

Lassila & Tikanoja plc  
 Stock exchange release  
 26 April 2018 at 8:00 am

## Lassila & Tikanoja plc: Interim Report 1 January – 31 March 2018

- Net sales for the first quarter were EUR 196.5 million (161.3)
- Operating profit was EUR 3.7 million (5.0)
- Earnings per share were EUR 0.06 (0.11)
- Full-year net sales and operating profit in 2018 are expected to increase compared to 2017

### CEO PEKKA OJANPÄÄ:

“Lassila & Tikanoja’s net sales for the first quarter increased 22%, organic growth was over 4%. Operating profit was lower than during the comparison period. The business operations of the Technical Services division and the Industrial Services division developed favourably in the first quarter, but the result of the Environmental Services and Renewable Energy Sources divisions declined year-on-year. The operating profit of Environmental Services was weighed down by higher production costs, the effects of municipalisation and seasonal services being delivered later in the year. In Facility Services, the result of property maintenance developed favourably and the operating profit of renovation services showed a substantial year-on-year improvement, while the operating profit of the cleaning business declined. The business of the Technical Services division saw positive development, and the integration of L&T FM AB was completed according to plan. The business of the Industrial Services division saw positive development and operating profit increased across all service lines. We will continue to enhance our production and processes as well as improve our profitability.”

### GROUP NET SALES AND FINANCIAL PERFORMANCE

#### January–March

Lassila & Tikanoja’s net sales for the first quarter amounted to EUR 196.5 million (161.3), up 21.8% year-on-year. Operating profit totalled EUR 3.7 million (5.0), representing 1.9% (3.1) of net sales. Earnings per share were EUR 0.06 (0.11).

Net sales saw organic growth in all divisions except Environmental Services. Excluding the effect of L&T FM AB, the rate of organic growth was 4.2%.

Operating profit declined year-on-year in Environmental Services, but improved in Facility Services and particularly in Industrial Services.

#### Financial summary

	1–3/ 2018	1–3/ 2017	Change	1–12/ 2017
Net sales, EUR million	196.5	161.3	21.8	709.5
Operating profit, EUR	3.7	5.0	-26.3	44.0
Operating margin, %	1.9	3.1		6.2
Profit before tax, EUR million	2.8	5.1	-46.0	42.5
Earnings per share, EUR	0.06	0.11	-46.2	0.87
Cash flow from operating activities/share, EUR	0.37	0.18	107.4	1.61
EVA, EUR million	-2.2	0.0	N/A	21.1

### NET SALES AND OPERATING PROFIT BY DIVISION

#### January–March

#### Environmental Services

The division’s net sales for the first quarter totalled EUR 62.8 million (62.3). Operating profit decreased from the previous year and amounted to EUR 4.4 million (6.4).

The result was weighed down by higher production costs as well as the recording of revenue from seasonal services being postponed to the second quarter. The division's market position improved in the retail and industrial segments, but this was not enough to compensate for the impact of municipalisation on operating profit in the first quarter.

### **Industrial Services**

The division's net sales for the first quarter increased by 7.3% to EUR 19.2 million (17.9). Operating profit was EUR 0.4 million (-0.2).

Operating profit improved across all the division's service lines thanks to a stronger market position and improved efficiency of operations. The expanded service offering, new customer accounts and favourable market climate contributed to the positive development of the business.

### **Facility Services**

The division's net sales for the first quarter increased by 4.0% to EUR 65.8 million (63.3). Operating profit was EUR -0.5 million (-1.0).

The operating profit of the property maintenance business developed favourably. The renovation business saw its operating profit improve significantly year-on-year. The result of cleaning and support services declined from the previous year, mainly due to preparations for ERP system deployment.

### **Technical Services**

The division's net sales for the first quarter totalled EUR 36.4 million (8.3). Operating profit was EUR 0.7 million (0.1) and adjusted operating profit was EUR 1.3 million (0.1).

The division's net sales increased in Sweden due to strong demand and developed in line with expectations in Finland. Operating profit adjusted for the purchase price allocation amortisation of the Swedish business was at a good level and the integration process has been successfully completed. The deployment of the new ERP system has started in the Technical Services division's Finnish operations and is progressing according to plan.

### **Renewable Energy Sources**

The first quarter net sales of Renewable Energy Sources (L&T Biowatti) increased by 21.1% and amounted to EUR 14.7 million (12.1). Operating profit was EUR 0.1 million (0.3).

Net sales grew year-on-year thanks to strong demand during the heating season and new customer accounts. The weak energy content of delivered fuels had a negative impact on sales margins and operating profit.

## **FINANCING**

Cash flow from operating activities amounted to EUR 14.1 million (6.8). A total of EUR 3.1 million in working capital was released (4.4 committed).

At the end of the period, interest-bearing liabilities amounted to EUR 177.8 million (109.7).

Net interest-bearing liabilities amounted to EUR 141.8 million (72.5), showing an increase of EUR 23.9 million from the start of the year and an increase of EUR 69.3 million from the comparison period, due to business acquisitions.

Net financial expenses in the first quarter amounted to EUR -0.9 million (0.1) Net financial expenses were -0.4% (0.1) of net sales.

The average interest rate on long-term loans (with interest rate hedging) was 1.1% (1.1). Loans totalling EUR 32.6 million will mature in 2018, including the short-term commercial papers currently in use.

The equity ratio was 33.5% (41.6) and the gearing rate was 78.5 (38.0). Liquid assets at the end of the period amounted to EUR 36.0 million (37.2).

Of the EUR 100.0 million commercial paper programme, EUR 30.0 million (40.0) 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 during the comparison period.

## **DISTRIBUTION OF ASSETS**

The Annual General Meeting held on 15 March 2018 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 2017. The dividend, totalling EUR 35.3 million, was paid to shareholders on 26 March 2018.

## **CAPITAL EXPENDITURE**

Gross capital expenditure in the first quarter of 2018 totalled EUR 8.2 million (10.9), consisting primarily of machine and equipment purchases and investments in information systems. Of the significant ongoing information system projects, the deployment of the new ERP system continued in the Technical Services division and in the Facility Services division's cleaning and support services business.

## **PERSONNEL**

In the first quarter, the average number of employees converted into full-time equivalents was 7,497 (6,807). At the end of the period, Lassila & Tikanoja had 8,513 (7,959) full-time and part-time employees. Of these, 6,883 (7,028) worked in Finland and 1,630 (931) in other countries. Because of the acquisition, the amount of personnel increased in Sweden.

## **SHARES AND SHARE CAPITAL**

### **Traded volume and price**

The volume of trading on Nasdaq Helsinki in the first quarter, excluding the shares held by the company in Lassila & Tikanoja plc, was 1,567,007 shares, which is 4.1% (4.3) of the average number of outstanding shares. The value of trading was EUR 33.3 million (31.6). The highest share price was EUR 20.0 and the lowest EUR 16.18. The closing price was EUR 16.86. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 647.4 million (706.1).

### **Own shares**

At the end of the period, the company held 392,952 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 38,405,922. The average number of shares excluding the shares held by the company was 38,401,540.

### **Shareholders**

At the end of the period, the company had 12,793 (11,895) shareholders. Nominee-registered holdings accounted for 19.4% (17.1) of the total number of shares.

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

The Annual General Meeting held on 15 March 2018 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 15 March 2018, adopted the financial statements and consolidated financial statements for 2017 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 35.3 million, be paid on the basis of the balance sheet adopted for the financial year 2017. It was decided that the

dividend be paid on 26 March 2018.

The Annual General Meeting confirmed the number of members of the Board of Directors as six. Heikki Bergholm, Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Miikka Maijala and Laura Tarkka were re-elected to the Board until the end of the following Annual General Meeting.

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

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 15 March 2018.

## **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 24 April, the company published financial key figures adjusted according to the IFRS 9 and IFRS 15 standards as well as comparison data for the 2017 financial year according to the new segment reporting structure.

## **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 interim report.

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

Fluctuations in the prices of fuels may affect the demand for the recovered fuels produced by the company.

The company has begun the deployment of a new ERP system and will continue the deployment process in 2018. The deployment of the new system may lead to temporary overlapping 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 2017 Annual Report, and in the Report of the Board of Directors and the consolidated financial statements.

## **OUTLOOK FOR THE YEAR 2018**

Lassila & Tikanoja's net sales and operating profit in 2018 are expected to be above the 2017 levels.

**CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 31 MARCH 2018****CONSOLIDATED INCOME STATEMENT**

EUR million	1–3/2018	1–3/2017	1–12/2017
<b>Net sales</b>	<b>196.5</b>	161.3	709.5
Other operating income	1.1	0.9	5.7
Change of inventory	-1.8	0.8	-1.0
Materials and services	-72.2	-53.4	-231.9
Employee benefit expenses	-81.5	-70.6	-296.9
Other operating expenses	-27.8	-24.0	-100.3
Depreciation and impairment	-10.6	-10.0	-41.1
<b>Operating profit</b>	<b>3.7</b>	5.0	44.0
Financial income and expenses	-0.9	0.1	-1.4
Share of the result of associated companies	-0.1	0.0	-0.1
<b>Profit before tax</b>	<b>2.8</b>	5.1	42.5
Income taxes	-0.6	-1.0	-8.9
<b>Profit for the period</b>	<b>2.2</b>	4.1	33.5
<b>Attributable to:</b>			
Equity holders of the company	2.2	4.1	33.5
Non-controlling interest	0.0	0.0	0.0
<b>Earnings per share attributable to equity holders of the parent company:</b>			
Earnings per share, EUR	0.06	0.11	0.87
Diluted earnings per share, EUR	0.06	0.11	0.87

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

EUR million	1–3/2018	1–3/2017	1–12/2017
<b>Profit for the period</b>	<b>2.2</b>	4.1	33.5
<b>Items not to be recognised through profit or loss</b>			
Items arising from reassessment of defined benefit plans	0.0	0.0	0.1
Items not to be recognised through profit or loss, total	0.0	0.0	0.1
<b>Items potentially to be recognised through profit or loss</b>			
Hedging reserve, change in fair value	0.0	-0.1	-0.1

Currency translation differences	-3.6	0.1	-2.7
Currency translation differences, non-controlling interest	0.0	0.0	0.0
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Items potentially to be recognised through profit or loss, total	-3.6	0.1	-2.8
Total comprehensive income, after tax	-1.4	4.2	30.7
<b>Attributable to:</b>			
Equity holders of the company	-1.4	4.1	30.7
Non-controlling interest	0.0	0.0	0.0

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	3/2018	3/2017	12/2017
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<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Goodwill	146.9	117.2	150.2
Customer contracts arising from acquisitions	21.1	5.4	22.6
Agreements on prohibition of competition	0.0	0.1	0.0
Other intangible assets arising from business acquisitions	0.5	0.6	0.5
Other intangible assets	23.2	21.4	22.9
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	191.8	144.7	196.3
Property, plant and equipment			
Land	5.2	5.3	5.3
Buildings and constructions	38.9	39.4	40.3
Machinery and equipment	112.6	107.8	113.0
Other tangible assets	0.1	0.1	0.1
Prepayments and construction in progress	1.5	6.7	2.0
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	158.3	159.3	160.5
Other non-current assets			
Available-for-sale investments	0.6	0.6	0.6
Finance lease receivables	0.1	0.9	0.3
Deferred tax assets	6.9	5.8	6.8
Other receivables	2.5	2.5	2.6
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	10.2	9.7	10.3
<b>Total non-current assets</b>	<b>360.3</b>	<b>313.7</b>	<b>367.2</b>
<b>Current assets</b>			
Inventories	21.8	25.8	23.9
Trade and other receivables	132.4	90.9	137.6
Derivative receivables	0.1	0.1	0.1
Prepayments	2.3	3.4	0.5
Cash and cash equivalents	36.0	37.2	48.1
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<b>Total current assets</b>	<b>192.7</b>	<b>157.4</b>	<b>210.2</b>
<b>Total assets</b>	<b>552.9</b>	<b>471.1</b>	<b>577.3</b>
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EUR million	3/2018	3/2017	12/2017
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity holders of the parent company			
Share capital	19.4	19.4	19.4
Other reserves	-9.5	-3.0	-5.9
Invested unrestricted equity reserve	0.6	0.6	0.6
Retained earnings	167.7	169.6	169.7
Profit for the period	2.2	4.1	33.5
	<b>180.4</b>	190.7	217.2
Non-controlling interest	0.2	0.2	0.2
<b>Total equity</b>	<b>180.6</b>	190.9	217.4
<b>Liabilities</b>			
Non-current liabilities			
Deferred tax liability	28.2	24.0	29.2
Retirement benefit obligations	1.4	1.0	1.4
Provisions	5.0	4.8	5.0
Borrowings	122.5	66.0	140.9
Other liabilities	0.3	0.4	0.4
	<b>157.4</b>	96.2	177.0
Current liabilities			
Borrowings	55.3	43.7	25.0
Trade and other payables	157.9	139.3	155.7
Derivative liabilities	0.2	0.1	0.2
Tax liabilities	0.4	0.0	0.1
Provisions	1.2	0.8	1.9
	<b>215.0</b>	184.0	183.0
<b>Total liabilities</b>	<b>372.4</b>	280.2	359.9
<b>Total equity and liabilities</b>	<b>552.9</b>	471.1	577.3

**CONSOLIDATED STATEMENT OF CASH FLOW**

EUR million	1-3/2018	1-3/2017	1-12/2017
<b>Cash flow from operating activities</b>			
Profit for the period	2.2	4.1	33.5
<b>Adjustments</b>			
Income taxes	0.6	1.1	9.0
Depreciation and impairment	10.6	10.0	41.1
Financial income and expenses	0.9	-0.1	1.4
Other	-0.4	-1.0	0.3
Net cash generated from operating activities before change in working capital	<b>13.8</b>	14.1	85.3

Change in working capital			
Change in trade and other receivables	2.3	-1.6	-14.6
Change in inventories	2.1	-0.9	1.0
Change in trade and other payables	-1.3	-1.9	2.8
Change in working capital	3.1	-4.4	-10.8
Interest paid	-0.6	-0.6	-2.7
Interest received	0.1	0.2	0.5
Income taxes	-2.3	-2.5	-10.5
<b>Net cash from operating activities</b>	<b>14.1</b>	<b>6.8</b>	<b>61.8</b>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries and businesses, net of cash acquired/ adjustment of acquisition price	2.3	-0.6	-67.2
Purchases of property, plant and equipment and intangible assets	-7.2	-5.3	-25.5
Proceeds from the sale of property, plant and equipment and intangible assets	0.5	-	1.7
Investments in associated companies	0.0	-0.8	-0.8
Change in other non-current receivables	0.1	0.1	-0.3
<b>Net cash used in investing activities</b>	<b>-4.4</b>	<b>-6.6</b>	<b>-92.1</b>
<b>Cash flow from financing activities</b>			
Change in short-term borrowings	9.3	39.9	18.3
Proceeds from long-term borrowings	-	-	69.9
Repayments of long-term borrowings	-	-	-2.6
Dividends paid	-30.9	-31.1	-35.3
<b>Net cash generated from financing activities</b>	<b>-21.5</b>	<b>8.8</b>	<b>50.3</b>
<b>Net change in liquid assets</b>	<b>-11.8</b>	<b>9.0</b>	<b>20.0</b>
Liquid assets at beginning of period	48.1	28.2	28.2
Effect of changes in foreign exchange rates	-0.3	0.0	-0.1
<b>Liquid assets at end of period</b>	<b>36.0</b>	<b>37.2</b>	<b>48.1</b>





Share-based benefits		0.0	0.1	0.2	0.2			
Dividends paid			-35.3	-35.3	-35.3			
Dividends returned			0.0	0.0	0.0			
Transactions with shareholders, total		0.0	-35.2	-35.2	-35.2			
Other changes			0.1	0.1	0.1			
<b>Equity on 31 March 2018</b>	<b>19.4</b>	<b>-9.4</b>	<b>-0.2</b>	<b>0.6</b>	<b>169.9</b>	<b>180.4</b>	<b>0.2</b>	<b>180.6</b>

## KEY FIGURES

	1-3/2018	1-3/2017	1-12/2017
Earnings per share, EUR	<b>0.06</b>	0.11	0.87
Diluted earnings per share, EUR	<b>0.06</b>	0.11	0.87
Cash flow from operating activities/share, EUR	<b>0.37</b>	0.18	1.61
EVA, EUR million*	<b>-2.2</b>	0.0	21.1
Adjusted operating profit**	<b>4.5</b>	5.3	45.7
Gross capital expenditure, EUR million	<b>8.2</b>	10.9	113.2
Depreciation, amortisation and impairment, EUR million	<b>10.6</b>	10.0	41.1
Equity per share, EUR	<b>4.70</b>	4.97	5.66
Return on equity, % (ROE)	<b>4.4</b>	7.9	15.2
Return on invested capital, % (ROI)	<b>4.0</b>	7.7	13.3
Equity ratio, %	<b>33.5</b>	41.6	38.6
Gearing, %	<b>78.5</b>	38.0	54.2
Net interest-bearing liabilities, EUR million	<b>141.8</b>	72.5	117.9
Average number of employees in full-time equivalents	<b>7,497</b>	6,807	7,875
Total number of full-time and part-time employees at end of period	<b>8,513</b>	7,959	8,663
Number of outstanding shares adjusted for issues, 1,000 shares			
average during the period	<b>38,402</b>	38,386	38,395
at end of period	<b>38,406</b>	38,398	38,398
average during the period, diluted	<b>38,416</b>	38,400	38,409

\* EVA = operating profit - cost calculated on invested capital (average of four quarters), WACC: 2018 6.60%, 2017 6.69%

\*\* Adjusted operating profit = operating profit plus purchase price allocation amortisation

## 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 2017 and the new and amended provisions that entered into force on 1 January 2018.

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc dated 31 December 2017.

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

## Changes in segment reporting

On 14 December 2017, Lassila & Tikanoja plc announced a change in segment reporting as of 1 January 2018. In the change, the Maintenance of Technical Systems was separated into an independent reporting segment from the Facility Services division. Lassila & Tikanoja's new structure consists of five reporting segments: Environmental Services, Industrial Services, Facility Services, Technical Services and Renewable Energy Sources. Comparable figures for 2017 were published in a separate release on 24 April 2018.

### IFRS 9

IFRS 9 presents revised guidance on the recognition and measurement of financial instruments. This also includes a new accounting model for credit losses that is applied in the determination of impairment recognised on financial assets. The standard's provisions concerning general hedge accounting have also been revised. IFRS 9 also carries forward the guidance on the recognition and derecognition of financial instruments from IAS 39. The company has not applied the standard retroactively. The effect of the application of the standard on Lassila & Tikanoja's equity in the opening balance sheet of 1 January 2018 was EUR -0.4 million.

### IFRS 15

IFRS 15 lays down a comprehensive framework for determining when revenue can be recognised and to what extent. 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.

IFRS 15 includes a five-step model for recognising revenue from contracts with customers. According to the standard, 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.

The provision of services accounts for a significant share of Lassila & Tikanoja's income flows. Revenue from services is recognised as the services are provided. The company has 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.

The effects of the IFRS 15 application are related to the Environmental Services' equipment sales (compactors and balers), which represent approximately 0.5% of L&T's net sales.

In accordance with IAS 8, the company applied the standard retrospectively for each previous reporting period it presents, taking into account the practical expedients allowed by IFRS 15. The effect of the application of the standard on Lassila & Tikanoja's equity in the opening balance sheet of 1 January 2018 was EUR -1.3 million.

### IFRS 2

The amendments to IFRS 2 Share-based Payment clarify the accounting of certain types of arrangements. They apply to three areas: the measurement of cash-settled payments, share-based payments from which withholding taxes have been deducted, and converting share-based payments from cash-settled payments to equity-settled payments. The amendments have had no impact on Lassila & Tikanoja's figures.

### IFRS 16

Lassila & Tikanoja will apply the standard as of 1 January 2019.

The new standard will replace IAS 17 and the related interpretations. IFRS 16 requires lessees to recognise leases as lease payment obligations and related asset items in the balance sheet. Balance

sheet entry is very similar to the accounting treatment of finance leases under IAS 17. There are two concessions regarding the recognition of leases in the balance sheet, relating to leases with a short term of 12 months at most, and leases for assets valued at no more than USD 5,000. For lessors, the accounting treatment of leases will remain largely the same as under the current IAS 17. The standard's most significant effect concerns the accounting treatment of leases. At the end of the 2017 financial year, the Group had EUR 36.1 million in non-cancellable lease obligations based on operating leases. The more detailed assessment of the effects of the new standard is still underway. The company has not yet decided on the transition method to be applied.

## SEGMENT INFORMATION

### NET SALES

EUR million	1-3/2018			1-3/2017			Total net sales, change %
	External	Interdivision	Total	External	Interdivision	Total	
Environmental Services	62.0	0.8	62.8	61.5	0.8	62.3	0.8
Industrial Services	18.7	0.5	19.2	17.1	0.8	17.9	7.3
Facility Services	65.2	0.7	65.8	62.7	0.6	63.3	4.0
Technical Services	36.0	0.4	36.4	7.9	0.4	8.3	336.5
Renewable Energy Sources	14.6	0.0	14.7	12.1	0.0	12.1	21.1
Eliminations		-2.4	-2.4		-2.6	-2.6	
<b>Total</b>	<b>196.5</b>		<b>196.5</b>	<b>161.3</b>		<b>161.3</b>	<b>21.8</b>

EUR million	1-12/2017		
	External	Interdivision	Total
Environmental Services	259.2	3.5	262.8
Industrial Services	87.4	3.3	90.7
Facility Services	258.0	2.6	260.6
Technical Services	70.2	1.7	71.8
Renewable Energy Sources	34.7	0.2	34.9
Eliminations		-11.3	-11.3
<b>Total</b>	<b>709.5</b>		<b>709.5</b>

### OPERATING PROFIT

EUR million	1-3/2018		1-3/2017		1-12/2017	
		%		%		%
Environmental Services	4.4	7.0	6.4	10.3	31.6	12.0
Industrial Services	0.4	2.2	-0.2	-1.0	8.7	9.6
Facility Services	-0.5	-0.8	-1.0	-1.5	5.2	2.0
Technical Services	0.7	1.9	0.1	1.0	1.6	2.3
Renewable Energy Sources	0.1	0.5	0.3	2.4	0.7	2.0
Group administration and other	-1.3		-0.6		-3.9	
<b>Total</b>	<b>3.7</b>	<b>1.9</b>	<b>5.0</b>	<b>3.1</b>	<b>44.0</b>	<b>6.2</b>

**ADJUSTED  
OPERATING PROFIT**

EUR million	1-3/2018	%	1-3/2017	%	1-12/2017	%
Environmental Services	4.5	7.2	6.6	10.5	32.2	12.3
Industrial Services	0.4	2.3	-0.2	-0.9	8.8	9.7
Facility Services	-0.5	-0.8	-0.9	-1.5	5.3	2.0
Technical Services	1.3	3.5	0.1	1.5	2.6	3.6
Renewable Energy Sources	0.1	0.5	0.3	2.4	0.7	2.0
Group administration and other	-1.3		-0.6		-3.9	
<b>Total</b>	<b>4.5</b>	<b>2.3</b>	<b>5.3</b>	<b>3.3</b>	<b>45.7</b>	<b>6.4</b>

**OTHER SEGMENT  
INFORMATION**

EUR million	3/2018	3/2017	12/2017
<b>Assets</b>			
Environmental Services	219.2	219.6	218.4
Industrial Services	71.2	68.6	74.1
Facility Services	96.8	89.1	103.5
Technical Services	95.2	11.2	98.8
Renewable Energy Sources	22.2	24.5	22.7
Group administration and other	1.4	12.3	2.1
Unallocated assets	47.0	45.9	57.8
<b>L&amp;T total</b>	<b>552.9</b>	<b>471.1</b>	<b>577.3</b>
<b>Liabilities</b>			
Environmental Services	55.3	54.1	55.3
Industrial Services	26.3	24.1	27.4
Facility Services	48.0	43.9	52.2
Technical Services	17.3	4.2	15.9
Renewable Energy Sources	10.1	9.6	7.6
Group administration and other	8.2	10.0	5.3
Unallocated liabilities	207.1	134.3	196.2
<b>L&amp;T total</b>	<b>372.4</b>	<b>280.2</b>	<b>359.9</b>

EUR million	1-3/2018	1-3/2017	1-12/2017
<b>Capital expenditure</b>			
Environmental Services	5.2	6.2	24.8
Industrial Services	1.2	1.9	9.0
Facility Services	1.5	2.1	10.1
Technical Services	0.4	0.0	68.6
Renewable Energy Sources	0.0	0.1	0.2
Group administration and other	-0.1	0.5	0.4

L&T total	<b>8.2</b>	10.9	113.2
<b>Depreciation and amortisation</b>			
Environmental Services	<b>5.0</b>	4.9	19.9
Industrial Services	<b>1.8</b>	1.7	7.3
Facility Services	<b>2.7</b>	2.9	11.3
Technical Services	<b>1.0</b>	0.4	2.3
Renewable Energy Sources	<b>0.1</b>	0.1	0.3
Group administration and other	<b>0.0</b>	0.0	0.0
L&T total	<b>10.6</b>	10.0	41.1

**INCOME STATEMENT BY QUARTER**

EUR million	<b>1-3/ 2018</b>	<b>10-12/2017</b>	<b>7-9/2017</b>	<b>4-6/2017</b>	<b>1-3/2017</b>
<b>Net sales</b>					
Environmental Services	<b>62.8</b>	66.0	67.6	66.8	62.3
Industrial Services	<b>19.2</b>	23.9	25.3	23.6	17.9
Facility Services	<b>65.8</b>	70.2	63.9	63.2	63.3
Technical Services	<b>36.4</b>	38.4	16.4	8.6	8.3
Renewable Energy Sources	<b>14.7</b>	10.7	4.8	7.3	12.1
Interdivision net sales	<b>-2.4</b>	-3.2	-2.6	-2.9	-2.6
L&T total	<b>196.5</b>	206.1	175.4	166.7	161.3
<b>Operating profit</b>					
Environmental Services	<b>4.4</b>	6.9	10.1	8.3	6.4
Industrial Services	<b>0.4</b>	2.6	3.6	2.7	-0.2
Facility Services	<b>-0.5</b>	1.4	4.3	0.5	-1.0
Technical Services	<b>0.7</b>	1.2	0.4	-0.1	0.1
Renewable Energy Sources	<b>0.1</b>	0.2	0.0	0.2	0.3
Group administration and other	<b>-1.3</b>	-0.9	-0.8	-1.5	-0.6
L&T total	<b>3.7</b>	11.4	17.6	10.0	5.0
<b>Adjusted operating profit</b>					
Environmental Services	<b>4.5</b>	7.0	10.3	8.4	6.6
Industrial Services	<b>0.4</b>	2.6	3.7	2.7	-0.2
Facility Services	<b>-0.5</b>	1.5	4.3	0.5	-0.9
Technical Services	<b>1.3</b>	2.0	0.5	0.0	0.1
Renewable Energy Sources	<b>0.1</b>	0.2	0.0	0.2	0.3
Group administration and other	<b>-1.3</b>	-0.9	-0.8	-1.5	-0.6
L&T total	<b>4.5</b>	12.4	17.8	10.3	5.3
<b>Operating margin</b>					
Environmental Services	<b>7.0</b>	10.4	14.9	12.4	10.3
Industrial Services	<b>2.2</b>	10.7	14.4	11.3	-1.0
Facility Services	<b>-0.8</b>	2.0	6.7	0.8	-1.5
Technical Services	<b>1.9</b>	3.1	2.6	-0.8	1.0
Renewable Energy Sources	<b>0.5</b>	2.1	-0.7	2.9	2.4
L&T total	<b>1.9</b>	5.5	10.0	6.0	3.1

Financial income and expenses, net	<b>-0.9</b>	-1.3	0.5	-0.7	0.1
Share of the result of associated companies	<b>-0.1</b>	0.0	0.0	0.0	0.0
<b>Profit before tax</b>	<b>2.8</b>	10.0	18.0	9.3	5.1

#### CLASSIFICATION OF REVENUE

##### 1-3/2018

EUR million	Service delivered over time	Project business	Revenue from leases	Other	Total net sales	Interdivision	External net sales
Environmental Services	62.5		0.3		62.8	-0.8	62.0
Industrial Services	18.2	0.6	0.3		19.2	-0.5	18.7
Facility Services	61.0	4.8			65.8	-0.7	65.2
Technical Services	32.7	3.7			36.4	-0.4	36.0
Renewable Energy Sources	10.4			4.3	14.7	0.0	14.6
<b>Total</b>	<b>184.8</b>	<b>9.1</b>	<b>0.6</b>	<b>4.3</b>	<b>198.8</b>	<b>-2.4</b>	<b>196.5</b>

##### 1-3/2017

EUR million	Service delivered over time	Project business	Revenue from leases	Other	Total net sales	Interdivision	External net sales
Environmental Services	61.7		0.6		62.3	-0.8	61.5
Industrial Services	17.0	0.6	0.3		17.9	-0.8	17.1
Facility Services	60.7	2.6			63.3	-0.6	62.7
Technical Services	7.7	0.6			8.3	-0.4	7.9
Renewable Energy Sources	9.0			3.1	12.1		12.1
<b>Total</b>	<b>156.1</b>	<b>3.8</b>	<b>0.9</b>	<b>3.1</b>	<b>163.9</b>	<b>-2.6</b>	<b>161.3</b>

##### 1-12/2017

EUR million	Service delivered over time	Project business	Revenue from leases	Other	Total net sales	Interdivision	External net sales
Environmental Services	260.3		2.5		262.8	-3.5	259.2
Industrial Services	86.4	3.1	1.1		90.7	-3.3	87.4
Facility Services	239.5	21.1			260.6	-2.6	258.0
Technical Services	63.6	8.2			71.8	-1.7	70.2
Renewable Energy Sources	25.3			9.6	34.9	-0.2	34.7
<b>Total</b>	<b>675.1</b>	<b>32.4</b>	<b>3.6</b>	<b>9.6</b>	<b>720.7</b>	<b>-11.3</b>	<b>709.5</b>

**MATCHING THE EVA RESULT TO OPERATING PROFIT**

EUR million	1-3/2018	1-3/ 2017	1-12/ 2017
Operating profit	3.7	5.0	44.0
Invested capital (rolling 12-month quarterly average)	356.5	300.8	342.0
Cost calculated on invested capital	-5.9	-5.0	-22.9
<b>EVA</b>	<b>-2.2</b>	<b>0.0</b>	<b>21.1</b>

**MATCHING ADJUSTED OPERATING PROFIT TO OPERATING PROFIT**

EUR million	1-3/2018	1-3/ 2017	1-12/ 2017
<b>Operating profit</b>	<b>3.7</b>	<b>5.0</b>	<b>44.0</b>
Purchase price allocation amortisation			
Environmental Services	0.1	0.1	0.6
Industrial Services	0.0	0.0	0.1
Facility Services	0.0	0.0	0.1
Technical Services	0.6	0.0	0.9
<b>Adjusted operating profit</b>	<b>4.5</b>	<b>5.3</b>	<b>45.7</b>

**BUSINESS ACQUISITIONS****L&T FM AB**

In the first quarter of 2018, a transaction price refund of SEK 22.8 million was received, which is shown as a positive item in cash flow from investing activities.

**Fair value**

EUR million	1-12/2017
Intangible assets	19.0
Property, plant and equipment	0.1
Investments	0.0
Receivables	32.2
Cash and cash equivalents	0.8
Total assets	52.1
Other liabilities	16.8



Deferred tax liabilities	<b>4.2</b>
Total liabilities	<b>21.0</b>
Net assets acquired	<b>31.2</b>
Total consideration	<b>64.9</b>
Goodwill	<b>33.7</b>
Effect on cash flow	
Consideration paid in cash	<b>-64.9</b>
Cash and cash equivalents of the acquired company	<b>0.8</b>
Cash flow from investing activities	<b>-64.1</b>

The acquisition of L&T FM AB was completed on 31 August 2017 and the acquired entity has been included in the consolidated financial statements as of 1 September 2017. The IFRS purchase price calculations are not yet final.

#### **OTHER BUSINESS ACQUISITIONS, COMBINED**

<b>Fair value, total</b>			
EUR million	<b>1-3/2018</b>	1-3/2017	1-12/2017
Intangible assets	-	0.4	0.6
Property, plant and equipment	-	0.3	1.0
Investments	-	0.0	0.0
Receivables	-	0.3	0.3
Cash and cash equivalents	-	1.0	1.0
Total assets	-	2.0	2.9
Other liabilities	-	0.3	0.3
Deferred tax liabilities	-	0.0	0.0
Total liabilities	-	0.3	0.3
Net assets acquired	-	1.7	2.6
Total consideration	-	2.4	4.1
Goodwill	-	0.7	1.5
Effect on cash flow			
Consideration paid in cash	-	-2.4	-4.1
Cash and cash equivalents of the acquired company	-	1.0	1.0
Unpaid	-	-	0.2
Cash flow from investing activities	-	-1.4	-3.0

**CHANGES IN INTANGIBLE ASSETS**

EUR million	1-3/2018	1-3/2017	1-12/2017
Carrying amount at beginning of period	196.3	143.2	143.2
Business acquisitions	0.0	1.1	53.0
Other capital expenditure	1.6	1.9	7.1
Disposals	-1.6	0.0	0.0
Depreciation and impairment	-2.0	-1.4	-6.6
Transfers between items	0.0	0.0	0.0
Exchange differences	-2.5	0.0	-0.3
Carrying amount at end of period	191.8	144.7	196.3

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

EUR million	1-3/2018	1-3/2017	1-12/2017
Carrying amount at beginning of period	160.5	160.3	160.3
Business acquisitions	0.0	0.0	1.1
Other capital expenditure	6.6	7.4	35.4
Disposals	-0.2	-0.1	-1.4
Depreciation and impairment	-8.6	-8.6	-34.5
Transfers between items	0.0	0.0	0.0
Exchange differences	-0.1	0.3	-0.3
Carrying amount at end of period	158.3	159.3	160.5

**CAPITAL COMMITMENTS**

EUR million	3/2018	3/2017	12/2017
Intangible assets	7.7	0.2	0.2
Property, plant and equipment	0.2	9.9	1.9
Total	7.8	10.1	2.1

**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
31 March 2018						

**Non-current financial assets**

Available-for-sale investments		0.6			0.6	3
Finance lease receivables	0.1				0.1	2
Other receivables	1.7				1.7	

**Current financial assets**

Trade and other receivables	119.8			119.8
Finance lease receivables	0.5			0.5
Derivative receivables			0.1	0.1
Cash and cash equivalents	36.0			36.0
<b>Total financial assets</b>	<b>158.2</b>	<b>0.6</b>	<b>0.1</b>	<b>158.9</b>

**Non-current financial liabilities**

Borrowings			105.6	105.6	2
Finance lease payables			16.9	16.9	

**Current financial liabilities**

Borrowings			52.6	52.6	
Finance lease payables			2.7	2.7	
Trade and other payables			78.7	78.7	
Derivative liabilities				0.2	2
<b>Total financial liabilities</b>			<b>256.5</b>	<b>256.7</b>	

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

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
31 March 2017						

**Non-current financial assets**

Available-for-sale investments		0.6			0.6	3
Finance lease receivables	0.9				0.9	2
Other receivables	1.5				1.5	

**Current financial assets**

Trade and other receivables	81.5				81.5	
Finance lease receivables	0.9				0.9	
Derivative receivables				0.1	0.1	

Cash and cash equivalents	37.2			37.2	
Total financial assets	122.0	0.6	0.1	122.6	
<b>Non-current financial liabilities</b>					
Borrowings		58.3		58.3	2
Finance lease payables		7.7		7.7	
Other liabilities		0.1		0.1	
<b>Current financial liabilities</b>					
Borrowings		42.6		42.6	
Finance lease payables		1.1		1.1	
Trade and other payables		68.6		68.6	
Derivative liabilities			0.1	0.1	2
Total financial liabilities		178.5	0.1	178.7	

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

## CONTINGENT LIABILITIES

EUR million	3/2018	3/2017	12/2017
<b>Securities for own commitments</b>			
Mortgages on rights of tenancy	0.1	0.2	0.1
Other securities	0.1	0.1	0.1
Bank guarantees required for environmental permits	11.2	10.0	10.6

Other securities are security deposits.

### Operating lease liabilities

EUR million	3/2018	3/2017	12/2017
Maturity not later than one year	11.1	6.0	10.5
Maturity later than one year and not later than five years	15.4	9.8	15.1
Maturity later than five years	10.1	3.9	10.5
Total	36.6	19.8	36.1

### Liabilities associated with derivative agreements

#### Interest rate swaps

EUR million	3/2018	3/2017	12/2017
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## Nominal values of interest rate swaps

Maturity not later than one year	<b>1.8</b>	1.8	1.8
Maturity later than one year and not later than five years	<b>0.9</b>	2.7	0.9
Maturity later than five years	<b>30.0</b>	0.0	30.0
Total	<b>32.7</b>	4.5	32.7
Fair value	<b>-0.2</b>	-0.1	-0.3

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**

EUR million	<b>3/2018</b>	<b>3/2017</b>	<b>12/2017</b>
Nominal values of diesel swaps			
Maturity not later than one year	<b>1.3</b>	1.2	1.2
Maturity later than one year and not later than five years	<b>0.0</b>	0.0	0.0
Total	<b>1.3</b>	1.2	1.2
Fair value	<b>0.1</b>	0.0	0.1

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.

**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 2018: 6.60% and 2017: 6.69%

Adjusted operating profit:

operating profit plus purchase price allocation amortisation

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, 26 April 2018

LASSILA & TIKANOJA PLC  
Board of Directors

Pekka Ojanpää  
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. 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. L&T operates in Finland, Sweden and Russia. L&T employs 8,700 people. Net sales in 2017 amounted to EUR 709.5 million. L&T is listed on Nasdaq Helsinki.

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