financial income and expenses	3.1	1.4	3.0
Gain on sale of shares	-5.7	-6.7	-7.0
Impact of the discontinuation of Russian operations	10.8	-	-
Other	0.6	-0.8	0.6
Net cash generated from operating activities before change in working capital	36.9	37.3	93.0
Change in working capital			
Change in trade and other receivables	2.4	-6.4	7.3
Change in inventories	-6.1	1.6	-0.5
Change in trade and other payables	0.3	16.4	7.4
Change in working capital	-3.4	11.5	14.2
Interest paid	-2.2	-2.0	-3.9
Interest received	0.2	0.1	0.2
Income taxes	-4.4	-5.4	-9.1
Net cash from operating activities	27.1	41.6	94.5
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	-0.7	-0.1	-0.4
Proceeds from sale of subsidiaries and businesses, net of sold cash	-	11.5	11.8
Purchases of property, plant and equipment and intangible assets	-19.0	-19.2	-37.6
Proceeds from the sale of property, plant and equipment and intangible assets	7.2	0.4	0.7
Investments in associated companies	0.0	0.0	0.0
Change in other non-current receivables	0.1	0.3	0.4
Net cash used in investing activities	-12.5	-7.1	-25.1
Net cash from operating and investing activities	14.6	34.5	69.4
Cash flow from financing activities			
Proceeds from short-term borrowings	20.1	10.0	-
Repayments of short-term borrowings	-5.0	-10.0	-
Repayments of long-term borrowings	0.1	-0.9	-28.8
Repayments of lease liabilities	-8.2	-7.6	-13.3
Dividends paid	-35.0	-35.3	-35.3
Acquisition of own shares	-	-	-4.5
Net cash generated from financing activities	-28.1	-43.7	-81.9
Net change in liquid assets	-13.5	-9.3	-12.5
Liquid assets at beginning of period	41.8	54.3	54.3
Effect of changes in foreign exchange rates	0.0	-0.1	0.0
Liquid assets at end of period	28.3	44.9	41.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	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 January 2019	19.4	-9.1	-0.4	0.6	198.3	208.8	0.2	208.9
Total comprehensive income								
Result for the period					14.5	14.5	0.0	14.5
Other comprehensive income items		-1.6	-0.4		0.0	-2.0	0.0	-2.0
Total comprehensive income		-1.6	-0.4		14.5	12.6	0.0	12.6
Transactions with shareholders								
Share-based benefits				0.0	0.1	0.2		0.2
Dividends paid					-35.3	-35.3		-35.3
Returned dividend					0.0	0.0		0.0
Transactions with shareholders, total				0.0	-35.2	-35.1		-35.1
Other changes					-0.1	-0.1		-0.1
Equity on 30 June 2019	19.4	-10.7	-0.8	0.6	177.6	186.1	0.2	186.3
Result for the period					20.2	20.2	0.0	20.2
Other comprehensive income items		1.0	0.1	0.0	0.0	1.0	0.0	1.0
Total comprehensive income		1.0	0.1	0.0	20.1	21.2	0.0	21.2
Transactions with shareholders								
Share-based benefits					0.0	0.0		0.0
Acquisition of own shares					-4.5	-4.5		-4.5
Transactions with shareholders, total					-4.5	-4.5		-4.5
Other changes					0.0	0.0		0.0
Equity on 31 December 2019	19.4	-9.7	-0.7	0.6	193.2	202.8	0.2	203.0
Total comprehensive income								
Result for the period					-2.7	-2.7	0.0	-2.7
Other comprehensive income items		2.1	0.0		0.0	2.1	0.0	2.1
Total comprehensive income		2.1	0.0		-2.7	-0.6	-0.1	-0.6
Transactions with shareholders								
Share-based benefits				0.0	0.1	0.1		0.1
Dividends paid					-35.0	-35.0		-35.0
Returned dividend					0.0	0.0		0.0
Transactions with shareholders, total				0.0	-34.9	-34.9		-34.9
Other changes					0.1	0.1		0.1
Equity on 30 June 2020	19.4	-7.6	-0.7	0.6	155.7	167.4	0.1	167.5

*) The balance sheet values for the comparison period have been adjusted due to prior period errors. More information on this is provided in the section Correction of prior period errors under accounting principles.

ACCOUNTING POLICIES

This interim report complies with the IAS 34 (Interim Financial Reporting) standard.

The interim report has been prepared with application of the IFRS standards and interpretations in effect on 31 December 2019 and the new and amended provisions that entered into force on 1 January 2020.

The Alternative Performance Measures reported by the company are EVA, cash flow from operating activities per share and EBITDA.

The calculation formulas for the performance measures are presented at the end of the interim report.

The information presented in the interim report has not been audited.

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc dated 31 December 2019.

Correction of prior period errors

During the financial year, the company evaluated its financial management processes and observed certain development areas related to the effectiveness of processes. Corrective measures have been taken with regard to these observations. In connection with this, information pertaining to the valuation of certain balance sheet items was observed that, in the view of the management, should have influenced the valuation of the balance sheet items in question in periods preceding the periods presented in the financial statements. The Group's management found that, for the items in question, the IAS 8.5 definition of prior period errors is fulfilled and, as a result, the management has decided to present the adjustments related to the valuation of the balance sheet items in question as corrections of errors by restating the starting balances of assets, liabilities and equity for the earliest period presented in the financial statements. The correction was done in the final quarter of financial year 2019.

The correction of prior period errors consists of impairment recognised on non-current assets totalling EUR 1.8 million, a provision for uncertain trade receivables and advance payments amounting to EUR 1.2 million and a provision for accident compensation payments amounting to EUR 1.3 million. Furthermore, a deferred tax asset of EUR 0.9 million is recognised in non-current assets in relation to the correction of the errors. The net effect on the starting balance of equity on 1 January 2018 is therefore EUR 3.4 million. The key figures and the tables in the release have been adjusted accordingly for the comparison period.

THE IMPACT OF THE DISCONTINUATION OF RUSSIAN OPERATIONS ON THE CONSOLIDATED BALANCE SHEET

On 24 April 2020, Lassila & Tikanoja issued a stock exchange release to announce that its Russian operations will be discontinued within 2020. Due to waste management reforms introduced by the Russian state in 2019, the company's operating area in Russia was allocated to two operators. In April 2020, the company was informed that one of the two operators will start operating waste logistics in the area, which will reduce Lassila & Tikanoja's net sales in Russia by more than half by the beginning of September.

In connection with the decision to discontinue the Group's business in Russia, the management assessed that the value of the balance sheet items in Russia has been materially reduced to the extent that the liquidation of the assets will only cover the liabilities of the Russian subsidiaries. Based on this assessment, the company recognised a write-down of EUR 8.0 million on the balance sheet items in question. In addition, the cumulative exchange difference of EUR -2.6 million associated with the Russian operations has been recognised through profit or loss in its entirety because, following the impairment of balance sheet items and the measures required to discontinue the business, the effect of the remaining operations has been judged to be immaterial for the Group.

A further provision of EUR 0.3 million has been recognised with regard to the costs of discontinuing the operations and presented in current provisions on the balance sheet. The costs of the discontinuation, totalling EUR 10.8 million, have been recognised in other operating expenses in the income statement.

MEUR	6/2020
Non-current assets	
Intangible assets	-0.1
Property, plant and equipment	-3.2
Other non-current assets	-0.3
Current assets	
Inventories	-0.2
Trade receivables	-3.3
Other receivables	-0.9
Cash and cash equivalents	
Total assets	-8.0
Equity	
Other reserves	2.6
Profit for the period	-10.8
Liabilities	
Non-current liabilities	
Deferred tax liabilities	0.0
Current liabilities	
Trade and other payables	
Provisions	0.3
Total liabilities	0.3
Total equity and liabilities	-8.0

THE EFFECTS OF THE CORONAVIRUS PANDEMIC ON FINANCIAL REPORTING

The company's management has closely monitored the effects of the coronavirus pandemic and evaluated its potential effects on forecasts and the valuation of balance sheet items. Based on the management's monitoring and evaluation activities, the effects of the coronavirus pandemic have been found to be moderate and short-term, affecting the current financial year. According to the current information, the effects of the pandemic have not led to a need to adjust the company's long-term forecasts.

Based on the sensitivity analysis conducted as part of goodwill impairment testing in the final quarter of the financial year 2019, the value-in-use relative to the carrying amount was exceeded by 50 per cent for all cash-generating units. Based on the company's assessment, provided that future cash flow forecasts remain unchanged, no change in the central assumptions that would be considered as somewhat likely could result in the accounting value of a cash-generating unit exceeding the value-in-use. Based on the analysis of the current financial impacts of the coronavirus pandemic relative to the testing results from the financial year 2019, the company has not identified a need for additional goodwill impairment testing.

The company has begun monitoring customer receivables at the daily level following the start of the coronavirus pandemic. The coronavirus pandemic has not resulted in an increase in overdue customer receivables and the analysis of the maturity distribution of receivables has not indicated a negative effect on receivables turnover. Consequently, the company has not found it necessary to change the definition principles concerning provisions for expected credit losses.

The company's financial position is good and, based on the current information, the coronavirus pandemic is not expected to have a negative impact on the financial position. The company signed an agreement on a new binding credit limit of EUR 30 million in the second quarter to further strengthen its good liquidity.

SEGMENT INFORMATION

Net sales

MEUR	4-6/2020	4-6/2019	Change %	1-6/2020	1-6/2019	Change %	1-12/2019
Environmental Services	71.9	76.8	-6.4	149.0	156.4	-4.7	311.2
Industrial Services	23.4	26.2	-10.6	43.7	45.2	-3.3	98.9
Facility Services Finland	56.7	61.3	-7.6	114.9	130.8	-12.2	249.1
Facility Services Sweden	32.7	33.4	-1.9	63.1	65.5	-3.8	131.8
Eliminations	-1.6	-1.6	-0.1	-3.1	-3.0	4.1	-6.7
Total	183.2	196.2	-6.6	367.5	394.9	-6.9	784.3

Operating profit

MEUR	4-6/2020	%	4-6/2019	%	1-6/2020	%	1-6/2019	%	1-12/2019	%
Environmental Services	-2.6	-3.6	8.8	11.4	2.1	1.4	13.4	8.6	32.8	10.5
Industrial Services	1.3	5.7	3.3	12.7	1.0	2.3	3.7	8.1	9.9	10.1
Facility Services Finland	-0.4	-0.7	-2.0	-3.2	-2.2	-1.9	-5.5	-4.2	-4.1	-1.6
Facility Services Sweden	0.3	0.9	0.8	2.4	0.5	0.8	1.5	2.3	3.8	2.9
Group administration and other *)	-0.8		5.9		-0.7		4.5		2.5	
Total	-2.2	-1.2	16.8	8.6	0.7	0.2	17.6	4.4	45.0	5.7

EBITDA

MEUR	4-6/2020	%	4-6/2019	%	1-6/2020	%	1-6/2019	%	1-12/2019	%
Environmental Services	3.8	5.2	15.0	19.6	15.0	10.1	25.8	16.5	58.0	18.6
Industrial Services	3.7	15.9	5.6	21.5	6.0	13.6	8.2	18.1	19.1	19.3
Facility Services Finland	2.7	4.8	1.4	2.2	3.9	3.4	1.5	1.1	9.4	3.8
Facility Services Sweden	1.5	4.5	2.2	6.7	3.0	4.7	4.4	6.7	9.4	7.1
Group administration and other *)	-0.8		6.2		3.5		4.9		3.6	
Total	10.8	5.9	30.5	15.5	31.3	8.5	44.8	11.4	99.4	12.7

Other segment information

MEUR	6/2020	6/2019	12/2019
Assets			
Environmental Services	262.2	258.3	263.8
Industrial Services	96.4	90.2	86.8
Facility Services Finland	78.6	93.7	82.5
Facility Services Sweden	84.2	95.1	92.4
Group administration and other Unallocated assets **)	14 38.2	8.5 52.2	7.1 51.1
Total	561.0	598.0	583.6
Liabilities			
Environmental Services	70.3	69.7	68.4
Industrial Services	33.9	34.9	33.3
Facility Services Finland	46.8	51.2	47.7
Facility Services Sweden	15.0	16.1	16.0
Group administration and other Unallocated liabilities **)	5.6 221.7	6.2 233.6	7.4 207.7
Total	393.4	411.7	380.6

MEUR	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Capital expenditure					
Environmental Services	8.3	6.1	13.0	12.1	28.2
Industrial Services	4.1	5.1	7.9	7.5	12.3
Facility Services Finland	0.6	0.8	1.1	1.7	4.7
Facility Services Sweden	0.8	0.2	0.8	0.4	0.8
Group administration and other	-0.8	0.2	-0.8	0.1	0.2
Total	13.0	12.4	22.0	21.7	46.1
Depreciation and amortisation					
Environmental Services	6.4	6.3	12.9	12.4	25.2
Industrial Services	2.4	2.3	4.9	4.5	9.2
Facility Services Finland	3.1	3.3	6.1	7.0	13.5
Facility Services Sweden	1.2	1.4	2.5	2.9	5.6
Group administration and other ***)	0.0	0.3	4.2	0.4	1.0
Total	13.0	13.6	30.6	27.3	54.4

27.294

*) Group administration and other includes a capital gain of EUR 5.7 million recognized in the first quarter of the financial year 2020 due to the sale of property. Group administration and other includes a capital gain of EUR 7.0 million recognized in the second quarter of 2019 on the divestment of L&T Korjausrakentaminen Oy. Taking the other effects of the divestment into account, the transaction had an effect of EUR 4.5 million on the full financial year 2019.

**) The balance sheet values for the comparison period have been adjusted due to prior period errors. The adjustments have not been allocated to business segments because they are immaterial on a segment-specific basis. More information on this is provided in the section "Correction of prior period errors" under accounting principles.

***) Group administration and other includes impairments of EUR 4.1 million recognized in the first quarter of the financial year 2020.

SEGMENT INFORMATION BY QUARTER

MEUR	4-6/2020	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Net sales					
Environmental Services	71.9	77.1	79.8	75.0	76.8
Industrial Services	23.4	20.2	26.0	27.7	26.2
Facility Services Finland	56.7	58.2	59.4	59.0	61.3
Facility Services Sweden	32.7	30.3	35.8	30.5	33.4
Inter-division net sales	-1.6	-1.5	-2.0	-1.7	-1.6
Total	183.2	184.4	198.9	190.5	196.2
Operating profit					
Environmental Services	-2.6	4.7	8.2	11.2	8.8
Industrial Services	1.3	-0.3	1.9	4.4	3.3
Facility Services Finland	-0.4	-1.8	-1.3	2.8	-2.0
Facility Services Sweden	0.3	0.2	0.9	1.4	0.8
Group administration and other	-0.8	0.1	-0.8	-1.2	5.9
Total	-2.2	2.9	8.9	18.5	16.8
EBITDA					
Environmental Services	3.8	11.2	14.6	17.6	15.0
Industrial Services	3.7	2.2	4.3	6.6	5.6
Facility Services Finland	2.7	1.2	1.8	6.1	1.4
Facility Services Sweden	1.5	1.5	2.3	2.7	2.2
Group administration and other	-0.8	4.3	-0.5	-0.9	6.2
Total	10.8	20.4	22.4	32.1	30.5
Operating margin					
Environmental Services	-3.6	6.1	10.3	14.9	11.4
Industrial Services	5.7	-1.5	7.3	15.9	12.7
Facility Services Finland	-0.7	-3.2	-2.3	4.7	-3.2
Facility Services Sweden	0.9	0.7	2.6	4.5	2.4
Total	-1.2	1.6	4.5	9.7	8.6
EBITDA margin					
Environmental Services	5.2	14.6	18.3	23.4	19.6
Industrial Services	15.9	11.0	16.6	23.9	21.5
Facility Services Finland	4.8	2.0	3.0	10.4	2.2
Facility Services Sweden	4.5	4.9	6.3	8.9	6.7
Total	5.9	11.1	11.3	16.9	15.5

DISAGGREGATION OF REVENUE

Net sales consist of services for which revenue is recognised over time, products for which revenue is recognised at a point in time as well as lease income.

Services for which revenue is recognised over time include sales revenue from long-term service agreements, separately ordered services and the project business.

Services for which revenue is recognised at a point in time include revenue from the sale of equipment and materials.

4-6/2020, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	51.0			20.1	0.7	71.9
Industrial Services	10.8	10.5	1.6	0.5		23.4
Facility Services Finland	39.0	16.2	1.5			56.7
Facility Services Sweden	14.3	17.3	1.1			32.7
Total	115.1	44.0	4.2	20.7	0.7	184.7
Interdivision						-1.6
External net sales, total						183.2

4-6/2019, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	54.0			22.2	0.6	76.8
Industrial Services	12.4	11.3	1.3	1.1		26.2
Facility Services Finland	40.3	16.8	4.2			61.3
Facility Services Sweden	14.5	17.8	1.1			33.4
Total	121.3	46.0	6.5	23.3	0.6	197.8
Interdivision						-1.6
External net sales, total						196.2

1-6/2020, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	100.0			47.6	1.5	149.0
Industrial Services	20.8	19.7	1.9	1.2		43.7
Facility Services Finland	81.6	29.5	3.7			114.9
Facility Services Sweden	28.8	32.1	2.2			63.1
Total	231.3	81.4	7.8	48.8	1.5	370.7
Interdivision						-3.1
External net sales, total						367.5

1-6/2019, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	103.2			52.0	1.2	156.4
Industrial Services	21.8	19.3	1.9	2.1		45.2
Facility Services Finland	82.2	32.4	16.2			130.8
Facility Services Sweden	29.2	33.9	2.4			65.5
Total	236.5	85.6	20.5	54.1	1.2	397.9
Interdivision						-3.0
External net sales, total						394.9

1-12/2019, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	212.0			96.8	2.4	311.2
Industrial Services	47.0	42.0	6.0	3.8		98.9
Facility Services Finland	162.7	68.6	17.8			249.1
Facility Services Sweden	48.1	80.1	3.6			131.8
Total	469.8	190.7	27.4	100.6	2.4	791.0
Interdivision						-6.7
External net sales, total						784.3

BUSINESS ACQUISITIONS

OTHER BUSINESS ACQUISITIONS, COMBINED

Fair value total, MEUR	1-6/2020	1-6/2019	1-12/2019
Intangible assets	0.2	0.4	0.4
Property, plant and equipment	0.2	0.2	0.2
Investments	-	0.0	0.0
Receivables	-	0.1	0.1
Cash and cash equivalents	-	0.4	0.4
Total assets	0.4	1.0	1.0
Other liabilities	-	0.1	0.1
Deferred tax liabilities	-	0.1	0.1
Total liabilities	-	0.2	0.2
Net assets acquired	0.4	0.9	0.9
Total consideration	1.0	1.0	1.0
Goodwill	0.6	0.1	0.1
Effect on cash flow			
Consideration paid in cash	-1.0	-1.0	-1.0
Unpaid	0.3	0.5	0.2
Cash and cash equivalents of the acquired company	-	0.4	0.4
Cash flow from investing activities	-0.7	-0.1	-0.4

DIVESTED BUSINESSES

During the previous financial year, on 30 April 2019, L&T sold the entire share capital of L&T Korjausrakentaminen Oy to Recover Nordic Group.

The debt-free price was EUR 13.9 million and the Group recognised a capital gain of EUR 7.0 million on the sale. The gain on the sale is presented under other operating income.

MEUR	1-6/2020	1-6/2019	1-12/2019
Tangible and intangible fixed assets	-	1.4	1.4
Trade and other receivables	-	7.7	7.7
Cash and cash equivalents	-	1.7	1.7
Trade and other payables	-	-6.0	-6.0
Net assets	-	4.8	4.8
Effect on cash flow			
Consideration received in cash	-	13.9	13.9
Selling expenses	-	-0.7	-0.4
Cash and cash equivalents of the divested company	-	-1.7	-1.7
Cash flow from investing activities	-	11.5	11.8

CHANGES IN INTANGIBLE ASSETS

MEUR	1-6/2020	1-6/2019	1-12/2019
Carrying amount at beginning of period	188.0	193.5	193.5
Business acquisitions	0.8	0.5	0.5
Other capital expenditure	2.3	1.5	3.5
Disposals	-0.3	0.0	-0.1
Depreciation, amortisation and impairment	-8.1	-4.6	-9.4
Transfers between items	0.0	0.0	0.0
Exchange differences	-0.2	-0.6	0.0
Carrying amount at end of period	182.5	190.3	188.0

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

MEUR	1-6/2020	1-6/2019	1-12/2019
Carrying amount at beginning of period	206.7	155.2	155.2
Right-of-use asset IFRS 16	-	53.8	53.8
Business acquisitions	0.2	0.2	0.2
Other capital expenditure	27.9	19.5	44.2
Disposals	-5.6	-1.7	-1.9
Depreciation, amortisation and impairment	-22.5	-22.7	-45.1
Transfers between items	0.0	0.0	0.0
Exchange differences	-0.5	0.2	0.3
Carrying amount at end of period	206.3	204.5	206.7

The carrying amount of property, plant and equipment at the end of the reporting period includes IFRS 16 items totalling EUR 79.3 million (74.6) and depreciation in the amount of EUR 8.7 million (8.1).

CAPITAL COMMITMENTS

MEUR	6/2020	6/2019	12/2019
Intangible assets	2.7	0.2	2.2
Property, plant and equipment	13.0	14.4	7.5
Total	15.7	14.6	9.7

ALTERNATIVE PERFORMANCE MEASURES

MATCHING THE EVA RESULT TO OPERATING PROFIT

MEUR	1-6/2020	1-6/2019	1-12/2019
Operating profit	0.7	17.6	45.0
Invested capital (rolling 12-month quarterly average)	370.4	373.7	384.6
Cost calculated on invested capital	-12.3	-12.2	-25.2
EVA	-11.6	5.3	19.8

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

MEUR	6/2020	Amortised costs	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
		-		-	2
		1.3		1.3	
Current financial assets					
		94.6		94.6	
		-		-	
			-	-	
		28.3		28.3	
		124.2	-	124.2	
Non-current financial liabilities					
		99.6		99.6	2
		63.5		63.5	
Current financial liabilities					
		15.0		15.0	
		16.6		16.6	
		74.2		74.2	
			0.9	0.9	2
		268.9	0.9	269.9	

MEUR	6/2019	Amortised costs	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
		0.0		0.0	2
		1.6		1.6	
Current financial assets					
		117.4		117.4	
		0.1		0.1	
			0.0	0.0	
		44.9		44.9	
		164.1	0.0	164.1	
Non-current financial liabilities					
		99.5		99.5	2
		59.7		59.7	
Current financial liabilities					
		28.0		28.0	
		15.3		15.3	
		81.8		81.8	
			1.0	1.0	2
		284.3	1.0	285.3	

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

CONTINGENT LIABILITIES

MEUR	6/2020	6/2019	12/2019
Securities for own commitments			
Mortgages on rights of tenancy	0.1	0.1	0.1
Other securities	0.0	0.1	0.1
Bank guarantees required for environmental permits	11.4	13.5	11.1

Other securities are security deposits.

The Large Taxpayers Office proposes in an initial audit report that EUR 1.1 million in waste tax would be payable for 2018. The company's view is that the tax authorities' proposal is unfounded. The matter is still under review.

Liabilities associated with derivative agreements

Interest rate swaps

MEUR	6/2020	6/2019	12/2019
Nominal values of interest rate swaps			
Maturity not later than one year	-	-	-
Maturity later than one year and not later than five years	30.0	-	30.0
Maturity later than five years	-	30.0	-
Total	30.0	30.0	30.0
Fair value	-1.0	-1.0	-1.0

The interest rate swaps are used for the hedging of cash flow related to floating rate loans, and hedge accounting under IFRS 9 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 on the balance sheet date.

Commodity derivatives

MEUR	6/2020	6/2019	12/2019
Nominal values of diesel swaps			
Maturity not later than one year	0.0	1.5	0.6
Maturity later than one year and not later than five years	-	-	-
Total	0.0	1.5	0.6
Fair value	0.0	0.0	0.0

Commodity derivative contracts were signed for the hedging of future diesel oil purchases. IFRS 9 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. During the comparison period 2019 the Group decided to no longer hedge of future diesel oil purchases.

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 2020: 6.64% and 2019: 6.55%

EBITDA: operating profit + depreciation + impairment

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

Invested capital: equity + interest-bearing financial liabilities

Return on invested capital, % (ROI):
(pre-tax profit/loss + financial expenses) / Equity + interest-bearing financial liabilities (average of the
beginning of the period and the end of the period) 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, 28 July 2020

LASSILA & TIKANOJA PLC
Board of Directors

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Lassila & Tikanoja is a service company that is putting the circular economy into practice. Together with our customers, we keep materials and properties in productive use for as long as possible and we enhance the use of raw materials and energy. We help our customers maintain the value of their properties and materials while protecting the environment. We achieve this by delivering responsible and sustainable service solutions that make the daily lives of our customers easier. We operate in Finland, Sweden, and Russia. L&T employs 8,200 people. Net sales in 2019 amounted to EUR 784.3 million. L&T is listed on Nasdaq Helsinki.

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