

Lassila & Tikanoja plc
Stock exchange release
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Lassila & Tikanoja plc: Interim Report 1 January – 30 September 2017

- Net sales for the third quarter were EUR 175.9 million (EUR 166.0 million), operating profit was EUR 17.6 million (EUR 19.1 million) and earnings per share EUR 0.35 (EUR 0.39)
- Net sales for January–September increased by 2.3% to EUR 505.1 million (EUR 493.5 million), operating profit was EUR 32.8 million (EUR 39.9 million) and earnings per share EUR 0.65 (EUR 0.91)
- Full-year net sales in 2017 are expected to remain at the 2016 level and operating profit is expected to be below the 2016 level

CEO PEKKA OJANPÄÄ:

“Lassila & Tikanoja’s net sales for January–September increased year-on-year. The result was weaker than in the comparison period. The net sales of the Industrial Services division grew and profitability improved year-on-year thanks to strong demand. In Environmental Services, net sales were on a par with the comparison period, but profitability declined due to factors including higher fuel costs. The market position of Environmental Services has improved, particularly in the retail and industrial segments. The result of the Facility Services division continues to be weighed down by costs related to the deployment of the new ERP system. Measures to improve the profitability of the renovation business are underway and already having a positive impact. Also the result of the cleaning business has developed favourably. In accordance with our strategy, we expanded our operations in the growing Swedish market and completed the acquisition of the technical systems maintenance service provider Veolia FM AB (L&T FM AB) at the end of August. The integration process is underway and progressing as planned.”

GROUP NET SALES AND FINANCIAL PERFORMANCE

Third quarter

Lassila & Tikanoja’s net sales for the third quarter increased by 6.0% to EUR 175.9 million (EUR 166.0 million). Operating profit totalled EUR 17.6 million (EUR 19.1 million), representing 10.0% (11.5%) of net sales. Earnings per share were EUR 0.35 (EUR 0.39).

Net sales increased primarily due to the acquisition of L&T FM AB. The Industrial Services division and Facility Services division also increased their net sales. In Environmental Services, net sales were on a par with the comparison period, while the net sales of Renewable Energy Sources declined year-on-year.

Operating profit increased in Industrial Services, but the profitability of the other divisions was lower than in the previous year.

The L&T FM AB acquisition increased net sales in the third quarter by approximately EUR 8 million and had a negative effect on operating profit due to the acquisition and integration costs.

January–September

Net sales for January–September increased by 2.3% to EUR 505.1 million (EUR 493.5 million). Operating profit totalled EUR 32.8 million (EUR 39.9 million), representing 6.5% (8.1%) of net sales. Earnings per share were EUR 0.65 (EUR 0.91).

Net sales for the January–September period increased primarily due to the acquisition of L&T FM AB. Net sales also increased in Industrial Services, while the net sales of the Environmental Services division remained on a par with the previous year. The net sales of Facility Services and Renewable Energy Sources declined year-on-year.

Operating profit improved in Industrial Services. The profitability of Environmental Services, Renewable Energy Sources and Facility Services declined year-on-year. In addition to the lower profitability of business operations compared to the previous year, the operating profit was weighed down by expenses of EUR 1.1 million recognised in the second and third quarters in relation to the L&T FM AB acquisition announced in June and the integration of the acquired entity. The Group also increased its cost provisions related to the closure of landfills by EUR 0.6 million in the second quarter.

The L&T FM AB acquisition increased net sales by approximately EUR 8 million and had a negative effect on operating profit due to the acquisition and integration costs.

Financial summary

	7-9/ 2017	7-9/ 2016	Change	1-9/ 2017	1-9/ 2016	Change	1-12/ 2016
Net sales, EUR million	175.9	166.0	6.0%	505.1	493.5	2.3%	661.8
Operating profit, EUR million	17.6	19.1	-7.9%	32.8	39.9	-18.0%	50.5
Operating margin, %	10.0	11.5		6.5	8.1		7.6
Profit before tax, EUR million	18.0	18.7	-3.3%	32.6	39.4	-17.3%	50.1
Earnings per share, EUR	0.35	0.39	-9.4%	0.65	0.91	-28.2%	1.13
Cash flow from operating activities/share, EUR	0.35	0.76	-53.2%	0.93	0.88	6.7%	1.99
EVA, EUR million	11.7	14.1	-17.1%	16.7	24.9	-32.9%	30.7

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

Third quarter

The division's net sales for the third quarter were EUR 68.1 million (EUR 68.2 million). Operating profit totalled EUR 9.7 million (EUR 10.2 million).

The Environmental Services division's net sales for the third quarter were on a par with the comparison period. Operating profit decreased mainly due to fuel costs being higher than in the previous year and the impact of the municipalisation of waste management on the availability and prices of secondary raw materials. The market position of Environmental Services has improved particularly in the retail and industrial segments.

January–September

The division's net sales for January–September amounted to EUR 198.3 million (EUR 198.2 million). Operating profit was EUR 23.3 million (EUR 24.8 million).

The net sales of the Environmental Services division were on a par with the comparison period. The division's operating profit for the first three quarters of the year was reduced by fuel costs being higher than in the previous year, the impact of the municipalisation of waste management on the availability of secondary raw materials and an increase of EUR 0.6 million in cost provisions related to the closure of landfills, recognised in the second quarter.

Industrial Services

Third quarter

Net sales for the third quarter were EUR 25.3 million (EUR 23.9 million). Operating profit was EUR 3.6 million (EUR 3.4 million).

Net sales and operating profit increased in hazardous waste management, sewer maintenance and process cleaning. In the environmental construction business, net sales and operating profit declined year-on-year.

January–September

The division's net sales for January–September totalled EUR 66.8 million (EUR 60.7 million). Operating profit was EUR 6.0 million (EUR 5.2 million).

Net sales increased in all of the division's service lines except environmental construction, which saw its net sales remain on a par with the previous year.

Operating profit increased particularly in hazardous waste management and process cleaning. The operating profit of environmental construction was lower than in the comparison period.

Facility Services

Third quarter

The Facility Services division's net sales for the third quarter increased by 11.8% to EUR 79.9 million

(EUR 71.5 million). Operating profit was EUR 5.1 million (EUR 6.1 million).

The division's net sales increased primarily due to the acquisition of L&T FM AB. Net sales showed year-on-year growth in the cleaning business but declined in the division's other service lines.

The operating profit of the cleaning business grew year-on-year due to previously implemented efficiency improvement measures and strong demand. The operating profit of the division's other service lines was lower than in the comparison period. The impacts of the efficiency improvement measures in the renovation business began to show in the third quarter. The result of the property maintenance business was weighed down by costs related to the deployment of a new ERP system in the Facility Services division.

The acquisition of L&T FM AB was completed at the end of August. The integration process is moving ahead as planned and L&T FM is included in the Group's reporting starting from the beginning of September.

January–September

The Facility Services division's net sales for January–September amounted to EUR 222.8 million (EUR 216.5 million). Operating profit was EUR 6.0 million (EUR 10.9 million).

The division's net sales increased primarily due to the acquisition of L&T FM AB. Net sales increased in the cleaning business. Operating profit also improved further in the cleaning business but declined in the division's other service lines. In the renovation business, the decline in profitability was due to the weak result in the first quarter and the costs arising from the efficiency improvement measures implemented in the second quarter. In the maintenance of technical systems business, the result showed a decline due to lower demand than in the previous year. In the property maintenance business, the weaker profitability was due to the impact on profit and loss from the deployment of the new ERP system.

Renewable Energy Sources

Third quarter

The net sales of Renewable Energy Sources (L&T Biowatti) amounted to EUR 4.8 million (EUR 5.3 million) in the third quarter. Operating profit was EUR 0.0 million (EUR 0.1 million).

The division's net sales declined year-on-year due to the weak demand for recovered fuels. The low volumes were also reflected in the operating profit.

January–September

Net sales for January–September amounted to EUR 24.2 million (EUR 25.2 million). Operating profit was EUR 0.5 million (EUR 0.8 million).

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

FINANCING

Cash flow from operating activities amounted to EUR 35.9 million (EUR 33.6 million) in January–September. A total of EUR 17.3 million in working capital was committed (EUR 23.0 million committed). The amount of working capital committed in the comparison period was negatively affected by the use of a different payment practice for employment pension contributions in 2016.

At the end of the period, interest-bearing liabilities amounted to EUR 165.0 million (EUR 95.6 million).

Net interest-bearing liabilities amounted to EUR 133.1 million (EUR 65.7 million), showing an increase of EUR 94.5 million from the start of the year and an increase of EUR 67.5 million from the comparison period. To carry out the L&T FM AB acquisition, the Group took out a long-term bank loan of EUR 70 million in the third quarter.

Net financial expenses in January–September amounted to EUR 0.1 million (EUR 0.5 million). Net financial expenses were -0.0% (-0.1%) of net sales. Net financial expenses were substantially reduced by exchange rate gains realised from currency hedging related to the L&T FM acquisition.

The average interest rate on long-term loans (with interest rate hedging) was 1.0% (1.6%). Loans totalling EUR 21.3 million will mature during the remainder of 2017, including the short-term commercial papers currently in use.

The equity ratio was 39.8% (47.2%) and the gearing rate was 63.0 (30.7). Liquid assets at the end of the period amounted to EUR 31.9 million (EUR 30.0 million).

Of the EUR 100 million commercial paper programme, EUR 20 million (EUR 0.0 million) was in use at

the end of the period. A committed limit totalling EUR 30.0 million was not in use, as was the case in the comparison period.

DISTRIBUTION OF ASSETS

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

CAPITAL EXPENDITURE

Gross capital expenditure in the first three quarters of the year totalled EUR 95.4 million (EUR 27.1 million), consisting primarily of machine and equipment purchases, investments in information systems and acquisitions. The most significant investment was the acquisition of L&T FM AB. Of the significant ongoing information system projects, the new ERP system for Facility Services was deployed in the property maintenance business during the review period. System deployment processes for other service lines are still underway.

PERSONNEL

In January–September, the average number of employees converted into full-time equivalents was 7,848 (7,278). At the end of the period, Lassila & Tikanoja had 8,892 (8,198) full-time and part-time employees. Of these, 7,328 (7,291) worked in Finland and 1,564 (907) in other countries. The changes are primarily due to the acquisition of L&T FM AB.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading on Nasdaq Helsinki in January–September 2017, excluding the shares held by the company in Lassila & Tikanoja plc, was 4,548,434 shares, which is 11.8% (13.1%) of the average number of outstanding shares. The value of trading was EUR 84.8 million (EUR 82.6 million). The highest share price was EUR 20.89 and the lowest EUR 17.22. The closing price was EUR 18.10. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 695.0 million (EUR 662.0 million).

Own shares

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

Share capital and number of shares

The company's registered share capital amounts to EUR 19,399,437 and the number of outstanding shares is 38,398,012. The average number of shares excluding the shares held by the company was 38,393,924.

Shareholders

At the end of the period, the company had 12,050 (10,697) shareholders. Nominee-registered holdings accounted for 19.7% (17.6%) of the total number of shares.

Authorisation for the Board of Directors

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

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

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

BOARD OF DIRECTORS

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

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

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

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

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

On 4 July 2017, the company announced that it had received a notification from Kabouter Management LCC, indicating that its holding of the shares and votes in Lassila & Tikanoja plc has risen above the threshold of 5%, to 7.53%.

EVENTS AFTER THE REVIEW PERIOD

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

NEAR-TERM RISKS AND UNCERTAINTIES

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

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

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

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

OUTLOOK FOR THE YEAR 2017

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

CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 30 SEPTEMBER 2017
CONSOLIDATED INCOME STATEMENT

EUR million	7–9/2017	7–9/2016	1–9/2017	1–9/2016	1–12/2016
Net sales	175.9	166.0	505.1	493.5	661.8
Other operating income	0.9	0.6	4.4	3.2	4.8
Change of inventory	1.0	1.1	1.6	2.4	1.1
Materials and services	-55.8	-51.0	-160.7	-151.7	-206.3
Employee benefit expenses	-71.2	-66.4	-216.2	-211.2	-280.8
Other operating expenses	-23.2	-21.8	-71.7	-67.3	-91.4
Depreciation and impairment	-9.9	-9.5	-29.7	-29.0	-38.8
Operating profit	17.6	19.1	32.8	39.9	50.5
Financial income and expenses	0.5	-0.4	-0.1	-0.5	-0.4
Profit before tax	18.0	18.7	32.6	39.4	50.1
Income taxes	-4.5	-3.7	-7.5	-4.5	-6.7
Profit for the period	13.5	14.9	25.1	34.9	43.4
Attributable to:					
Equity holders of the company	13.5	14.9	25.1	34.9	43.4
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Earnings per share attributable to equity holders of the parent company:					
Earnings per share, EUR	0.35	0.39	0.65	0.91	1.13
Diluted earnings per share, EUR	0.35	0.39	0.65	0.91	1.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Profit for the period	13.5	14.9	25.1	34.9	43.4
Items not to be recognised through profit or loss					
Items arising from re-measurement of defined benefit plans	0.0	0.0	0.0	0.0	0.0
Items not to be recognised through profit or loss, total	0.0	0.0	0.0	0.0	0.0
Items potentially to be recognised through profit or loss					
Hedging reserve, change in fair value	0.1	0.1	0.0	0.3	0.4
Currency translation differences	-1.2	-0.3	-1.4	-0.4	-0.1
Currency translation differences, non-controlling interest	0.0	0.0	0.0	0.0	0.0
Items potentially to be recognised through profit or loss, total	-1.2	-0.2	-1.4	0.0	0.3
Total comprehensive income, after tax	12.4	14.7	23.7	34.9	43.7
Attributable to:					
Equity holders of the company	12.4	14.7	23.7	34.9	43.7
Non-controlling interest	0.0	0.0	0.0	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	9/2017	9/2016	12/2016
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	165.6	116.4	116.5
Customer contracts arising from acquisitions	5.3	5.4	5.2
Agreements on prohibition of competition	0.1	0.1	0.1
Other intangible assets arising from business acquisitions	0.5	0.6	0.6
Other intangible assets	22.3	19.6	20.8
	193.8	142.2	143.2
Property, plant and equipment			
Land	5.3	5.0	5.3
Buildings and constructions	40.7	40.3	40.7
Machinery and equipment	104.6	102.2	104.8
Other tangible assets	0.1	0.1	0.1
Prepayments and construction in progress	2.5	4.7	5.3
	153.2	152.3	156.1
Other non-current assets			
Available-for-sale investments	0.6	0.6	0.6
Finance lease receivables	0.4	1.4	1.2
Deferred tax assets	5.4	5.5	5.5
Other receivables	2.8	1.8	1.7
	9.2	9.3	9.0
Total non-current assets	356.1	303.7	308.3
Current assets			
Inventories	26.8	26.3	24.9
Trade and other receivables	130.8	95.3	90.5
Derivative receivables	0.0	0.1	0.3
Prepayments	1.1	10.7	0.6
Current available-for-sale financial assets	0.0	0.0	0.0
Cash and cash equivalents	31.9	30.0	28.2
Total current assets	190.7	162.3	144.5
Total assets	546.8	466.0	452.8

EQUITY AND LIABILITIES

EUR million	9/2017	9/2016	12/2016
Equity			
Equity attributable to equity holders of the parent company			
Share capital	19.4	19.4	19.4
Other reserves	-4.5	-3.4	-3.1
Invested unrestricted equity reserve	0.6	0.4	0.4
Retained earnings	170.7	162.6	162.7
Profit for the period	25.1	34.9	43.4
	211.3	213.9	222.8
Non-controlling interest	0.2	0.2	0.2
	211.4	214.1	223.0
Liabilities			
Non-current liabilities			
Deferred tax liabilities	25.1	24.3	24.8
Retirement benefit obligations	1.5	0.9	1.0
Provisions	4.7	4.4	4.8
Borrowings	140.4	62.7	63.5
Other liabilities	0.4	0.3	0.3
	172.1	92.5	94.3
Current liabilities			
Borrowings	24.7	33.0	3.4
Trade and other payables	137.4	122.7	129.9
Derivative liabilities	0.1	0.2	0.1
Tax liabilities	0.1	1.5	0.1
Provisions	1.0	1.9	2.0
	163.2	159.4	135.5
	335.3	251.9	229.8
Total equity and liabilities	546.8	466.0	452.8

CONSOLIDATED STATEMENT OF CASH FLOW

EUR million	1–9/2017	1–9/2016	1–12/2016
Cash flow from operating activities			
Profit for the period	25.1	34.9	43.4
Adjustments			
Income taxes	7.5	4.5	6.7
Depreciation and impairment	29.7	29.0	38.8
Financial income and expenses	0.1	0.5	0.4
Other	0.5	-2.8	-2.1
Net cash generated from operating activities before change in working capital	62.9	66.1	87.2
Change in working capital			
Change in trade and other receivables	-8.4	-18.2	-2.5
Change in inventories	-1.9	-2.7	-1.4
Change in trade and other payables	-7.0	-2.1	6.6
Change in working capital	-17.3	-23.0	2.7
Interest paid	-1.8	-1.4	-2.0
Interest received	0.3	0.2	0.3
Income taxes	-8.2	-8.2	-11.7
Net cash from operating activities	35.9	33.6	76.4
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	-67.2	-1.8	-1.8
Purchases of property, plant and equipment and intangible assets	-17.3	-20.6	-33.9
Proceeds from sale of property, plant and equipment and intangible assets	0.0	0.8	0.8
Purchases of available-for-sale investments	-0.8	-	-
Change in other non-current receivables	-0.3	0.2	0.2
Dividends received	-	0.0	0.0
Net cash used in investing activities	-85.5	-21.3	-34.6
Cash flow from financing activities			
Change in short-term borrowings	19.9	-0.2	-0.2
Proceeds from long-term borrowings	70.0	-	-
Repayments of long-term borrowings	-1.3	-3.5	-34.8
Dividends paid	-35.3	-32.6	-32.6
Net cash generated from financing activities	53.3	-36.4	-67.6
Net change in liquid assets	3.7	-24.0	-25.9
Liquid assets at beginning of period	28.2	54.0	54.0
Effect of changes in foreign exchange rates	0.0	-0.1	0.0
Liquid assets at end of period	31.9	30.0	28.2

Liquid assets

EUR million	9/2017	9/2016	12/2016
Cash and cash equivalents	31.9	30.0	28.2
Available-for-sale financial assets	0.0	0.0	0.0
Total	31.9	30.0	28.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
Equity on 1 Jan. 2017	19.4	-3.0	-0.1	0.4	206.1	222.8	0.2	223.0
Total comprehensive income								
Profit for the period					25.1	25.1	0.0	25.1
Items arising from remeasurement of defined benefit plans					0.0	0.0		0.0
Hedging reserve, change in fair value			0.0			0.0		0.0
Currency translation differences		-1.4			0.0	-1.4	0.0	-1.4
Total comprehensive income		-1.4	0.0		25.1	23.7	0.0	23.7
Transactions with shareholders								
Share-based benefits				0.1	-0.1	0.0		0.0
Dividends paid					-35.3	-35.3		-35.3
Dividends returned					0.0	0.0		0.0
Acquisition of own shares						0.0		0.0
Transactions with shareholders, total				0.1	-35.5	-35.3		-35.3
Other changes					0.1	0.1		0.1
Equity on 30 Sep. 2017	19.4	-4.5	0.0	0.6	195.8	211.3	0.2	211.4

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
Equity on 1 Jan. 2016	19.4	-2.9	-0.4	0.5	194.7	211.2	0.1	211.4
Total comprehensive income								
Profit for the period					34.9	34.9	0.0	34.9
Items arising from remeasurement of defined benefit plans						0.0		0.0
Hedging reserve, change in fair value			0.3			0.3		0.3
Available-for-sale financial assets						0.0		0.0
Currency translation differences		-0.4				-0.4	0.0	-0.3
Total comprehensive income		-0.4	0.3		34.9	34.9	0.0	34.9
Transactions with shareholders								
Share-based benefits				0.0	0.4	0.4		0.4
Dividends paid					-32.6	-32.6		-32.6
Dividends returned					0.0	0.0		0.0
Acquisition of own shares						0.0		0.0
Transactions with shareholders, total				0.0	-32.2	-32.2		-32.2
Other changes					0.1	0.1		0.1
Equity on 30 Sep. 2016	19.4	-3.3	-0.1	0.4	197.5	213.9	0.2	214.1

KEY FIGURES

	7–9/2017	7–9/2016	1–9/2017	1–9/2016	1–12/2016
Earnings per share, EUR	0.35	0.39	0.65	0.91	1.13
Diluted earnings per share, EUR	0.35	0.39	0.65	0.91	1.13
Cash flow from operating activities/share, EUR	0.35	0.76	0.93	0.88	1.99
EVA, EUR million*	11.7	14.1	16.7	24.9	30.7
Gross capital expenditure, EUR million	74.8	8.5	95.4	27.1	41.6
Depreciation, amortisation and impairment, EUR million	9.9	9.5	29.7	29.0	38.8
Equity per share, EUR			5.51	5.58	5.81
Return on equity, % (ROE)			15.4	21.9	20.0
Return on invested capital, % (ROI)			13.7	17.7	17.4
Equity ratio, %			39.8	47.2	50.4
Gearing, %			63.0	30.7	17.3
Net interest-bearing liabilities, EUR million			133.1	65.7	38.7
Average number of employees in full-time equivalents			7,848	7,278	7,199
Total number of full-time and part-time employees at end of period			8,892	8,198	7,931
Number of outstanding shares adjusted for issues, 1,000 shares average during the period			38,394	38,374	38,375
at end of period			38,398	38,378	38,378
average during the period, diluted			38,409	38,389	38,390

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

ACCOUNTING POLICIES

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

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

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

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

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

Application of IFRS 15 Revenue from Contracts with Customers

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

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

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

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

Customer accounts and contracts in which the timing of revenue recognition and, for example, the calculation method of variable consideration can change have also been identified in connection with the review of contracts. The changes are mainly related to the timing and amount of recognition of revenue from projects. The income flows that may be subject to potential changes represent less than 10% of the Group's current net sales.

Furthermore, IFRS 15 requires more detailed notes. The company will prepare the processes for collecting such notes during the 2017 financial year.

In accordance with IAS 8, the company will apply the standard retrospectively for each previous reporting period it presents, taking into account the practical expedients allowed by IFRS 15.

SEGMENT INFORMATION**Net sales**

EUR million	7-9/2017			7-9/2016			Total net sales, change %
	External	Inter-division	Total	External	Inter-division	Total	
Environmental Services	67.4	0.7	68.1	67.5	0.8	68.2	-0.2
Industrial Services	24.6	0.8	25.3	22.5	1.4	23.9	6.0
Facility Services	79.2	0.7	79.9	70.8	0.7	71.5	11.8
Renewable Energy Sources	4.7	0.0	4.8	5.3	0.0	5.3	-10.9
Eliminations		-2.2	-2.2		-2.9	-2.9	
Total	175.9	0.0	175.9	166.0	0.0	166.0	6.0

EUR million	1-9/2017			1-9/2016			Total net sales, change %
	External	Inter-division	Total	External	Inter-division	Total	
Environmental Services	196.0	2.4	198.3	195.7	2.5	198.2	0.1
Industrial Services	64.3	2.5	66.8	58.4	2.3	60.7	10.1
Facility Services	220.7	2.0	222.8	214.3	2.2	216.5	2.9
Renewable Energy Sources	24.0	0.1	24.2	25.1	0.1	25.2	-4.0
Eliminations		-7.0	-7.0		-7.1	-7.1	
Total	505.1	0.0	505.1	493.5	0.0	493.5	2.3

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

Operating profit

EUR million	7-9/ 2017	%	7-9/ 2016	%	1-9/ 2017	%	1-9/ 2016	%	1-12/ 2016	%
Environmental Services	9.7	14.2	10.2	14.9	23.3	11.8	24.8	12.5	31.3	11.8
Industrial Services	3.6	14.4	3.4	14.2	6.0	9.0	5.2	8.6	7.8	9.5
Facility Services	5.1	6.4	6.1	8.5	6.0	2.7	10.9	5.0	13.5	4.7
Renewable Energy Sources	0.0	-0.7	0.1	2.0	0.5	1.9	0.8	3.1	1.5	4.1
Group administration and other	-0.8		-0.7		-3.0		-1.8		-3.7	
Total	17.6	10.0	19.1	11.5	32.8	6.5	39.9	8.1	50.5	7.6

OTHER SEGMENT INFORMATION

EUR million	9/2017	9/2016	12/2016
Assets			
Environmental Services	215.9	219.1	215.4
Industrial Services	75.6	72.2	69.5
Facility Services	189.9	113.5	97.2
Renewable Energy Sources	23.3	23.2	23.5
Group administration and other	1.7	0.8	11.1
Unallocated assets	40.4	37.2	36.0
L&T total	546.8	466.0	452.8
Liabilities			
Environmental Services	47.2	52.9	54.7
Industrial Services	26.4	23.9	22.4
Facility Services	60.3	45.4	46.9
Renewable Energy Sources	7.4	6.5	7.0
Group administration and other	3.7	1.4	6.6
Unallocated liabilities	190.4	121.8	92.2
L&T total	335.3	251.9	229.8

EUR million	7-9/2017	7-9/2016	1-9/2017	1-9/2016	1-12/2016
Capital expenditure					
Environmental Services	6.2	4.0	17.8	13.4	18.5
Industrial Services	2.1	2.1	5.6	5.5	8.2
Facility Services	66.5	2.1	71.4	8.0	14.5
Renewable Energy Sources	0.0	0.2	0.2	0.3	0.3
Group administration and other	0.0	0.0	0.4	0.0	0.0
L&T total	74.8	8.5	95.4	27.1	41.6
Depreciation and amortisation					
Environmental Services	4.8	4.9	14.4	14.8	19.6
Industrial Services	1.8	1.7	5.3	4.9	6.7
Facility Services	3.2	2.9	9.7	9.1	12.2
Renewable Energy Sources	0.1	0.1	0.2	0.2	0.3
Group administration and other	0.0	0.0	0.0	0.0	0.0
L&T total	9.9	9.5	29.7	29.0	38.8

INCOME STATEMENT BY QUARTER

EUR million	7-9/2017	4-6/2017	1-3/2017	10-12/2016	7-9/2016
Net sales					
Environmental Services	68.1	67.4	62.9	66.5	68.2
Industrial Services	25.3	23.6	17.9	21.4	23.9
Facility Services	79.9	71.4	71.4	71.8	71.5
Renewable Energy Sources	4.8	7.3	12.1	11.6	5.3
Interdivision net sales	-2.2	-2.5	-2.3	-3.0	-2.9
L&T total	175.9	167.2	161.9	168.3	166.0
Operating profit					
Environmental Services	9.7	7.7	5.9	6.5	10.2
Industrial Services	3.6	2.6	-0.2	2.6	3.4
Facility Services	5.1	1.1	-0.3	2.6	6.1
Renewable Energy Sources	0.0	0.2	0.3	0.7	0.1
Group administration and other	-0.8	-1.5	-0.6	-1.8	-0.7
L&T total	17.6	10.1	5.1	10.5	19.1
Operating margin					
Environmental Services	14.2	11.5	9.4	9.7	14.9
Industrial Services	14.4	10.9	-1.1	11.9	14.2
Facility Services	6.4	1.6	-0.4	3.6	8.5
Renewable Energy Sources	-0.7	2.9	2.4	6.2	2.0
L&T total	10.0	6.0	3.2	6.2	11.5
Financial income and expenses, net	0.5	-0.7	0.1	0.1	-0.4
Profit before tax	18.0	9.4	5.2	10.6	18.7

MATCHING THE EVA RESULT TO OPERATING PROFIT

EUR million	1-9/2017	1-9/2016	1-12/2016
Operating profit	32.8	39.9	50.5
Invested capital (rolling 12-month quarterly average)	319.5	304.9	300.6
Cost calculated on invested capital	-16.0	-15.0	-19.7
EVA	16.7	24.9	30.7

BUSINESS ACQUISITIONS, COMBINED

Fair value, total			
EUR million	1–9/2017	1–9/2016	1–12/2016
Intangible assets	0.6	1.1	1.1
Property, plant and equipment	1.0	1.8	1.8
Investments	0.0	0.0	0.0
Receivables	0.3	1.7	1.7
Cash and cash equivalents	1.0	2.3	2.3
Total assets	2.9	6.9	6.9
Other liabilities	0.3	1.0	1.0
Deferred tax liabilities	0.0	0.0	0.0
Total liabilities	0.3	1.0	1.0
Net assets acquired	2.6	5.9	5.9
Total consideration	4.1	8.8	8.8
Goodwill	1.5	2.9	2.9
Effect on cash flow			
Consideration paid in cash	-4.1	-8.8	-8.8
Cash and cash equivalents of the acquired company	1.0	2.3	2.3
Paid in the previous year	-	3.6	3.6
Unpaid	0.2	1.0	1.0
Cash flow from investing activities	-3.0	-1.8	-1.8

The acquisition of L&T FM AB was completed on 31 August 2017 and the acquired entity has been included in the consolidated financial statements as of 1 September 2017. The IFRS calculations pertaining to the acquisition price have not yet been completed due to the short period of time between the finalisation of the transaction and the Q3 Interim Report. The preliminary goodwill presented herein will change significantly once the items measured at fair value have been separated from it.

The acquired net assets amounted to EUR 16.4 million and the effect of the acquisition on goodwill at the end of September is EUR 47.7 million. The acquisition's net effect on cash flow from investing activities is EUR 64.1 million.

In 2016, L&T FM AB (formerly Veolia FM AB) had net sales of SEK 952 million (EUR 102 million) and its operating result (EBIT) was SEK 62 million (EUR 6.6 million). Its balance sheet total in the 2016 financial statements was approximately SEK 300 million (EUR 31 million) and the company has 580 employees.

CHANGES IN INTANGIBLE ASSETS

EUR million	1–9/2017	1–9/2016	1–12/2016
Carrying amount at beginning of period	143.2	134.9	134.9
Business acquisitions	49.9	1.4	1.4
Other capital expenditure	5.1	6.9	9.2
Disposals	0.0	0.2	0.2
Depreciation and impairment	-4.4	-3.4	-4.8
Transfers between items	0.0	2.6	2.7
Exchange differences	-0.1	-0.4	-0.4
Carrying amount at end of period	193.8	142.2	143.2

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	1–9/2017	1–9/2016	1–12/2016
Carrying amount at beginning of period	156.1	161.5	161.5
Business acquisitions	0.1	0.8	0.8
Other capital expenditure	23.6	18.0	30.2
Disposals	-1.1	-0.5	-0.7
Depreciation and impairment	-25.3	-25.6	-34.0
Transfers between items	0.0	-2.6	-2.7
Exchange differences	-0.3	0.6	1.0
Carrying amount at end of period	153.2	152.3	156.1

CAPITAL COMMITMENTS

EUR million	9/2017	9/2016	12/2016
Intangible assets	0.2	0.1	0.1
Property, plant and equipment	7.6	9.9	7.2
Total	7.8	9.9	7.3

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million 30 September 2017	Loans and other receivables	Available- for-sale financial assets	Financial liabilities measured using the effective interest method	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets						
Available-for-sale investments		0.6			0.6	3
Finance lease receivables	0.4				0.4	2
Other receivables	1.3				1.3	
Current financial assets						
Trade and other receivables	121.7				121.7	
Finance lease receivables	0.7				0.7	
Derivative receivables				0.0	0.0	
Cash and cash equivalents	31.9				31.9	
Total financial assets	156.0	0.6		0.0	156.6	
Non-current financial liabilities						
Borrowings			126.9		126.9	2
Finance lease payables			13.5		13.5	
Other liabilities			0.2		0.2	
Current financial liabilities						
Borrowings			22.6		22.6	
Finance lease payables			2.1		2.1	
Trade and other payables			72.0		72.0	
Derivative liabilities				0.1	0.1	2
Total financial liabilities			237.1	0.1	237.2	

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

EUR million 30 September 2016	Loans and other receivables	Available- for-sale financial assets	Financial liabilities measured using the effective interest method	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets						
Available-for-sale investments		0.6			0.6	3
Finance lease receivables	1.4				1.4	2
Other receivables	1.6				1.6	
Current financial assets						
Trade and other receivables	88.4				88.4	
Finance lease receivables	1.0				1.0	
Derivative receivables				0.1	0.1	
Cash and cash equivalents	30.0				30.0	
Total financial assets	122.2	0.6		0.1	122.9	
Non-current financial liabilities						
Borrowings			59.6		59.6	2
Finance lease receivables			3.1		3.1	
Other liabilities			0.0		0.0	
Current financial liabilities						
Borrowings			32.6		32.6	
Finance lease payables			0.4		0.4	
Trade and other payables			68.7		68.7	
Derivative liabilities				0.2	0.2	2
Total financial liabilities			164.4	0.2	164.6	

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

CONTINGENT LIABILITIES

EUR million	9/2017	9/2016	12/2016
Securities for own commitments			
Mortgages on rights of tenancy	0.2	0.2	0.2
Other securities	0.1	0.1	0.1
Bank guarantees required for environmental permits	10.4	12.4	10.9

Other securities are security deposits.

Operating lease liabilities

EUR million	9/2017	9/2016	12/2016
Maturity not later than one year	9.6	7.3	7.4
Maturity later than one year and not later than five years	13.0	11.0	11.4
Maturity later than five years	3.9	3.9	4.0
Total	26.6	22.2	22.7

Liabilities associated with derivative agreements

Interest rate swaps

EUR million	9/2017	9/2016	12/2016
Nominal values of interest rate swaps			
Maturity not later than one year	1.8	31.8	1.8
Maturity later than one year and not later than five years	1.8	3.6	2.7
Maturity later than five years	0.0	0.0	0.0
Total	3.6	35.5	4.5
Fair value	-0.1	-0.2	-0.1

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

Commodity derivatives

EUR million	9/2017	9/2016	12/2016
Nominal values of diesel swaps			
Maturity not later than one year	1.4	1.2	1.3
Maturity later than one year and not later than five years	0.0	0.0	0.0
Total	1.4	1.2	1.3
Fair value	0.0	0.1	0.3

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

CALCULATION OF KEY FIGURES

Earnings per share:

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

Diluted earnings per share:

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

Cash flow from operating activities/share:

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

EVA:

operating profit - cost calculated on invested capital (average of four quarters)
WACC 2017: 6.69% and 2016: 6.56%

Equity per share:

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

Return on equity, % (ROE):

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

Return on invested capital, % (ROI):

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

Equity ratio, %:

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

Gearing, %:

net interest-bearing liabilities / equity x 100

Net interest-bearing liabilities:

interest-bearing liabilities - liquid assets

Helsinki, 25 October 2017

LASSILA & TIKANOJA PLC

Board of Directors

Pekka Ojanpää

President and CEO

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Lassila & Tikanoja is a service company that is transforming consumer society into an efficient recycling society. In co-operation with our customers, we are reducing waste volumes, extending the useful lives of properties, recovering materials and decreasing the use of raw materials and energy. We help our customers to focus on their core business and protect the environment. Together, we create well-being and jobs. With operations in Finland, Sweden and Russia, L&T employs 8,500 persons. Net sales in 2016 amounted to EUR 661.8 million. L&T is listed on Nasdaq Helsinki.

Distribution:

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Major media

www.lassila-tikanoja.fi