

Lassila & Tikanoja plc
 Stock exchange release
 26 April 2019 at 8:00 a.m.

Lassila & Tikanoja plc: Interim Report 1 January – 31 March 2019

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

- Net sales for the first quarter were EUR 198.8 million (196.5)
- Operating profit was EUR 0.7 million (3.7)
- Earnings per share were EUR 0.01 (0.06)
- Full-year net sales and operating profit in 2019 are expected to be on par with 2018.
 The outlook does not take into account the impact of the divestment of L&T Korjausrakentaminen Oy.

The Group signed an agreement on the sale of L&T Korjausrakentaminen Oy on 12 April 2019. When completed, the sale will have a non-recurring positive impact of approximately EUR 4.5 million on the Group's operating profit in 2019. The sale will be completed before the end of the second quarter. L&T Korjausrakentaminen Oy's net sales in 2018 amounted to EUR 35.0 million and its operating profit was EUR 0.7 million.

PRESIDENT AND CEO EERO HAUTANIEMI:

"Lassila & Tikanoja's net sales for the first quarter increased by 1.2% year-on-year and amounted to EUR 198.8 million. Operating profit was EUR 0.7 million, which was substantially lower than in the comparison period (3.7).

In the Environmental Services division, net sales and operating profit grew thanks to good demand, particularly in the retail and industrial segments. The net sales and operating profit of the Industrial Services and Facility Services Sweden were on par with the previous year.

The operating profit of the Facility Services Finland was weighed down by problems related to the implementation of the new operating model in technical services that were, for the most part, resolved by the end of February. In the property maintenance business, the high snowfall during the winter increased net sales but weakened operating profit.

We will continue to enhance the Group's 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 198.8 million (196.5), up 1.2% year-on-year. Operating profit totalled EUR 0.7 million (3.7), representing 0.4% (1.9) of net sales. Earnings per share were EUR 0.01 (0.06).

Operating profit was lower than in the comparison period particularly in Facility Services Finland.

Financial summary

	1–3/2019	1–3/2018	Change %	1–12/2018
Net sales, EUR million	198.8	196.5	1.2	802.2
Operating profit, EUR million	0.7	3.7	-80.1	47.6
Operating margin, %	0.4	1.9		5.9

EBITDA, EUR million	14.4	14.3		90.1
EBITDA, %	7.2	7.3		11.2
Profit before tax, EUR million	0.4	2.8	-86.5	42.7
Earnings per share, EUR	0.01	0.06	-78.6	0.89
Cash flow from operating activities/share, EUR	0.58	0.37	58.1	2.35
EVA, EUR million	-5.3	-2.2	143.5	24.0

NET SALES AND OPERATING PROFIT BY DIVISION

January–March

Environmental Services

The division's net sales for the first quarter increased by 3.4% to EUR 79.6 million (77.0). Operating profit grew by 3.3% year-on-year to EUR 4.6 million (4.5).

Demand remained good particularly in the retail and industrial segments. Labour and subcontracting costs were increased by a shortage of drivers and challenging weather conditions, and fuel costs were also higher than in the comparison period.

In the renewable energy sources business, wood delivery volumes were at a good level, which increased the service line's net sales and operating profit.

Industrial Services

The division's net sales for the first quarter amounted to EUR 19.0 million (19.2). Operating profit was EUR 0.3 million (0.4).

Demand remained good particularly in the project business. Projects were postponed due to challenging weather conditions particularly in Northern Finland, which reduced the operating profit for the review period.

Facility Services Finland

The division's net sales for the first quarter increased by 1.2% to EUR 69.5 million (68.6). Operating profit was EUR -3.5 million (-0.6).

The operating profit being substantially lower than in the comparison period was mainly due to the problems related to the implementation of the new operating model in technical services business in Finland. In the property maintenance business, the high snowfall during the winter increased net sales but weakened operating profit. In addition, the contract portfolio of the cleaning business was lower than in the comparison period, which had a negative impact on net sales as well as operating profit.

Facility Services Sweden

The division's net sales for the first quarter amounted to EUR 32.1 million (33.3). Operating profit was EUR 0.7 million (0.7).

The demand for the maintenance of technical systems increased in Sweden particularly in the municipal sector, but sales growth was slowed by problems related to the availability of labour.

FINANCING

Net cash flow from operating activities amounted to EUR 22.4 million (14.1) in January–March. A total of EUR 12.4 million (3.1) in working capital was released. The working capital on the balance sheet decreased by EUR 2.8 million due to that L&T Korjausrakentaminen Oy is treated as one asset item on

the balance sheet according to IFRS 5. The asset is presented on the balance sheet as one item under non-current asset available for sale.

At the end of the period, interest-bearing liabilities amounted to EUR 214.6 million (177.8).

Net interest-bearing liabilities totalled EUR 169.3 million (141.8). This represents an increase of EUR 71.5 million from the start of the year and EUR 27.5 million from the comparison period.

Net financial expenses in the first quarter amounted to EUR 0.4 million (0.9). Net financial expenses were 1.0% (0.4%) of net sales.

The average interest rate on long-term loans (with interest rate hedging) was 1.1% (1.1%). Loans totalling EUR 13.9 million will mature in 2019, including the short-term commercial papers currently in use. The long-term loans do not include the liabilities reported in accordance with IFRS 16.

The equity ratio was 30.1% (33.5%) and the gearing ratio was 95.5% (78.5%). Liquid assets at the end of the period amounted to EUR 45.4 million (36.0). The equity ratio was negatively affected by the entry into force of IFRS 16 at the beginning of 2019.

Of the EUR 100 million commercial paper programme, EUR 10 million (30.0) 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 in the comparison period.

Interest-bearing liabilities on the balance sheet were increased by approximately EUR 53.8 million by the entry into force of IFRS 16 at the beginning of 2019. This contributed to the increase in interest-bearing liabilities and had a negative impact on the gearing ratio and equity ratio. The Group issued a separate release on the effects of the transition on 25 April 2019.

DISTRIBUTION OF ASSETS

The Annual General Meeting held on 14 March 2019 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 2018. The dividend, totalling EUR 35.3 million, was paid to shareholders on 25 March 2019.

CAPITAL EXPENDITURE

Gross capital expenditure in the first quarter of 2019 totalled EUR 9.3 million (8.2), consisting primarily of machine and equipment purchases as well as investments in information systems and buildings.

PERSONNEL

In the first quarter, the average number of employees converted into full-time equivalents was 7,234 (7,497). At the end of the period, Lassila & Tikanoja had 8,728 (8,513) full-time and part-time employees. Of these, 6,995 (6,883) worked in Finland and 1,733 (1,630) in other countries.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading on Nasdaq Helsinki in January–March, excluding the shares held by the company in Lassila & Tikanoja plc, was 1,885,071 shares, which is 4.9% (4.1) of the average number of outstanding shares. The value of trading was EUR 28.7 million (33.3). The highest share price was EUR 16.40 and the lowest EUR 14.20. The closing price was EUR 14.30. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 549.3 million (647.4).

Own shares

At the end of the period, the company held 382,763 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 38,416,111. The average number of shares excluding the shares held by the company was 38,408,893.

Shareholders

At the end of the period, the company had 14,506 (12,793) shareholders. Nominee-registered holdings accounted for 19.4% (19.4) of the total number of shares.

Authorisation for the Board of Directors

The Annual General Meeting held on 14 March 2019 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 14 March 2018, adopted the financial statements and consolidated financial statements for 2018 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 2018. It was decided that the dividend be paid on 25 March 2019.

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 Leenakaisa Winberg, Authorised Public Accountant, as its principal auditor.

The Annual General Meeting resolved to amend Articles 6, 13, 4 and 12 of the company's Articles of Association. Following the amendment, Article 6 reads as follows: *"An Authorised Public Accountants Organisation shall be elected as the Company's auditor. The auditor shall designate an Authorised Public Accountant having principal responsibility. The term of the auditor shall be the financial year of the Company and the duties of the auditor expire at the end of the first Annual General Meeting of Shareholders following the election."* At the same time, Article 13, Point 9, concerning matters to be handled by the Annual General Meeting, was amended to correspond to the new wording of Article 6. Furthermore, Article 4 of the Articles of Association was amended so that the following provision concerning the upper age limit of the members of the Board of Directors was removed: *"No person who is 70 years of age or older can be elected to the Board of Directors"*, and Article 12 was amended so that the following provision concerning voting limitation was removed: *"At the General Meeting of Shareholders, no shareholder may cast more than one fifth (1/5) of the total number of votes represented at the General Meeting of Shareholders."*

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 14 March 2019.

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.

KEY EVENTS DURING THE REVIEW PERIOD

On 26 February, the Group announced that it had clarified its segment structure effective from 1 January 2019. Lassila & Tikanoja's new structure consists of four reporting segments: Environmental Services, Industrial Services, Facility Services Finland and Facility Services Sweden. The Group also announced changes to the Group Executive Board: Tuomas Mäkipeska was appointed as Vice President, Facility Services Finland effective from 26 February 2019. Erik Sundström was appointed as Vice President, Facility Services Sweden and a member of the Group Executive Board. Juha Jaatinen was appointed as acting Group CFO and a member of the Group Executive Board. The Group's General Counsel Sirpa Huopalainen was also appointed as a member of the Group Executive Board. Tutu Wegelius-Lehtonen, who had previously been in charge of the Facility Services division, was announced to have left the company on 25 February 2019.

EVENTS AFTER THE REVIEW PERIOD

On 15 April, the Group announced it has decided to divest its ownership of L&T Korjausrakentaminen Oy. The new owner of the subsidiary, which operates in the field of damage repair and renovation services, is Recover Nordic Group. The agreement was signed on 12 April 2019.

On 25 April, the company published comparison figures according to the new segment structure for the 2018 financial year as well as an opening balance sheet adjusted to reflect the effects of the adoption of IFRS 16.

NEAR-TERM RISKS AND UNCERTAINTIES

Challenges related to the availability of labour may increase production costs and slow down the growth of net sales.

A decline in the volume of the construction industry and a slowing down of investment growth may have an unfavourable effect on the Group's operations and business growth and lead to lower profitability. In addition, market price development for emission rights, secondary raw materials or oil products may have a negative impact on the company's business environment.

Temporary additional costs arising from establishing the operating model related to the new ERP system may weigh down on the company's result.

More detailed information on Lassila & Tikanoja's risks and risk management is available in the 2018 Annual Report, and in the Report of the Board of Directors and the consolidated financial statements.

OUTLOOK FOR THE YEAR 2019

All of Lassila & Tikanoja's divisions, except Facility Services Finland, have a good outlook for 2019. The net sales and operating profit of Facility Services Finland are expected to decrease compared to 2018

due to costs related to the implementation of the new operating model and decrease in the division's contract base.

Lassila & Tikanoja's full-year net sales and operating profit in 2019 are expected to be on par with 2018. The outlook does not take into account the impact of the divestment of L&T Korjausrakentaminen Oy.

The previous outlook, published on 30 January 2019, was:

All of Lassila & Tikanoja's divisions except Facility Services have a good outlook for 2019. Net sales and operating profit of Facility Services are expected to decrease compared to 2018 due to costs related to implementation of the new operating model and decrease in the division's contract base.

Lassila & Tikanoja's full-year net sales and operating profit in 2019 are expected to be on par with 2018.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 31 MARCH 2019

CONSOLIDATED INCOME STATEMENT

EUR million	1–3/2019	1–3/2018	1–12/2018
Net sales	198.8	196.5	802.2
Other operating income	0.8	1.1	5.2
Change of inventory	-1.8	-1.8	-2.4
Materials and services	-74.2	-72.2	-282.0
Employee benefit expenses	-84.5	-81.5	-324.2
Other operating expenses	-24.7	-27.8	-108.7
Depreciation and impairment	-13.6	-10.6	-42.5
Operating profit	0.7	3.7	47.6
Financial income and expenses	-0.4	-0.9	-4.5
Share of the result of associated companies	0.0	-0.1	-0.4
Profit before tax	0.4	2.8	42.7
Income taxes	0.1	-0.6	-8.7
Profit for the period	0.5	2.2	34.1
Attributable to:			
Equity holders of the company	0.5	2.2	34.1
Non-controlling interest	0.0	0.0	0.0
Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR	0.01	0.06	0.89
Diluted earnings per share, EUR	0.01	0.06	0.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1–3/2019	1–3/2018	1–12/2018
Profit for the period	0.5	2.2	34.1
Items not to be recognised through profit or loss			
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
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Items potentially to be recognised through profit or loss

Hedging reserve, change in fair value	-0.3	0.0	-0.1
Currency translation differences	0.0	-3.6	-2.7
Currency translation differences, non-controlling interest	0.0	0.0	0.0

Items potentially to be recognised through profit or loss, total	-0.3	-3.6	-2.8
Total comprehensive income, after tax	0.2	-1.4	31.3

Attributable to:

Equity holders of the company	0.2	-1.4	31.3
Non-controlling interest	0.0	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	3/2019	3/2018	1–12/2018
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ASSETS

Non-current assets

Intangible assets

Goodwill	151.9	146.9	151.5
Customer contracts arising from acquisitions	18.4	21.1	19.2
Agreements on prohibition of competition	0.0	0.0	0.0
Other intangible assets arising from business acquisitions	0.5	0.5	0.5
Other intangible assets	21.5	23.2	22.4

	192.3	191.8	193.6
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Property, plant and equipment

Land	5.1	5.2	5.1
Buildings and constructions	36.0	38.9	35.5
Machinery and equipment	85.0	112.6	110.9
Right-of-use asset	76.0	-	-
Other tangible assets	0.1	0.1	0.1
Prepayments and construction in progress	4.3	1.5	5.2

	206.5	158.3	156.8
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Other non-current assets

Finance lease receivables	0.0	0.1	0.1
Deferred tax assets	3.6	6.9	3.6
Other receivables	1.7	3.1	1.9

	5.4	10.2	5.6
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Total non-current assets

	404.2	360.3	356.0
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Current assets

Inventories	19.1	21.8	21.0
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Trade receivables	74.8	82.9	88.1
Contract assets	34.1	36.2	31.9
Other receivables	14.7	15.8	12.2
Non-current asset held for sale	10.7	-	-
Cash and cash equivalents	45.3	36.0	54.3
Total current assets	198.8	192.7	207.5
Total assets	603.0	552.9	563.5

EUR million	3/2019	3/2018	1–12/2018
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent company			
Share capital	19.4	19.4	19.4
Other reserves	-9.8	-9.5	-9.5
Invested unrestricted equity reserve	0.6	0.6	0.6
Retained earnings	166.4	167.7	167.7
Profit for the period	0.5	2.2	34.1
	177.2	180.4	212.2
Non-controlling interest	0.2	0.2	0.2
Total equity	177.3	180.6	212.4
Liabilities			
Non-current liabilities			
Deferred tax liability	28.2	28.2	29.3
Retirement benefit obligations	1.3	1.4	1.4
Provisions	4.6	5.0	4.6
Borrowings	187.0	122.5	144.8
Other liabilities	0.6	0.3	0.5
	221.7	157.4	180.6
Current liabilities			
Borrowings	27.6	55.3	7.4
Trade and other payables	169.1	158.5	162.4
Non-current asset held for sale	6.5	-	-
Provisions	0.7	1.2	0.7
	204.0	215.0	170.5
Total liabilities	425.6	372.4	351.1
Total equity and liabilities	603.0	552.9	563.5

CONSOLIDATED STATEMENT OF CASH FLOW

EUR million	1-3/2019	1-3/2018	1-12/2018
Cash flow from operating activities			
Profit for the period	0.5	2.2	34.1
Adjustments			
Income taxes	-0.1	0.6	8.7
Depreciation and impairment	13.6	10.6	42.5
Financial income and expenses	0.4	0.9	4.5
Other	-0.6	-0.4	0.0
Net cash generated from operating activities before change in working capital	13.8	13.8	89.6
Change in working capital			
Change in trade and other receivables	1.2	2.3	1.5
Change in inventories	1.9	2.1	3.0
Change in trade and other payables	9.3	-1.3	5.4
Change in working capital	12.4	3.1	9.9
Interest paid	-1.0	-0.6	-3.4
Interest received	0.0	0.1	0.4
Income taxes	-2.8	-2.3	-6.4
Net cash from operating activities	22.4	14.1	90.1
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired/adjustment of acquisition price	-0.2	2.3	1.2
Purchases of property, plant and equipment and intangible assets	-7.1	-7.2	-29.0
Proceeds from the sale of property, plant and equipment and intangible assets	0.2	0.5	2.2
Investments in associated companies	0.0	0.0	0.0
Change in other non-current receivables and investments	0.2	0.1	0.8
Net cash used in investing activities	-6.9	-4.4	-24.7
Cash flow from financing activities			
Change in short-term borrowings	10.0	10.0	-22.6
Proceeds from long-term borrowings	-	-	49.6
Repayments of long-term borrowings	-	-	-47.7
Payments of finance lease liabilities	-3.8	-0.7	-2.9
Dividends paid	-30.8	-30.9	-35.3
Net cash generated from financing activities	-24.5	-21.5	-58.9
Net change in liquid assets	-9.0	-11.8	6.6
Liquid assets at beginning of period	54.3	48.1	48.1
Effect of changes in foreign exchange rates	0.0	-0.3	-0.3
Liquid assets at end of period	45.3	36.0	54.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
Equity on 1 January 2018	19.4	-5.7	-0.2	0.6	202.8	216.9	0.2	217.1
Total comprehensive income								
Result for the period					2.2	2.2	0.0	2.2
Other comprehensive income items		-3.6	0.0	0.0	0.0	-3.6	0.0	-3.6
Total comprehensive income		-3.6	0.0		2.2	-1.4	0.0	-1.4
Transactions with shareholders								
Share-based benefits				0.0	0.1	0.2		0.2
Dividends paid					-35.3	-35.3		-35.3
Transactions with shareholders, total				0.0	-35.2	-35.2		-35.2
Other changes					0.1	0.1		0.1
Equity on 31 March 2018	19.4	-9.4	-0.2	0.6	169.9	180.4	0.2	180.5
Result for the period					31.9	31.9	0.0	31.9
Other comprehensive income items		0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Total comprehensive income		0.2	-0.2	0.0	31.8	31.8	0.0	31.8
Transactions with shareholders								
Share-based benefits					0.0	0.0		0.0
Other changes					0.0	0.0		0.0
Equity on 31 December 2018	19.4	-9.1	-0.4	0.6	201.7	212.2	0.2	212.4
Total comprehensive income								
Result for the period					0.5	0.5	0.0	0.5
Other comprehensive income items		0.0	-0.3		0.0	-0.3	0.0	-0.3
Total comprehensive income		0.0	-0.3		0.5	0.2	0.0	0.2
Transactions with shareholders								
Share-based benefits				0.0	0.1	0.2		0.2
Dividends paid					-35.3	-35.3		-35.3
Transactions with shareholders, total				0.0	-35.2	-35.2		-35.2
Other changes					-0.1	-0.1		-0.1
Equity on 31 March 2019	19.4	-9.1	-0.7	0.6	166.9	177.1	0.2	177.3

KEY FIGURES

	1-3/2019	1-3/2018	1-12/2018
Earnings per share, EUR	0.01	0.06	0.89
Diluted earnings per share, EUR	0.01	0.06	0.89
Cash flow from operating activities/share, EUR	0.58	0.37	2.35
EVA, EUR million*	-5.3	-2.2	24.0
Gross capital expenditure, EUR million	9.3	8.2	37.8
Depreciation, amortisation and impairment, EUR million	13.6	10.6	42.5
Equity per share, EUR	4.62	4.70	5.53
Return on equity, % (ROE)	1.0	4.4	15.8
Invested capital, EUR million	392.0	358.3	364.5
Return on invested capital, % (ROI)	1.5	4.0	12.7
Equity ratio, %	30.1	33.5	38.6
Gearing, %	95.5	78.5	46.1
Net interest-bearing liabilities, EUR million	169.3	141.8	97.8
Average number of employees in full-time equivalents	7,234	7,497	7,566
Total number of full-time and part-time employees at end of period	8,728	8,513	8,600
Number of outstanding shares adjusted for issues, 1,000 shares			
average during the period	38,408	38,402	38,405
at end of period	38,416	38,406	38,406
average during the period, diluted	38,422	38,416	38,419

* EVA = operating profit - cost calculated on invested capital (average of four quarters). WACC: 2019 6.55%, 2018 6.60%

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 2018 and the new and amended provisions that entered into force on 1 January 2019.

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc dated 31 December 2018.

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

The company reports EBITDA starting from 1 January 2019. EBITDA reflects the profitability of business operations excluding such investments required for growth or maintaining operations that have no cash flow effect. The company no longer reports adjusted operating profit because it does not differ significantly from 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 26 February 2019, Lassila & Tikanoja plc announced a change in segment reporting effective from 1 January 2019. Lassila & Tikanoja's new structure consists of four reporting segments: Environmental Services, Industrial Services, Facility Services Finland and Facility Services Sweden. With this change, Lassila & Tikanoja aims to improve the utilisation of the mutual synergies of the business based on material streams as well as the synergies of the business linked to real estate and country-specific growth opportunities. In Finland, Technical Services will be included in the current Facility Services segment. For Sweden, the Technical Services business and cleaning business will be merged into a new reporting segment. Renewable Energy Sources will be merged with the Environmental Services segment. Comparison figures for 2018 were published in a separate release on 25 April 2019.

Application of new or amended IFRS standards: IFRS 16 Leases

The effects of IFRS 16 adoption on reporting

IFRS 16 Leases is effective for annual periods beginning on or after January 1, 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The new standard supersedes the IAS 17 standard and related interpretations. L&T adopted the standard using the modified retrospective method of adoption in which the cumulative effect of initially applying the standard is recognised at the date of initial application of January 1, 2019 and comparative information is not restated. Lessor accounting remains substantially unchanged compared to the guidance under IAS 17 Leases.

L&T has on April 25, 2019 published a stock exchange release on the impact of adoption of IFRS 16 at the date of initial application of January 1, 2019 including a description of the recognition exemptions and the accounting policies and principles applied. This interim report includes a summary of the most relevant accounting principles and impacts of IFRS 16 adoption on L&T's reporting.

L&T leases production and office premises and related land areas, heavy machinery equipment and cars. L&T's lease contracts are mainly operative leases for which the related costs have been recognised as lease expense in the income statement in accordance with IAS 17 in earlier periods. IFRS 16 changes the accounting treatment for these lease contracts. The standard requires lessees to account for the majority of the lease contracts following a single on-balance sheet model. At the commencement date of the contract, a lessee recognises a lease liability and a corresponding right-of-use asset in the balance sheet. The lease liability is measured at the present value of the remaining

lease payments at that date. In the income statement, instead of lease expense, L&T recognises depreciation on the right-of-use asset and interest expense on the lease liability.

In transition to IFRS 16 L&T has recognised a lease liability for the leases previously classified as operating leases. The amount of the lease liability recognised at the date of initial application of January 1, 2019 is based on the present value of the remaining lease payments. L&T measures the right-of-use asset at an amount equal to the lease liability, which means that the transition has not had an impact on L&T's equity at the date of initial application.

The impact of adoption of IFRS 16 on L&T's balance sheet as at January 1, 2019 is EUR 53.8 million increasing the amount of right-of-use assets and lease liabilities. As a result, L&T's equity ratio decreased by 3.4 percentage points, gearing decreased by 25.3 percentage points and net interest-bearing liabilities increased by 55.0 percent. In addition to the balance sheet impact adoption of IFRS 16 will also impact L&T's income statement. From the beginning of 2019 L&T will recognise a depreciation charge in the income statement instead of a lease expense, which will affect operating profit, and an interest expense related to the lease liability, which will increase the amount of finance costs. Due to the change the operating profit of L&T will be improved.

Adoption of IFRS 16 will also impact the presentation of cash flows. Lease expenditure for leases previously classified as operating leases has been presented in cash flow from operating activities, but after the implementation of IFRS 16 only the interest expense related to the lease liability will be presented in the cash flow from operating activities. The rest of the lease payment, i.e. the principal part of the repayment of the lease liability is presented in the cash flow from financing activities. The comparative information has not been restated for cash flow statement either.

Accounting policies in accordance with IFRS 16

At the commencement date of the lease L&T recognises a lease liability measured at the present value. The lease payments included in the measurement of the lease liability consist of the payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease. L&T determines the present value of the lease payments using the interest rate implicit in the lease if this is readily available. For the majority of L&T's lease contracts the interest rate implicit in the lease is not readily available and the incremental borrowing rate is used while calculating the present value of the lease payments. L&T has determined the incremental borrowing rates taking into consideration the class of the underlying asset, maturity of the lease contracts and the different economic environments.

L&T recognises a right-of-use asset from a lease contract at the commencement date of the lease, which is the date that the underlying asset is made available for use. Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability.

L&T applies two recognition exemptions included in IFRS 16. L&T does not recognise leases of low-value assets on the balance sheet, but instead L&T recognises an expense on a straight-line basis over the lease term. L&T does not recognise leases with a lease term of 12 months or less from the commencement date on the balance sheet. Lease payments relating to short-term leases are recognised as an expense on a straight-line basis over the lease term.

IFRS 16 requires lessees to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease if the use of such option is reasonably certain. L&T makes an assessment on the expected lease term on a lease-by-lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. L&T has lease contracts relating mainly to real estate and land areas which are valid until further notice. For such contracts, the management evaluates the lease term on a lease-by-lease basis taking into consideration e.g. costs relating to the termination of the lease and the importance of the underlying asset to L&T's operations.

In accordance with the modified retrospective method of adoption the 2018 comparative information has not been restated. The accounting policies of the comparative information are in line with the accounting

principles of IAS 17 Leases. These accounting policies have been presented in L&T's 2018 financial statements.

SEGMENT INFORMATION

NET SALES

EUR million	1-3/2019			1-3/2018			Total net sales, change %
	External	Interdivision	Total	External	Interdivision	Total	
Environmental Services	79.4	0.2	79.6	76.6	0.4	77.0	3.4
Industrial Services	18.6	0.4	19.0	18.7	0.5	19.2	-0.9
Facility Services Finland	68.7	0.8	69.5	67.9	0.7	68.6	1.2
Facility Services Sweden	32.1	0.0	32.1	33.3	0.0	33.3	-3.4
Eliminations		-1.4	-1.4		-1.6	-1.6	
Total	198.8		198.8	196.5		196.5	1.2

1-12/2018

EUR million	External	Interdivision	Total
Environmental Services	307.5	1.9	309.4
Industrial Services	93.7	2.9	96.5
Facility Services Finland	267.0	2.6	269.6
Facility Services Sweden	134.0	0.0	134.0
Eliminations		-7.3	-7.3
Total	802.2		802.2

OPERATING PROFIT

EUR million	1-3/2019		1-3/2018		1-12/2018	
		%		%		%
Environmental Services	4.6	5.8	4.5	5.8	31.6	10.2
Industrial Services	0.3	1.8	0.4	2.2	10.0	10.4
Facility Services Finland	-3.5	-5.1	-0.6	-0.8	5.2	1.9
Facility Services Sweden	0.7	2.1	0.7	2.2	4.2	3.1
Group administration and other	-1.4		-1.3		-3.5	
Total	0.7	0.4	3.7	1.9	47.6	5.9

EBITDA

EUR million	1-3/2019		1-3/2018		1-12/2018	
		%		%		%
Environmental Services	10.8	13.5	9.6	12.0	52.1	16.8
Industrial Services	2.6	13.5	2.2	11.8	17.5	18.2
Facility Services Finland	0.1	0.2	2.4	3.5	17.2	6.4
Facility Services Sweden	2.2	6.7	1.4	4.3	6.8	5.1
Group administration and other	-1.2		-1.3		-3.5	
Total	14.4	7.2	14.3	7.2	90.1	11.2

OTHER SEGMENT INFORMATION

EUR million	3/2019	3/2018	1–12/2018
Assets			
Environmental Services	259.7	241.3	237.6
Industrial Services	80.4	71.2	72.8
Facility Services Finland	111.4	99.5	94.3
Facility Services Sweden	93.9	92.5	96.4
Group administration and other	3.3	1.4	0.6
Unallocated assets	54.2	47.0	61.8
L&T total	603.0	552.9	563.5
Liabilities			
Environmental Services	70.1	65.4	67.6
Industrial Services	29.7	26.3	29.9
Facility Services Finland	57.1	49.3	48.5
Facility Services Sweden	16.5	16.0	17.7
Group administration and other	8.0	8.2	4.7
Unallocated liabilities	244.3	207.1	182.8
L&T total	425.6	372.4	351.1

EUR million	1–3/2019	1–3/2018	1–12/2018
Capital expenditure			
Environmental Services	6.0	5.3	20.7
Industrial Services	2.4	1.2	8.4
Facility Services Finland	0.9	1.6	7.6
Facility Services Sweden	0.2	0.2	1.1
Group administration and other	-0.1	-0.1	0.0
L&T total	9.3	8.2	37.8
Depreciation and amortisation			
Environmental Services	6.1	5.1	20.4
Industrial Services	2.2	1.8	7.5
Facility Services Finland	3.7	3.0	12.0
Facility Services Sweden	1.5	0.7	2.6
Group administration and other	0.1	0.0	0.0
L&T total	13.6	10.6	42.5

INCOME STATEMENT BY QUARTER

EUR million	1–3/2019	10–12/2018	7–9/2018	4–6/2018	1–3/2018
Net sales					
Environmental Services	79.6	80.3	74.7	77.4	77.0
Industrial Services	19.0	25.2	25.9	26.3	19.2
Facility Services Finland	69.5	66.4	65.9	68.7	68.6
Facility Services Sweden	32.1	36.6	31.6	32.4	33.3
Interdivision net sales	-1.4	-2.1	-1.8	-1.8	-1.6
Total	198.8	206.5	196.3	203.0	196.5

Operating profit

Environmental Services	4.6	8.3	10.7	8.1	4.5
Industrial Services	0.3	2.6	3.7	3.3	0.4
Facility Services Finland	-3.5	0.0	4.4	1.4	-0.6
Facility Services Sweden	0.7	1.6	1.3	0.6	0.7
Interdivision net sales	-1.4	-0.9	-0.6	-0.7	-1.3
Total	0.7	11.7	19.6	12.6	3.7
EBITDA					
Environmental Services	10.8	13.4	15.8	13.3	9.6
Industrial Services	2.6	4.6	5.6	5.1	2.2
Facility Services Finland	0.1	3.0	7.4	4.4	2.4
Facility Services Sweden	2.2	2.2	1.9	1.2	1.4
Group administration and other	-1.2	-0.9	-0.6	-0.7	-1.3
Total	14.4	22.4	30.1	23.3	14.3
Operating margin					
Environmental Services	5.8	10.4	14.3	10.5	5.8
Industrial Services	1.8	10.4	14.4	12.4	2.2
Facility Services Finland	-5.1	0.0	6.7	2.0	-0.8
Facility Services Sweden	2.1	4.3	4.0	1.9	2.2
Total	0.4	5.7	10.0	6.2	1.9
EBITDA %					
Environmental Services	13.5	16.7	21.1	17.1	12.4
Industrial Services	13.5	18.3	21.5	19.5	11.7
Facility Services Finland	0.2	4.5	11.2	6.4	3.6
Facility Services Sweden	6.7	6.1	6.0	3.8	4.2
Total	7.2	10.8	15.3	11.5	7.3
Financial income and expenses, net	-0.4	-1.0	-1.4	-1.1	-0.9
Share of the result of associated companies	0.0	0.0	0.0	-0.3	-0.1
Profit before tax	0.4	10.6	18.2	11.1	2.8

DISAGGREGATION OF REVENUE

1–3/2019, EUR million	Revenue recognised over time			Revenue recognised at a point in time	Rent	Total net sales
	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	
Environmental Services	47.8			29.8	2.0	79.6
Industrial Services	9.4	7.9	0.7	1.0		19.0
Facility Services Finland	41.9	15.6	12.0			69.5
Facility Services Sweden	14.7	16.1	1.4			32.1
Total	113.8	39.6	14.0	30.8	2.0	200.2

Interdivision	-1.4
Total external net sales	198.8

1–3/2018, EUR million	Revenue recognised over time			Revenue recognised at a point in time	Rent	Total net sales
	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	
Environmental Services	47.7			28.9	0.3	77.0
Industrial Services	9.3	8.5	0.3	1.1		19.2
Facility Services Finland	44.6	14.1	9.9			68.6
Facility Services Sweden	14.7	17.5	1.1			33.3
Total	116.4	40.1	11.2	30.0	0.3	198.0
Interdivision						-1.6
Total external net sales						196.5

1–12/2018, EUR million	Revenue recognised over time			Revenue recognised at a point in time	Rent	Total net sales
	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	
Environmental Services	209.0			98.5	2.0	309.4
Industrial Services	44.5	41.5	5.4	5.1		96.5
Facility Services Finland	168.6	61.5	39.5			269.6
Facility Services Sweden	58.7	69.2	6.1			134.0
Total	480.8	172.2	51.0	103.6	2.0	809.5
Interdivision						-7.3
Total external net sales						802.2

MATCHING ALTERNATIVE PERFORMANCE MEASURES**MATCHING THE EVA RESULT TO OPERATING PROFIT**

EUR million	1-3/2019	1-3/2018	1-12/2018
Operating profit	0.7	3.7	47.6
Invested capital (rolling 12-month quarterly average)	367.8	356.5	357.7
Cost calculated on invested capital	-6.0	-5.9	-23.6
EVA	-5.3	-2.2	24.0

BUSINESS ACQUISITIONS**L&T FM AB**

The acquisition of L&T FM AB was completed on 31 August 2017.

In the first quarter of 2018, a transaction price refund of EUR 2.2 million was received, which affects cash flow from investing activities by EUR 1.6 million. This is shown in the item "Acquisition of subsidiaries and businesses, net of cash acquired", netted with the acquisition of the 2018 business. In addition, the value of the acquired balance sheet items was adjusted by SEK 34.5 million in the third quarter of 2018. The adjustments are presented as an increase in property, plant and equipment. The IFRS calculation of the acquisition price presented in the financial statements of 31 December 2018 is final.

OTHER BUSINESS ACQUISITIONS, COMBINED**Fair value, total**

EUR million	1-3/2019	1-3/2018	1-12/2018
Intangible assets	0.1	-	0.2
Property, plant and equipment	0.1	-	0.1
Investments	-	-	-
Receivables	-	-	-
Cash and cash equivalents	-	-	-
Total assets	0.2	-	0.2
Other liabilities	-	-	-
Deferred tax liabilities	-	-	-
Total liabilities	-	-	-
Net assets acquired	0.2	-	0.2
Total consideration	0.2	-	0.4
Goodwill	0.0	-	0.2
Effect on cash flow			
Consideration paid in cash	-0.2	-	-0.4

Cash and cash equivalents of the acquired company	-	-	-
Unpaid	0.0	-	0.1
Cash flow from investing activities	-0.2	-	-0.3

CHANGES IN INTANGIBLE ASSETS

EUR million	1-3/2019	1-3/2018	1-12/2018
Carrying amount at beginning of period	193.6	196.3	196.3
Business acquisitions	0.1	0.0	3.1
Other capital expenditure	0.7	1.6	5.3
Disposals	1.0	-1.6	0.0
Depreciation and impairment	-2.3	-2.0	-8.6
Transfers between items	0.0	0.0	0.1
Exchange differences	-0.8	-2.5	-2.5
Carrying amount at end of period	192.3	191.8	193.6

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	1-3/2019	1-3/2018	1-12/2018
Carrying amount at beginning of period	156.8	160.5	160.5
Right-of-use asset IFRS 16	53.8	-	-
Business acquisitions	0.1	0.0	0.1
Other capital expenditure	8.5	6.6	32.2
Disposals	-1.5	-0.2	-1.5
Depreciation and impairment	-11.3	-8.6	-33.9
Transfers between items	0.0	0.0	-0.1
Exchange differences	0.3	-0.1	-0.6
Carrying amount at end of period	206.5	158.3	156.8

In transition to IFRS 16, operating and other lease liabilities are included in net interest-bearing liabilities on the balance sheet, increasing them by EUR 53.8 million. Off-balance sheet operating lease liabilities amounted to EUR 36.6 million in the comparison period and EUR 39.0 million at the end of 2018.

The carrying amount of property, plant and equipment includes IFRS 16 items totalling EUR 76.0 million and depreciation in the amount of EUR 4.0 million.

CAPITAL COMMITMENTS

EUR million	3/2019	3/2018	12/2018
Intangible assets	0.2	7.7	0.2
Property, plant and equipment	16.8	0.2	8.9
Total	17.0	7.8	9.1

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	31 March 2019	Amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
		0.0		0.0	2
		1.7		1.7	
Current financial assets					
		109.5		109.5	
		0.1		0.1	
			0.0	0.0	
		45.3		45.3	
		156.8	0.0	156.8	
Non-current financial liabilities					
		124.5		124.5	2
		62.5		62.5	
Current financial liabilities					
		13.9		13.9	
		13.8		13.8	
		84.4		84.4	
			0.8	0.8	2
		299.0	0.8	299.9	

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

EUR million	31 March 2018	Amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
		0.1		0.1	2
		2.3		2.3	
Current financial assets					
		119.8		119.8	
		0.5		0.5	
			0.1	0.1	
		36.0		36.0	
		158.8	0.1	158.9	
Non-current financial liabilities					
		105.6		105.6	2
		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	0.2	2
Total financial liabilities	256.5	0.2	256.7	

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

CONTINGENT LIABILITIES

EUR million	3/2019	3/2018	1–12/2018
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Securities for own commitments

Mortgages on rights of tenancy	0.1	0.1	0.1
Other securities	0.1	0.1	0.1

Bank guarantees required for environmental permits	12.7	11.2	10.2
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Other securities are security deposits.

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

EUR million	3/2019	3/2018	1–12/2018
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Nominal values of interest rate swaps

Maturity not later than one year	0.9	1.8	0.9
Maturity later than one year and not later than five years	-	0.9	-
Maturity later than five years	30.0	30.0	30.0
Total	30.9	32.7	30.9
Fair value	-0.9	-0.2	-0.6

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	3/2019	3/2018	1–12/2018
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Nominal values of diesel swaps

Maturity not later than one year	1.9	1.3	1.6
Maturity later than one year and not later than five years	-	0.0	-
Total	1.9	1.3	1.6

Fair value	0.0	0.1	0.0
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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 2019: 6.55% and 2018: 6.60%

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, 26 April 2019

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. 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 8,600 people. Net sales in 2018 amounted to EUR 802.2 million. L&T is listed on Nasdaq Helsinki.

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