



Lassila & Tikanoja plc
Stock exchange release
28 April 2020 at 8:00 a.m.

Lassila & Tikanoja plc: Interim Report 1 January–31 March 2020

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

- **Net sales for the first quarter were EUR 184.4 million (198.8)**
- **Operating profit was EUR 2.9 million (0.7)**
- **Earnings per share were EUR 0.00 (0.01). Earnings per share were negatively affected by an increase in exchange differences. Exchange differences amounted to EUR -1.8 million (0.6) in the first quarter**
- **The decrease in net sales was mainly attributable to the Q2/2019 divestment of the L&T Korjausrakentaminen business, which is included in the figures for the comparison period**
- **The increase in the business segments' operating profit was particularly due to the improved result of Facility Services Finland**

Outlook for 2020, updated 24 April 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.

PRESIDENT AND CEO EERO HAUTANIEMI:

“Net sales in the first quarter of 2020 decreased by 7.2% year-on-year and amounted to EUR 184.4 million. The decrease in net sales was attributable to the divestment of L&T Korjausrakentaminen in the previous financial year, with its business included in the comparison figures, the winter's low snowfall and the coronavirus epidemic towards the end of the quarter. Operating profit was EUR 2.9 million, representing a substantial increase from the comparison period (0.7). The increase in operating profit was particularly due to the improved result of Facility Services Finland. Consolidated net cash from operating activities in the first quarter was at a good level at EUR 19.6 million (22.4) and the Group's liquidity position remained strong.

The business environment in the first quarter can be characterised as challenging due to the industrial action in the early part of the year and the coronavirus epidemic that began in March. I am satisfied with our result in these somewhat exceptional circumstances.

The majority of Lassila & Tikanoja's net sales is generated from services such as waste management and various maintenance services, which are essential for society and companies and will continue even during the coronavirus epidemic.

Nevertheless, Lassila & Tikanoja expects the demand for services to weaken due to the restrictions imposed by the authorities as well as production restrictions implemented by customers themselves. The epidemic will have negative effects on all of the Group's business segments, particularly those related to the restaurant and hotel business as well as services sold to industrial customers. The negative impact of the epidemic on the Group's operating profit is estimated to have been EUR 0.5–1.0 million in the first quarter.

The increased sales of disinfection and cleaning services in the cleaning business have reduced the negative result effects of the epidemic. During the remainder of the year, the impacts will also be mitigated by the temporary reduction of 2.6 percentage points in pension insurance payments in Finland during the period 1 May–31 December 2020 as well as the significant drop in fuel prices.

Due to the reforms in waste management carried out by the state of Russia in 2019, the implementation of waste management in the Moscow region was allocated to seven operators. As a result of this change, the area in which Lassila & Tikanoja operates 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 response to the significant change in the customer situation, Lassila & Tikanoja has decided to discontinue its Russian operations in 2020. The discontinuation of the Group's operations in Russia is estimated to have a negative effect of EUR 7-11 million on the result of Environmental services and EUR 4-8 million on Group equity in 2020. The discontinuation is not expected to have a negative effect on cash flow.

As part of Lassila & Tikanoja's comprehensive contingency planning, the Group has conducted negotiations in its Finnish operations pursuant to the Act on Co-operation within Undertakings to enable flexible adjustments in response to declining demand. Lassila & Tikanoja's financial position is strong and secure and the Group has taken additional measures to strengthen it."

GROUP NET SALES AND FINANCIAL PERFORMANCE

January–March

Lassila & Tikanoja's net sales for the first quarter amounted to EUR 184.4 million (198.8), down 7.2% year-on-year. Operating profit was EUR 2.9 million (0.7), representing 1.6% (0.4%) of net sales. Earnings per share were EUR 0.00 (0.01). Earnings per share were negatively affected by the depreciation of the Russian rouble and Swedish krona, with exchange differences totalling EUR -1.8 million (0.6) in the first quarter.

In Environmental Services, net sales declined and operating profit improved slightly year-on-year. In Industrial Services, net sales grew while operating profit declined. In Facility Services Finland, net sales declined but operating profit improved substantially 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 on the sale of property included in property, plant and equipment. Non-recurring costs totalling EUR 4.8 million were recognised during the period, 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 in the first quarter. The items in question are not included in the figures of the Group's businesses.

Financial summary

	1–3/2020	1–3/2019	Change %	1–12/2019
Net sales, EUR million	184.4	198.8	-7.2	784.3
Operating profit, EUR million	2.9	0.7	291.0	45.0
Operating margin, %	1.6	0.4		5.7
EBITDA, EUR million	20.4	14.4	42.1	99.4
EBITDA, %	11.1	7.2		12.7
Profit before tax, EUR million	0.1	0.4	-86.1	42.0
Earnings per share, EUR	0.00	0.01	-89.9	0.90
Cash flow from operating activities/share, EUR	0.51	0.58	-12.2	2.46
EVA, EUR million	-3.4	-5.2	-35.4	19.8
Return on equity (ROE), %	0.1	1.0		16.8
Invested capital, EUR million	364.7	388.5		380.5
Return on invested capital (ROI), %	3.2	1.5		12.4
Equity ratio, %	29.3	29.6		35.6
Gearing, %	95.6	97.4		66.8

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

January–March

The division's net sales for the first quarter totalled EUR 77.1 million (79.6). Operating profit grew by 2.1% year-on-year to EUR 4.7 million (4.6).

Demand for the Environmental Services division's services was at a good level particularly during the first half of the quarter. In the market for recycled raw materials, the prices of paperboard and cardboard were on a declining trend in particular, which contributed to the decrease in net sales. In addition, the impact of the coronavirus epidemic was reflected in the division's business to some extent, particularly in the hotel and restaurant industry. The demand for renewable energy sources remained unchanged, but the difficult weather conditions hindered the harvesting of wood from forests.

Industrial Services

January–March

The division's net sales for the first quarter grew to EUR 20.2 million (19.0). Operating profit declined year-on-year to EUR -0.3 million (0.3).

Net sales grew due to new customer agreements for continuing services in spite of the effects on the business caused by industrial action as well as the postponement and cancellation of annual maintenance services. The decrease in operating profit was attributable to start-up costs related to new agreements, difficulties in resource allocation arising from industrial action as well as the postponement of maintenance shutdowns in the process industry resulting from the coronavirus epidemic.

Facility Services Finland

January–March

The division's net sales for the first quarter totalled EUR 58.2 million (69.5). The decline in net sales was mainly due to the divestment of L&T Korjausrakentaminen Oy, which took place in the comparison period. The winter's low snowfall also reduced subcontracting and net sales. Operating profit improved to EUR -1.8 million (-3.5).

Operating profit improved substantially year-on-year in all business lines. The positive development was attributable to new customer accounts as well as the improved productivity of operations, which was mainly due to the restructuring programme implemented in the final quarter of the previous year. The winter's low snowfall also helped improve the result of the property maintenance business compared to the previous year.

Facility Services Sweden

January–March

The division's net sales for the first quarter totalled EUR 30.3 million (32.1). Operating profit was EUR 0.2 million (0.7).

The effects of the coronavirus epidemic were clearly apparent at L&T in Sweden towards the end of the quarter. Operating profit 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 in

March on the other hand. The depreciation of the Swedish krona during the review period had a negative effect on euro net sales and operating profit.

FINANCING

Net cash flow from operating activities amounted to EUR 19.6 million (22.4) in January–March. A total of EUR 6.9 million in working capital was released (EUR 12.4 million released).

At the end of the period, interest-bearing liabilities amounted to EUR 200.6 million (214.6). Net interest-bearing liabilities totalled EUR 156.9 million (169.3). 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 20.0 million (10.0) 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.

Net financial expenses in the first quarter amounted to EUR -2.8 million (-0.4). Exchange rate changes accounted for EUR -1.8 million (0.6) of net financial expenses. Net financial expenses were 1.5% (0.2%) of net sales. The exchange rate changes were caused by the depreciation of the Russian rouble and Swedish krona.

The equity ratio was 29.3% (29.6) and the gearing rate was 95.6% (97.4). Liquid assets at the end of the period amounted to EUR 43.7 million (45.3).

DISTRIBUTION OF ASSETS

The Annual General Meeting held on 12 March 2020 resolved that a dividend of EUR 0.92 per share would 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 quarter of 2020 totalled EUR 9.0 million (9.3), consisting primarily of machine and equipment purchases and investments in information systems and buildings.

PERSONNEL

In the first quarter, the average number of employees converted into full-time equivalents was 7,237 (7,234). At the end of the period, Lassila & Tikanoja had 8,306 (8,728) full-time and part-time employees. Of these, 6,673 (6,995) worked in Finland and 1,633 (1,733) in other countries.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading in January–March, excluding the shares held by the company in Lassila & Tikanoja plc, was 4.9 million shares, which is 12.7% (4.9) of the average number of outstanding shares. The value of trading was EUR 68.3 million (28.7). The highest share price was EUR 16.76 and the lowest EUR 10.06. The closing price was EUR 11.50. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 438.2 million (549.3).

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 38,085,788.

Shareholders

At the end of the period, the company had 17,989 (14,506) shareholders. Nominee-registered holdings accounted for 10.4% (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 share issue 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, would be paid on the basis of the balance sheet adopted for the financial year 2019. It was decided that the dividend would 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 Maijala 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 Majjala, 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 Majjala and Laura Tarkka as members.

KEY EVENTS DURING THE REVIEW PERIOD

The key events are discussed in the other sections of this release.

EVENTS AFTER 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 Group issued a profit warning and lowered its guidance for 2020. The Group also announced discontinuation of Russian operations. According to the updated outlook the 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.

NEAR-TERM RISKS AND UNCERTAINTIES

The coronavirus epidemic and the restrictive measures issued by the authorities as well as production restrictions implemented by customers themselves may lead to a significant contraction or partial suspension of our service production at customer sites. The decline in industrial volume caused by the coronavirus epidemic has a negative impact on the demand for our services and the price of secondary raw materials. The majority of Lassila & Tikanoja's net sales is generated from services such as waste management and various cleaning and maintenance services, which are essential for society and companies and will continue even during the coronavirus epidemic. Nevertheless, Lassila & Tikanoja expects the demand for services to weaken due to the restrictions imposed by the authorities as well as production restrictions implemented by customers themselves.

Lower energy consumption reduces the price of emission rights and weakens the profitability of renewable energy sources, while decreasing oil prices have a reducing effect on our fuel costs.

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 the system deployment projects and establishing the operating model may weigh down the company's result.

In response to significant change in the operating situation, Lassila & Tikanoja has decided to discontinue its Russian operations in 2020. The discontinuation of the Group's operations in Russia is estimated to have a negative effect of EUR 7-11 million on the result and EUR 4-8 million on equity in 2020. The discontinuation is not expected to have a negative effect on cash flow.

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 2020, updated 24 April 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.

Previous outlook for 2020 (29 January 2020)

Net sales in 2020 are expected to be on par with 2019 and operating profit is expected to increase compared to 2019 (EUR 40.5 million). The effect of the divestment of L&T Korjausrakentaminen Oy, EUR 4.5 million, has been deducted from the operating profit for the comparison period, which was EUR 45.0 million.

KEY FIGURES

	1-3/2020	1-3/2019	1-12/2019
Earnings per share, EUR	0.00	0.01	0.90
Diluted earnings per share, EUR	0.00	0.01	0.90
Cash flow from operating activities/share, EUR	0.51	0.58	2.46
EVA, EUR million*	-3.4	-5.2	19.8
Gross capital expenditure, EUR million	9.0	9.3	46.1
Depreciation, amortisation and impairment, EUR million	17.6	13.6	54.4
Equity per share, EUR	4.31	4.53	5.33
Return on equity (ROE), %	0.1	1.0	16.8
Invested capital, EUR million	364.7	388.5	380.5
Return on invested capital (ROI), %	3.2	1.5	12.4
Equity ratio, %	29.3	29.6	35.6
Gearing, %	95.6	97.4	66.8
Net interest-bearing liabilities, EUR million	156.9	169.3	135.6
Average number of employees in full-time equivalents	7 237	7 234	7 308
Total number of full-time and part-time employees at end of period	8 306	8 728	8 207
Number of outstanding shares adjusted for issues, 1,000 shares			
average during the period	38 086	38 409	38 354
at end of period	38 105	38 416	38 094
average during the period, diluted	38 093	38 423	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	1-3/2020	1-3/2019	1-12/2019
Net sales	184.4	198.8	784.3
Other operating income	7.5	0.8	10.6
Change of inventory	1.8	-1.8	0.3
Materials and services	-66.7	-74.2	-270.4
Employee benefit expenses	-81.1	-84.5	-327.1
Other operating expenses	-25.5	-24.7	-98.3
Depreciation and impairment	-17.6	-13.6	-54.4
Operating profit	2.9	0.7	45.0
Financial income and expenses	-2.8	-0.4	-3.0
Share of the result of associated companies	0.0	0.0	0.0
Profit before tax	0.1	0.4	42.0
Income taxes	0.0	0.1	-7.3
Profit for the period	0.0	0.5	34.7
Attributable to:			
Equity holders of the company	0.0	0.5	34.7
Non-controlling interest	0.0	0.0	0.0
Earnings per share attributable to equity holders of the parent company:			
Earnings per share, EUR	0.00	0.01	0.90
Diluted earnings per share, EUR	0.00	0.01	0.90

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MEUR	1-3/2020	1-3/2019	1-12/2019
Profit for the period	0.0	0.5	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
Items not to be recognised through profit or loss, total	0.0	0.0	0.0
Items potentially to be recognised through profit or loss			
Hedging reserve, change in fair value	0.0	-0.3	-0.3
Currency translation differences	-4.0	0.0	-0.6
Currency translation differences, non-controlling interest	-0.1	0.0	0.0
Items potentially to be recognised through profit or loss, total	-4.1	-0.3	-0.9
Total comprehensive income, after tax	-4.0	0.2	33.8
Attributable to:			
Equity holders of the company	-4.0	0.2	33.8
Non-controlling interest	-0.1	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	3/2020	3/2019	12/2019
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	149.9	151.9	151.9
Other intangible assets *)	30.4	40.2	36.2
	180.2	192.2	188.0
Property, plant and equipment *)	127.3	128.9	129.5
Right-of-use asset	80.1	76.0	4.2
	207.4	204.9	206.7
Other non-current assets *)			
Finance lease receivables	0.0	0.0	0.0
Deferred tax assets	4.7	4.5	4.6
Other receivables	1.3	1.6	1.4
	6.0	6.2	6.0
Total non-current assets	393.7	403.3	400.7
Current assets			
Inventories	23.2	19.1	21.5
Trade receivables *)	70.5	73.8	84.2
Contract assets	27.5	34.1	22.0
Other receivables *)	15.6	14.5	13.4
Non-current asset held for sale	-	10.7	-
Cash and cash equivalents	43.7	45.3	41.8
Total current assets	180.5	197.6	182.9
Total assets	574.2	600.8	583.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	3/2020	3/2019	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	-14.5	-9.8	-10.4
Invested unrestricted equity reserve	0.6	0.6	0.6
Retained earnings *)	158.4	163.0	158.6
Profit for the period	0.0	0.5	34.7
	164.0	173.7	202.8
Non-controlling interest	0.1	0.2	0.2
Total equity	164.1	173.9	203.0
Liabilities			
Non-current liabilities			
Deferred tax liabilities	28.1	28.2	29.2
Retirement benefit obligations	1.3	1.3	1.3
Provisions	5.4	4.6	5.4
Financial liabilities	164.0	187.0	161.6
Other liabilities	0.3	0.6	0.3
	199.1	221.7	197.8
Current liabilities			
Financial liabilities	36.5	27.6	15.8
Trade and other payables	172.4	169.1	165.3
Non-current asset held for sale	-	6.5	-
Provisions *)	2.1	2.0	1.7
	211.0	205.3	182.8
Total liabilities	410.1	426.9	380.6
Total equity and liabilities	574.2	600.8	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	1-3/2020	1-3/2019	1-12/2019
Cash flow from operating activities			
Profit for the period	0.0	0.5	34.7
Adjustments			
Income taxes	0.0	-0.1	7.3
Depreciation and impairment	17.6	13.6	54.4
Financial income and expenses	2.8	0.4	3.0
Gain on sale of shares	-5.7	-	-7.0
Other	0.6	-0.6	0.6
Net cash generated from operating activities before change in working capital	15.3	13.8	93.0
Change in working capital			
Change in trade and other receivables	3.9	1.2	7.3
Change in inventories	-1.6	1.9	-0.5
Change in trade and other payables	4.6	9.3	7.4
Change in working capital	6.9	12.4	14.2
Interest paid	-1.2	-1.0	-3.9
Interest received	0.1	0.0	0.2
Income taxes	-1.6	-2.8	-9.1
Net cash from operating activities	19.6	22.4	94.5
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	-	-0.2	-0.4
Proceeds from sale of subsidiaries and businesses, net of sold cash	-	-	11.8
Purchases of property, plant and equipment and intangible assets	-8.8	-7.1	-37.6
Proceeds from the sale of property, plant and equipment and intangible assets	6.9	0.2	0.7
Investments in associated companies	0.0	0.0	0.0
Change in other non-current receivables	0.1	0.2	0.4
Net cash used in investing activities	-1.9	-6.9	-25.1
Cash flow from financing activities			
Proceeds from short-term borrowings	20.1	10.0	-
Repayments of long-term borrowings	-	-	-28.8
Repayments of lease liabilities	-4.2	-3.8	-13.3
Dividends paid	-31.1	-30.8	-35.3
Acquisition of own shares	-	-	-4.5
Net cash generated from financing activities	-15.1	-24.5	-81.9
Net change in liquid assets	2.6	-9.0	-12.5
Liquid assets at beginning of period	41.8	54.3	54.3
Effect of changes in foreign exchange rates	-0.7	0.0	0.0
Liquid assets at end of period	43.7	45.3	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					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
Returned dividend								0.0
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	163.5	173.7	0.2	173.9
Result for the period					34.2	34.2	0.0	34.2
Other comprehensive income items		-0.6	0.0	0.0	0.0	-0.6	0.0	-0.6
Total comprehensive income		-0.6	0.0	0.0	34.2	33.6	0.0	33.6
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					0.0	0.0	0.0	0.0
Other comprehensive income items		-4.0	0.0		0.0	-4.0	-0.1	-4.1
Total comprehensive income		-4.0	0.0		0.0	-4.0	-0.1	-4.0
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
Acquisition of own shares					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 31 March 2020	19.4	-13.7	-0.7	0.6	158.4	164.0	0.1	164.1

*) 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.

SEGMENT INFORMATION

NET SALES

MEUR	1-3/2020	1-3/2019	Change %	1-12/2019
Environmental Services	77.1	79.6	-3.1	311.2
Industrial Services	20.2	19.0	6.7	98.9
Facility Services Finland	58.2	69.5	-16.2	249.1
Facility Services Sweden	30.3	32.1	-5.6	131.8
Eliminations	-1.5	-1.4		-6.7
Total	184.4	198.8	-7.2	784.3

OPERATING PROFIT

MEUR	1-3/2020	%	1-3/2019	%	1-12/2019	%
Environmental Services	4.7	6.1	4.6	5.8	32.8	10.5
Industrial Services	-0.3	-1.5	0.3	1.8	9.9	10.1
Facility Services Finland	-1.8	-3.2	-3.5	-5.1	-4.1	-1.6
Facility Services Sweden	0.2	0.7	0.7	2.1	3.8	2.9
Group administration and other *)	0.1		-1.4		2.5	
Total	2.9	1.6	0.7	0.4	45.0	5.7

EBITDA

MEUR	1-3/2020	%	1-3/2019	%	1-12/2019	%
Environmental Services	11.2	14.6	10.8	13.5	58.0	18.6
Industrial Services	2.2	11.0	2.6	13.5	19.1	19.3
Facility Services Finland	1.2	2.0	0.1	0.2	9.4	3.8
Facility Services Sweden	1.5	4.9	2.2	6.7	9.4	7.1
Group administration and other *)	4.3		-1.2		3.6	
Total	20.4	11.1	14.4	7.2	99.4	12.7

OTHER SEGMENT INFORMATION

MEUR	3/2020	3/2019	12/2019
Assets			
Environmental Services	266.6	259.7	263.8
Industrial Services	89.4	80.4	86.8
Facility Services Finland	81.5	111.4	82.5
Facility Services Sweden	81.4	93.9	92.4
Group administration and other	1.8	3.3	7.1
Unallocated assets **)	53.6	52.1	51.1
L&T total	574.2	600.8	583.6
Liabilities			
Environmental Services	73.8	70.1	68.4
Industrial Services	33.8	29.7	33.3
Facility Services Finland	49.0	57.1	47.7
Facility Services Sweden	14.3	16.5	16.0
Group administration and other	9.2	8.0	7.4
Unallocated liabilities **)	229.9	245.6	207.7
L&T total	410.1	426.9	380.6

MEUR	1-3/2020	1-3/2019	1-12/2019
Capital expenditure			
Environmental Services	4.7	6.0	28.2
Industrial Services	3.8	2.4	12.3
Facility Services Finland	0.4	0.9	4.7
Facility Services Sweden	0.0	0.2	0.8
Group administration and other	0.0	-0.1	0.2
L&T total	9.0	9.3	46.1
Depreciation and amortisation			
Environmental Services	6.5	6.1	25.2
Industrial Services	2.5	2.2	9.2
Facility Services Finland	3.0	3.7	13.5
Facility Services Sweden	1.3	1.5	5.6
Group administration and other ***)	4.2	0.1	1.0
L&T total	17.6	13.6	54.4

*) 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	1-3/2020	10-12/2019	7-9/2019	4-6/2019	1-3/2019
Net sales					
Environmental Services	77.1	79.8	75.0	76.8	79.6
Industrial Services	20.2	26.0	27.7	26.2	19.0
Facility Services Finland	58.2	59.4	59.0	61.3	69.5
Facility Services Sweden	30.3	35.8	30.5	33.4	32.1
Inter-division net sales	-1.5	-2.0	-1.7	-1.6	-1.4
Total	184.4	198.9	190.5	196.2	198.8
Operating profit					
Environmental Services	4.7	8.2	11.2	8.8	4.6
Industrial Services	-0.3	1.9	4.4	3.3	0.3
Facility Services Finland	-1.8	-1.3	2.8	-2.0	-3.5
Facility Services Sweden	0.2	0.9	1.4	0.8	0.7
Group administration and other	0.1	-0.8	-1.2	5.9	-1.4
Total	2.9	8.9	18.5	16.8	0.7
EBITDA					
Environmental Services	11.2	14.6	17.6	15.0	10.8
Industrial Services	2.2	4.3	6.6	5.6	2.6
Facility Services Finland	1.2	1.8	6.1	1.4	0.1
Facility Services Sweden	1.5	2.3	2.7	2.2	2.2
Group administration and other	4.3	-0.5	-0.9	6.2	-1.2
Total	20.4	22.4	32.1	30.5	14.4
Operating margin					
Environmental Services	6.1	10.3	14.9	11.4	5.8
Industrial Services	-1.5	7.3	15.9	12.7	1.8
Facility Services Finland	-3.2	-2.3	4.7	-3.2	-5.1
Facility Services Sweden	0.7	2.6	4.5	2.4	2.1
Total	1.6	4.5	9.7	8.6	0.4
EBITDA margin					
Environmental Services	14.6	18.3	23.4	19.6	13.5
Industrial Services	11.0	16.6	23.9	21.5	13.5
Facility Services Finland	2.0	3.0	10.4	2.2	0.2
Facility Services Sweden	4.9	6.3	8.9	6.7	6.7
Total	11.1	11.3	16.9	15.5	7.2

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.

1-3/2020, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	49.0		0.4	27.4	0.7	77.2
Industrial Services	10.1	9.2	0.4	0.7		20.3
Facility Services Finland	42.7	13.4	2.2			58.2
Facility Services Sweden	14.5	14.8	1.1			30.3
Total	116.2	37.3	3.6	28.1	0.7	185.9
Interdivision						-1.5
External net sales						184.4

1-3/2019, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
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
External net sales						198.8

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						784.3

BUSINESS ACQUISITIONS

OTHER BUSINESS ACQUISITIONS, COMBINED

Fair value, total			
MEUR	1-3/2020	1-3/2019	1-12/2019
Intangible assets	-	0.1	0.4
Property, plant and equipment	-	0.1	0.2
Investments	-	-	0.0
Receivables	-	-	0.1
Cash and cash equivalents	-	-	0.4
Total assets	-	0.2	1.0
Other liabilities	-	-	0.1
Deferred tax liabilities	-	-	0.1
Total liabilities	-	-	0.2
Net assets acquired	-	0.2	0.9
Total consideration	-	0.2	1.0
Goodwill	-	0.0	0.1
Effect on cash flow	-	-	-
Consideration paid in cash	-	-0.2	-1.0
Unpaid	-	-	0.2
Cash and cash equivalents of the acquired company	-	0.0	0.4
Cash flow from investing activities	-	-0.2	-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	1-3/2020	1-3/2019	1-12/2019
Tangible and intangible fixed assets	-	-	1.4
Trade and other receivables	-	-	7.7
Cash and cash equivalents	-	-	1.7
Trade and other payables	-	-	-6.0
Net assets	-	-	4.8
Effect on cash flow	-	-	-
Consideration received in cash	-	-	13.9
Selling expenses	-	-	-0.4
Cash and cash equivalents of the divested company	-	-	-1.7
Cash flow from investing activities	-	-	11.8

CHANGES IN INTANGIBLE ASSETS

MEUR	1-3/2020	1-3/2019	1-12/2019
Carrying amount at beginning of period	188.0	193.5	193.5
Business acquisitions	0.0	0.1	0.5
Other capital expenditure	1.3	0.7	3.5
Disposals	-0.1	1.0	-0.1
Depreciation, amortisation and impairment	-6.2	-2.3	-9.4
Transfers between items	0.0	0.0	0.0
Exchange differences	-2.8	-0.8	0.0
Carrying amount at end of period	180.2	192.2	188.0

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

MEUR	1-3/2020	1-3/2019	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	0.0	0.1	0.2
Other capital expenditure	14.4	8.5	44.2
Disposals	-1.3	-1.5	-1.9
Depreciation, amortisation and impairment	-11.4	-11.3	-45.1
Transfers between items	0.0	0.0	0.0
Exchange differences	-1.0	0.3	0.3
Carrying amount at end of period	207.4	204.9	206.7

The carrying amount of property, plant and equipment at the end of the reporting period includes IFRS 16 items totalling EUR 80.1 million (76.0) and depreciation in the amount of EUR 4.4 million (4.0).

CAPITAL COMMITMENTS

MEUR	3/2020	3/2019	12/2019
Intangible assets	3.1	0.2	2.2
Property, plant and equipment	13.4	16.8	7.5
Total	16.5	17.0	9.7

ALTERNATIVE PERFORMANCE MEASURES

MATCHING THE EVA RESULT TO OPERATING PROFIT

MEUR	1-3/2020	1-3/2019	1-12/2019
Operating profit	2.9	0.7	45.0
Invested capital (rolling 12-month quarterly average)	377.0	364.4	384.6
Cost calculated on invested capital	-6.3	-6.0	-25.2
EVA	-3.4	-5.2	19.8

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

MEUR 31 March 2020	Amortised costs	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets				
Finance lease receivables	-		-	2
Other receivables	1.3		1.3	
Current financial assets				
Trade and other receivables	98.5		98.5	
Finance lease receivables	0.0		0.0	
Derivative receivables		0.0	0.0	
Cash and cash equivalents	43.7		43.7	
Total financial assets	143.5	0.0	143.5	
Non-current financial liabilities				
Borrowings	99.6		99.6	2
Lease liabilities	64.4		64.4	
Current financial liabilities				
Borrowings	20.0		20.0	
Lease liabilities	16.4		16.4	
Trade and other payables	79.7		79.7	
Derivative liabilities		1.0	1.0	2
Total financial liabilities	280.2	1.0	281.1	

MEUR 31 March 2019	Amortised costs	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets				
Finance lease receivables	0.0		0.0	2
Other receivables	1.7		1.7	
Current financial assets				
Trade and other receivables	108.5		108.5	
Finance lease receivables	0.1		0.1	
Derivative receivables		0.0	0.0	
Cash and cash equivalents	45.3		45.3	
Total financial assets	155.8	0.0	155.8	
Non-current financial liabilities				
Borrowings	124.5		124.5	2
Finance lease payables	62.5		62.5	
Current financial liabilities				
Borrowings	13.9		13.9	
Finance lease payables	13.8		13.8	
Trade and other payables	85.7		85.7	
Derivative liabilities		0.8	0.8	2
Total financial liabilities	300.3	0.8	301.2	

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

CONTINGENT LIABILITIES

MEUR	3/2020	3/2019	12/2019
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	11.3	12.7	11.1

Other securities are security deposits.

Liabilities associated with derivative agreements

Interest rate swaps

MEUR	3/2020	3/2019	12/2019
Nominal values of interest rate swaps			
Maturity not later than one year	30.0	0.9	-
Maturity later than one year and not later than five years	-	-	30.0
Maturity later than five years	-	30.0	-
Total	30.0	30.9	30.0
Fair value	-0.9	-0.9	-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	3/2020	3/2019	12/2019
Nominal values of diesel swaps			
Maturity not later than one year	0.2	1.9	0.6
Maturity later than one year and not later than five years	-	-	-
Total	0.2	1.9	0.6
Fair value	-0.2	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 April 2020

LASSILA & TIKANOJA PLC

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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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