Financial Statements 2011

Lassila & Tikanoja's full-year net sales grew by 9.0% to EUR 652.1 million (598.2). Operating profit was EUR 25.6 million (40.2), representing 3.9% (6.7) of net sales, and operating profit excluding non-recurring items was EUR 44.3 million (45.5). Earnings per share were EUR 0.44 (0.68).

Breakdown of operating profit excluding non-recurring items

EUR million	2011	2010
Operating profit	25.6	40.2
Non-recurring items:		
Impairment of L&T Biowatti	17.1	
Discontinuation of wood pellet production of L&T Biowatti	0.1	3.4
Discontinuation of cleaning business in Moscow		0.4
Restructuring costs	1.5	1.5
Operating profit excluding non-recurring items	44.3	45.5

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All figures of Annual Report have been rounded and, consequently, the sum of individual figures may deviate from the sum total presented.

Report of the Board of Directors

Net sales and financial performance

Lassila & Tikanoja's full-year net sales grew by 9.0% to EUR 652.1 million (598.2; 582.3). Operating profit was EUR 25.6 million (40.2; 50.3), representing 3.9% (6.7; 8.6) of net sales, and operating profit excluding non-recurring items was EUR 44.3 million (45.5; 51.3). Earnings per share were EUR 0.44 (0.68; 0.85).

Net sales grew from the comparison period, as demand for Environmental Services and industrial cleaning services perked up. The workload for Property Maintenance remained strong throughout the year. In addition, the acquisitions made in the first half boosted net sales. Acquisitions generated almost half of net sales growth. Meanwhile, the sale of wood-based fuels fell clearly short of the comparison period's level, due to their weak competitiveness.

Full-year operating profit excluding non-recurring items remained at the comparison period's level. Higher salary, subcontracting and fuel costs, as well as the temporary rise in waste disposal costs in the first half, eroded profitability. All divisions implemented price increases to match the rise in costs.

Full-year operating profit was taxed by the non-recurring impairment loss of EUR 17.1 million recognised for the goodwill and other assets of the Renewable Energy Sources division (an impairment of EUR 17.8 million was announced on 15 December 2011). In the comparison period, non-recurring costs of EUR 3.4 million were recognised for the discontinuation of the wood-pellet business.

The Group's tax rate was 19.2 per cent. A general decrease in the tax rate in Finland, as well as the Administrative Court's decision on the tax deductibility of dissolution loss write-off, lowered the tax rate.

Environmental Services

The division's full-year net sales increased by 12.4% to EUR 325.9 million (290.0; 284.2). Operating profit amounted to EUR 34.0 million (33.7; 36.0), and operating profit excluding non-recurring items was EUR 34.0 million (34.0; 36.7).

The division's net sales growth was primarily organic and could be attributed to the increase in waste volumes and healthy demand for industrial services. Similarly, the volumes and price level of secondary raw materials improved until the early autumn, but prices started to fall slightly at the year-end. The acquisition of Papros Oy in the second quarter strengthened the division's position in the recycled fibre markets.

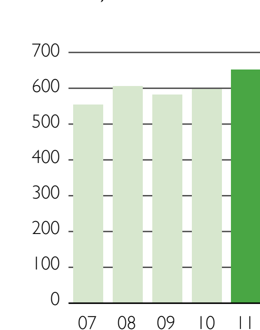
The division's operating profit was at the comparison period's level. In the first half, profitability was affected by lower than planned operating rates of recycling plants, a temporary increase in waste disposal costs, and increased production costs. The division did not entirely succeed in adapting its process cleaning services to fluctuations in demand, but extensive service shutdown-related assignments in the summer months were completed successfully.

The joint venture L&T Recoil was able to improve its net sales from the comparison period. The plant's operating rate and reliability improved towards the year-end, even though the end-product supply failed to reach the target level. The joint venture was able to decrease its losses from the comparison period despite two, almost month-long maintenance shutdowns during the year.

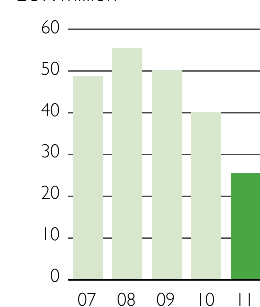
The division's year-on-year net sales from international operations remained unchanged but operating profit declined slightly. The competitive environment for Environmental Services in Latvia has become increasingly tight, which hampered business development and eroded profitability.

During the year, several extensive service agreements were signed with retail chains and producer liability organisations. A new Managreen service was successfully launched on the market. This concept offers customers the ability to manage their environmental management agreements and the related network partners.

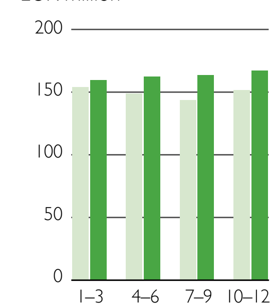
Net sales, EUR million



Operating profit, EUR million

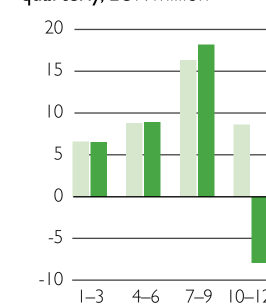


Net sales quarterly, EUR million



2010
2011

Operating profit quarterly, EUR million



2010
2011

Report of the Board of Directors Financial Statements 2011

Cleaning and Office Support Services

The Cleaning and Office Support Services division's full-year net sales grew by 11.8% to EUR 157.3 million (140.6; 143.3). Operating profit amounted to EUR 7.1 million (7.5; 10.3), and operating profit excluding non-recurring items was EUR 7.5 million (8.0; 10.6).

The division's year-on-year net sales growth could be primarily attributed to acquisitions made in the first half (Hansalaiset in Finland and Östgöta Städ in Sweden). Sales of commissioned assignments also grew from the comparison period.

Start-up costs of new projects in the first half and higher-than-expected integration costs associated with the acquisitions made in the second quarter had a negative impact on the division's profitability.

In the comparison period, the EUR 0.7 million credit loss recognised for Russian operations weakened the operating profit.

Property Maintenance

The Property Maintenance division's full-year net sales increased by 9.0% to EUR 134.6 million (123.5; 100.2). Operating profit amounted to EUR 8.2 million (7.8; 7.4), and operating profit excluding nonrecurring items was EUR 8.2 million (7.9; 7.5).

The division's net sales grew from the comparison period, thanks to successful sales of commissioned assignments of property maintenance in the first half and the strong workload in maintenance services for technical systems and damage repair services. Heavy snowfall in the first half and more extensive partnerships with insurance companies helped boost sales of commissioned assignments.

The division's full-year operating profit rose despite increased production and overtime costs. The profitability of commissioned assignments was also weaker than a year earlier.

Renewable Energy Sources

The full-year net sales of Renewable Energy Sources (L&T Biowatti) were down by 17.6% to EUR 45.4 million (55.1; 64.1). Operating loss amounted to EUR 21.3 million (a loss of EUR 6.6 million; a loss of EUR 1.0 million), and operating loss excluding non-recurring items was EUR 3.8 million (a loss of EUR 3.1 million; a loss of EUR 0.6 million).

The competitiveness of wood-based fuels was weak throughout the year. In the first half of the year, power plant customers did not receive any subsidy for electricity generation from forest processed chips. As a result, several power plants replaced forest processed chips with fossil fuels. The warm weather in the autumn and in the early winter also curbed demand for forest processed chips. Besides lower demand, profitability was also eroded by higher collection and logistics costs.

A reorganisation programme involving fixed cost cuts and operational efficiency enhancement measures was launched to improve the division's competitiveness.

An impairment loss of EUR 17.1 million for the division's goodwill and other assets was recognised as a nonrecurring cost. In the comparison period, the non-recurring costs of EUR 3.4 million related to the discontinuation of the wood-pellet business reduced operating profit.

Net sales of operations abroad by country

EUR 1,000	2011	2010	2009
Sweden	33,740	24,443	21,282
Latvia	17,133	18,548	21,303
Russia	7,908	8,489	8,894
Norway			12

Net sales by division

EUR 1,000	2011	2010	Change %	2009
Environmental Services	325,884	290,031	12.4	284,219
Cleaning and Office Support Services	157,271	140,615	11.8	143,273
Property Maintenance	134,591	123,469	9.0	100,164
Renewable Energy Sources	45,402	55,106	-17.6	64,125
Eliminations	-11,018	-11,028		-9,475
Total	652,130	598,193	9.0	582,306

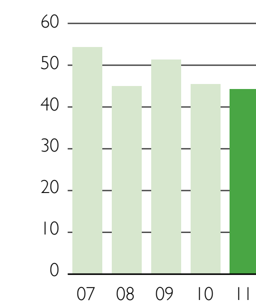
Operating profit by division

EUR 1,000	2011	%	2010	%	Change %	2009	%
Environmental Services	33,970	10.4	33,674	11.6	0.9	35,959	12.7
Cleaning and Office Support Services	7,131	4.5	7,524	5.4	-5.2	10,308	7.2
Property Maintenance	8,181	6.1	7,764	6.3	5.4	7,378	7.4
Renewable Energy Sources	-21,250	-46.8	-6,553	-11.9		-958	-1.5
Group administration and other	-2,435		-2,190			-2,423	
Total	25,597		40,219	6.7	-36.4	50,264	8.6

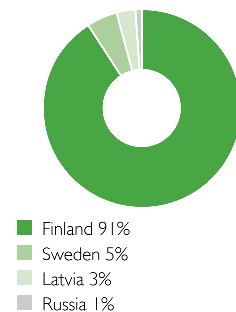
Income statement by quarter

EUR 1,000	10–12/ 2011	7–9/ 2011	4–6/ 2011	1–3/ 2011	10–12/ 2010	7–9/ 2010	4–6/ 2010	1–3/ 2010
Net sales								
Environmental Services	84,014	85,906	83,535	72,429	73,992	75,806	75,624	64,609
Cleaning and Office Support Services	40,101	41,530	40,784	34,856	34,580	35,659	35,710	34,666
Property Maintenance	33,451	31,322	30,879	38,939	31,596	26,926	28,090	36,857
Renewable Energy Sources	12,578	7,213	9,600	16,011	15,266	7,617	12,097	20,126
Inter-division net sales	-3,143	-2,502	-2,612	-2,761	-3,927	-2,238	-2,507	-2,356
L&T total	167,001	163,469	162,186	159,474	151,507	143,770	149,014	153,902
Operating profit								
Environmental Services	8,305	12,308	9,182	4,175	8,204	10,930	10,124	4,416
Cleaning and Office Support Services	937	3,718	1,001	1,475	181	4,088	2,218	1,037
Property Maintenance	1,928	3,582	769	1,902	633	3,263	1,075	2,793
Renewable Energy Sources	-18,189	-1,085	-1,325	-651	-361	-1,432	-3,900	-860
Group administration and other	-887	-344	-767	-437	-104	-574	-762	-750
L&T total	-7,906	18,179	8,860	6,464	8,553	16,275	8,755	6,636
Operating margin								
Environmental Services	9.9	14.3	11.0	5.8	11.1	14.4	13.4	6.8
Cleaning and Office Support Services	2.3	9.0	2.5	4.2	0.5	11.5	6.2	3.0
Property Maintenance	5.8	11.4	2.5	4.9	2.0	12.1	3.8	7.6
Renewable Energy Sources	-144.6	-15.0	-13.8	-4.1	-2.4	-18.8	-32.2	-4.3
L&T total	-4.7	11.1	5.5	4.1	5.6	11.3	5.9	4.3
Finance costs, net	-1,099	-1,277	-1,163	-1,064	-987	-1,272	-917	-1,053
Profit before tax	-9,005	16,902	7,697	5,400	7,566	15,003	7,838	5,583

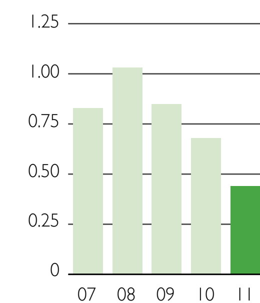
Operating profit excluding non-recurring items, EUR million



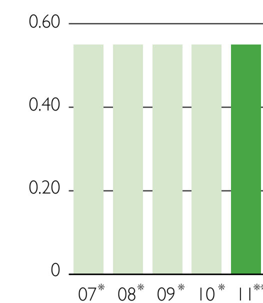
Net sales by country, %



Earnings per share, EUR



Distribution of profit, EUR



* Dividend
** A capital repayment proposed by the Board of Directors

Financing

Cash flows from operating activities amounted to EUR 74.5 million (63.8; 66.2). EUR 3.2 million was released from the working capital (EUR 2.2 million tied up; EUR 12.0 million tied up).

At the end of the year, interest-bearing liabilities amounted to EUR 135.2 million (126.8; 143.9). Net interest-bearing liabilities amounted to EUR 127.2 million, showing an increase of EUR 14.8 million from the beginning of the year.

Net finance costs in 2011 amounted to EUR 4.6 million (4.2; 5.2). Net finance costs were 0.7% (0.7; 0.9) of net sales. The average interest rate on long-term loans (with interest-rate hedging) was 3.1% (3.3; 3.2). Long-term loans totalling EUR 24.5 million will mature during 2012.

The equity ratio was 44.5% (46.5; 44.1) and the gearing rate 58.3 (50.3; 53.5). Liquid assets at the end of the period amounted to EUR 8.1 million (14.5; 27.6).

The commercial paper programme was expanded to EUR 100 million (previously EUR 50 million) during the second half of the year. Of the commercial paper programme, EUR 17 million (5.0) was in use at the end of the year.

A new three-year EUR 30 million committed limit agreement was signed during last quarter. The earlier EUR 15.0 million committed limit will mature in June 2012. Committed limits were not in use, as was the case in the comparison period.

Key figures for financing

	2011	2010	2009
Interest-bearing liabilities, EUR million	135.2	126.8	143.9
Net interest-bearing liabilities, EUR million	127.2	112.3	116.3
Interest expenses, EUR million	4.3	4.7	5.9
Net finance costs, EUR million	4.6	4.2	5.2
Net finance costs, % of net sales	0.7	0.7	0.9
Net finance costs, % of operating profit	18.0	10.5	10.4
Equity ratio, %	44.5	46.5	44.1
Gearing, %	58.3	50.3	53.5
Cash flows from operating activities, EUR million	74.5	63.8	66.2
Change in working capital in the cash flow statement, EUR million	3.2	-2.2	-12.0

Financial risks and financial risk management are presented in the Note 37 Financial risk management.

Invested capital

Invested capital amounted to EUR 3.4 million more than a year ago mainly due to business acquisitions and other investments. The rate of circulation for invested capital was 1.8 (1.7; 1.6).

EUR 1,000	31 December 2011	31 December 2010	31 December 2009
Non-current assets	365,832	354,851	357,891
Inventories and receivables	120,439	114,343	110,914
Liquid assets	8,069	14,548	27,583
Deferred tax liability	-29,389	-33,718	-33,622
Trade and other payables	-105,751	-94,891	-94,130
Provisions	-2,500	-3,148	-2,155
Other non-interest-bearing liabilities	-3,523	-2,167	-5, 374
Invested capital	353,177	349,818	361,107

Capital expenditure

Capital expenditure totalled EUR 70.6 million (39.3; 44.9) in 2011, a third of this consisting of acquisitions.

In the first quarter, Pentti Laurila Ky and businesses of Matti Hossi Ky and PPT Luttinen Oy were acquired into Environmental Services. The business of Kestosiivous Oy was acquired into Cleaning and Office Support Services and the business of KH-Kiinteistöhuolto Oy was acquired into Property Maintenance.

In the second quarter, the Environmental Services division acquired Papros Oy and Full House Oy. The Cleaning and Office Support Services division acquired Savon Kiinteistöhuolto- ja Siivouspalvelu Oy, Varkauden Kiinteistönhoito ja Siivouspalvelu Oy, Jo-Pe Huolto Oy, Östgöta Städ Ab and WTS-Palvelut Oy. The Cleaning and Office Support Services and the Property Maintenance divisions acquired the Hansalaiset Oy group including its subsidiaries.

In the final quarter the Environmental Services division acquired Paraisten Puhtaanapito Oy. The Cleaning and Office Support Services division acquired Palvelusiivous Ulla Haavisto Oy and the Property Maintenance division acquired Nastolan Talohuolto Oy.

After the period, the Property Maintenance division acquired the property maintenance businesses of IK Kiinteistöpalvelu Oy and the business of Jyvässeudun Talonmiehet Oy and Kiinteistöhuolto Markku Hyttinen Oy.

Capital expenditure by balance sheet item

EUR million	2011	2010	2009
Real estates	8.2	10.4	14.4
Machinery, equipment and other property, plant and equipment	36.9	24.7	25.0
Goodwill and intangible rights arising from business acquisitions	22.9	1.2	1.4
Other intangible assets	2.6	2.9	4.0
Other non-current assets	0.1	0.1	0.1
Total	70.6	39.3	44.9

Capital expenditure by division

EUR million	2011	2010	2009
Environmental Services	43.4	31.4	36.3
Cleaning and Office Support Services	14.7	2.1	2.4
Property Maintenance	11.8	5.1	3.8
Renewable Energy Sources	0.5	0.7	2.3
Group administration and other	0.3	0.1	0.1
Total	70.6	39.3	44.9

Changes in the Group structure

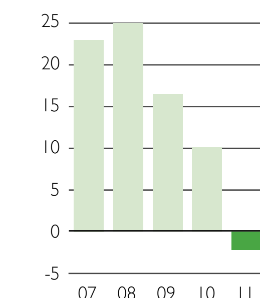
The Group acquired the business operations of Kestosiivous Oy, Ympäristöhuolto Matti Hossi Ky, KH-Kiinteistöhuolto Oy, PPT Luttinen Oy ja general partnership Veljekset Luttinen, Jo-Pe Huolto Oy, Savon Kiinteistöhuolto- ja Siivouspalvelu and Varkauden Kiinteistöhuolto ja Siivouspalvelu Oy.

The Group also acquired the share capital of Pentti Laurila Ky, Hansalaiset Oy (Hansalaiset Oulu Oy, Hansalaiset Tampere Oy, Hansalaiset Turku Oy, Kiinteistöpalvelu Hansalaiset Oy), Östgöta Städ AB, Papros Oy, Ympäristöhuollon Palvelukeskus Full House Oy, WTS-Palvelut Oy, Paraisten Puhtaanapito Oy Ab, Palvelusiivous Ulla Haavisto Oy and Nastolan Talohuolto Oy.

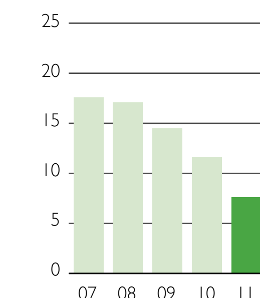
L&T Viwaplast Oy merged with L&T Muoviportti Oy and L&T Improvement Oy merged with L&T Relations Oy. L&T Advance Oy and L&T Muoviportti Oy merged with Lassila & Tikanoja plc.

Puhdas Keuruu Ky, Pussihukka Oy, Hansalaiset Oulu Oy, Hansalaiset Tampere Oy and Hansalaiset Turku Oy were dissolved. Hansalaiset Oy, Kiinteistöpalvelu Hansalaiset Oy, Papros Oy, Ympäristöhuollon Palvelukeskus Full House Oy and WTS-Palvelut Oy were placed in voluntary liquidation.

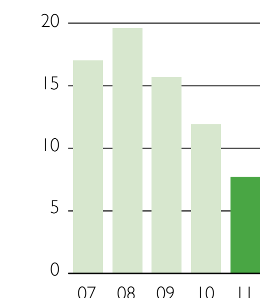
EVA, EUR million



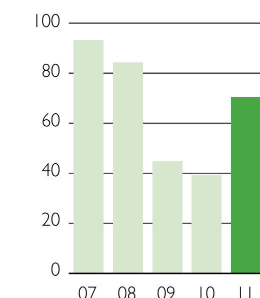
ROI, %



ROE, %



Capital expenditure, EUR million



Total number of full-time and part-time employees at year end by country

	2011	2010	2009
Finland	7,381	6,849	6,762
Latvia	895	1,060	912
Sweden	838	603	588
Russia	243	220	481
Total	9,357	8,732	8,743

Personnel

In 2011 the average number of employees converted into full-time equivalents was 8,513 (7,835; 8,113). The total number of full-time and part-time employees at the end of the period was 9,357 (8,732; 8,743). Of them 7,381 (6,849; 6,762) people worked in Finland and 1,976 (1,883; 1,981) people in other countries.

The wages and salaries paid in 2011 totalled EUR 216.4 million (193.8; 190.4).

Product development

The goal of product development is to give L&T's services a competitive edge and thereby to help the company achieve its targets.

The current market instability and increasingly fierce competition are forcing customers to consider support services from the viewpoint of the added value they create. Consequently, L&T's product development strategy is aimed at promoting the competitiveness of customer companies and differentiation in the customer's mind.

In 2011, L&T developed a new model for measuring customer experience. A pilot project has been conducted in property maintenance. In addition, L&T has simplified and streamlined processes and enhanced segment-specific competence.

The most important new service concept launched in 2011 was the Managreen service package. This service package consists of customised specialist, training and consultation services in environmental management. Environmental managers specialise in customer segments' service and business structures, and assume responsibility for leading the customer's development projects and measuring and verifying the outcomes.

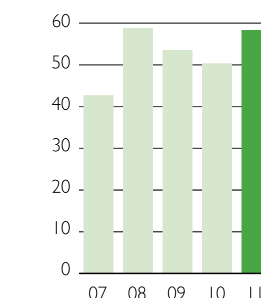
Several new solutions were introduced in 2011, for making efficient use of IT systems. Environmental Services introduced the ERP system for extensive use in waste management, recycling and hazardous waste management. The system covers all operations, from material collection to waste processing, disposal or re-delivery of materials. Action was also taken to develop the ERP system and reporting in property maintenance. IT and mobile solutions were used more extensively by cleaning and maintenance personnel working directly with customers, leaving more time for customer work. In damage repair services, a real-time system co-developed with insurance companies is used for damage assessment reporting and work management.

In Environmental Services, several research projects were conducted. Their objective was to make better use of alternative recovered fuels, to assess and reduce environmental impacts, to develop new environmental business activities, to enhance waste recycling, and to develop new recovered fuels.

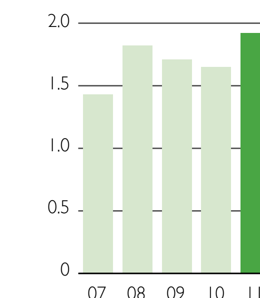
Research and development expenses

An expense of EUR 1.2 million (1.6; 2.4) of centrally managed product development projects was recognised in the income statement and it was 0.2% of net sales (0.3; 0.4). Computer software development costs of EUR 1.6 million (1.8; 2.4) were recognised as an asset in the balance sheet. Computer software development costs are recognised as an asset starting from the time when the projects move out of the research phase into the development phase and the outcome of a project is an identifiable intangible asset.

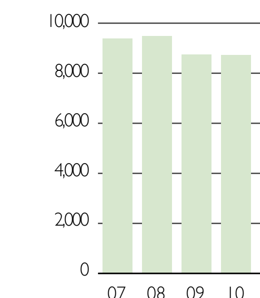
Gearing, %



Cash flows from operating activities/share, EUR

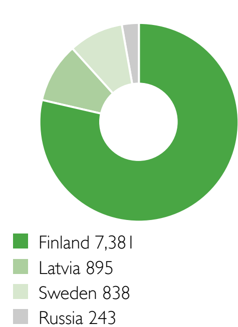


Employees



Total number of full-time and part-time employees at year end

Employees by country



Total number of full-time and part-time employees at year end by country

Risk management

Objective
L&T's risk management aims to identify significant risk factors, prepare for them and manage them in an optimal way so that company's objectives are achieved. Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors.

Responsibilities
The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management.

Principles for financial risk management are defined in the Financial Policy. Principles for insurance risk management are defined in the Risk Management and Insurance Policy.

Identification, assessment and reporting of risks
The risk management process is determined in L&T's Integrated Management System. Regular risk survey take place as part of the annual strategy process at the division and group levels, in units outside Finland as well as within centralised functions defined as being critical. The operative management assesses strategic, financial, operational and damage-related risk factors for each area of responsibility. L&T evaluates risks using a risk matrix and by assigning monetary values to risks. Contingency plans for significant risks are prepared and the responsibilities for risk management measures are allocated. Any risks identified and preparations for them are regularly reported to the President and CEO and to the Board of Directors.

Risk analysis
The following is a description of the most important strategic, operational and damage-related risks of L&T's business which, if realised, can endanger or prevent the achievement of business objectives.

Financial risks and their management are described in Note 37 Financial risk management.

Strategic and operational risks

Risks relating to information and communications systems
If realised, risks associated with the information and communications systems can cause interruptions in L&T's operations and customer services. In 2011, determined work continued, in order to develop the system environment and secure the IT environment's reliability.

Market-related risks
Key market-related risks include a continuance of the economic recession and the resulting decline in customers' operating volumes, the entry of new competitors into the market, and legislative changes. Market price development for emission rights, secondary raw materials or oil products may affect the company's business operations.

Future developments are difficult to predict due to the continuing general economic uncertainty. Major changes in the markets may have a negative impact on business growth and cause profitability to decline.

L&T is independent of single large customers, which, together with L&T's extensive service offering, helps reduce market-related risks. As a means of standing out from its competitors and creating value-adding elements other than price, L&T is continuously developing and launching new service products. To prepare for market risks, L&T pays special attention to productivity improvement and customer care.

Acquisitions
L&T seeks growth both organically and through acquisitions. The success of acquisitions affects the achievement of the company's growth and profitability targets. Failures in acquisitions may impact the company's competitive ability and profitability and may change the company's risk profile. Risk related to acquisitions is managed through strategic and financial analysis of acquisition targets, comprehensive audits of due diligence, as well as an efficiently implemented integration programme after the closing of an acquisition.

Operations in developing markets
L&T has business operations in Latvia and Russia. Business operations in these countries make the company vulnerable to political and financial risks as well as risks relating to changes in social conditions and, for example, any restriction of the free pricing of services. L&T endeavours to mitigate these risks by becoming familiar with the international market situation and the business culture through means such as commissioning studies of the country-specific risks of developing markets.

Availability of competent personnel
L&T's business is labour-intensive. The positive change in the job markets has boosted employee turnover, which makes the sourcing of workforce more challenging. Due to the age structure of the population, competition for skilled employees will become tougher.

L&T runs several human resources management programmes aimed at ensuring the availability and competence of labour. We focus on the good work community, management and leadership, improving multicultural skills, work rotation and occupational safety. L&T endeavours to be the most attractive employer in its sector.

Damage-related risks
To cover for unexpected damage, L&T has continuous insurance coverage in all of the operating countries, including policies for injuries, property damage, business interruption, third-party liability, environmental damage and transport damage.

Risk of fire
The manufacture of recovered fuels within the Environmental Services business constitutes a risk of fire. A fire at a recycling plant may result in a momentary or extended interruption of the plant's operations. However, the significance of the risk is reduced by the fact that individual plants or production lines have no substantial impact on L&T's overall profitability. In addition to taking out insurance, L&T endeavours to mitigate the risks of fire damage by constructing automated extinguishing systems, carrying out systematic contingency planning and training personnel to prepare for emergencies.

Risk of environmental damage
L&T's business comprises the collection and transport of hazardous waste, as well as processing at the company's own plants. Incorrect handling of hazardous waste or damage to equipment may result in harmful substances being released into the environment or injuries through explosion or poisoning. L&T may become liable for damages due to this. In addition to taking out insurance, the company manages environmental damage risks through systematic environmental surveys of its plants, preventive maintenance plans of equipment, audits, long-span training for personnel and emergency drills.

Early retirement of personnel
An increase in the personnel's disability and accident pension costs may materially affect competitiveness and profitability, particularly in the Cleaning and Office Support Services division and the Property Maintenance division. As a major employer, L&T is liable for the full pension costs arising from its employee disability. L&T's Sirius programme is designed to promote the health of employees and to manage occupational health care services. It has the objective of minimising sickness-related absence and disability and accident pensions.

Environmental factors
As a leading company in the environmental management sector, L&T bears particularly heavy responsibility for environmental issues. Corporate responsibility is the foundation of L&T's day-to-day operations and an integral part of its strategy. L&T makes its competence available to its customers and equips its customers to meet their environmental goals and obligations. Growing awareness of environmental matters is creating greater expectations with respect to L&T's services. Improvement in material and energy efficiency is becoming an even more integral part of customer companies' daily operations.

L&T collects and processes waste and by-products into secondary raw materials and recovered fuels. These replace fossil fuels and help to save natural resources, and thereby help to curb climate change. The EU's recycling objectives, the national waste plan and national legislation are gradually turning Finland into a recycling society. Waste tax base will expand and taxes will rise, steering our customers towards choices that promote sustainable development.

Over the next few years, L&T will assume a major role, as Finland increases its use of renewable energy sources in order to fulfil its obligations. Wood-based biofuels and recycled fuels supplied by L&T replace fossil fuels in energy production.

L&T's waste recycling and deliveries of renewable fuels reduced Finland's carbon dioxide emissions in 2011 by 1.4 million tonnes; slightly more than a year earlier. Both recycling and biofuel deliveries showed growth, while deliveries to landfills decreased significantly.

The carbon dioxide emissions from L&T's own operations took an upward turn, largely because fuel consumption rises as the operational volume grows. Similarly, emissions from electricity use increased. In addition, calculation methods and the emissions factor applied have been specified more accurately.

The most significant negative environmental impacts of L&T's operations include emissions and noise from vehicles used for collection and transport services. To minimise these impacts, L&T acquires low-emission vehicles and focuses on better route planning. Logistics are based on calculations of maximum viable transport distances, without compromising on eco-efficiency and the benefits gained from the material being carried.

Environmental management
The L&T Integrated Management System is a tool used to plan, develop and steer everyday work and operations. It includes jointly defined operating procedures and provides tools for strategy implementation and the achievement of business goals. The system also extends to L&T's international operations. It is used to ensure that L&T's operations are consistent, harmonised and of high quality in all locations. L&T's management system is certified for compliance with the ISO 9001 (quality), ISO 14001 (environment) and OHSAS 18001 (occupational health and safety) standards.

Environmental, health and occupational safety risk management is an integral part of the management system. Employee well-being, a safe working environment and setting an example in environmental matters are factors that allow us to drive the company and its operations forward. Environmental and safety risks are regularly and extensively assessed across all organisational levels.

Environmental management and waste processing operations are governed by strict laws and regulations, and operations often require a permit. L&T has 78 environmental permits in Finland related to the handling and storage of waste and biofuels.

Year 2011
Because L&T is one of Finland's biggest logistics companies, improvements in this area offer huge potential for reducing environmental impacts. Improvements in logistics can significantly reduce emissions.

A logistics programme extending over several years continued in 2011, involving an assessment of logistical processes and their development towards more efficient use of resources and better eco-efficiency. Our fleet contains gas-powered cars and we are testing a biodiesel ethanol powered car and test driving hybrid vehicles. Using ethanol as a fuel would reduce carbon dioxide emissions by 85%.

Fleet training offered to environmental services personnel is designed to improve drivers' fleet-related competence and awareness of occupational safety issues, and to improve fleet maintenance. When transporting renewable energy, the energy content of wood-based fuels is maximised by ensuring that the material transported is as dry as possible. Steps are also taken to promote economic driving, and vehicle positioning systems and routing systems are used to ensure efficient vehicle use and driving routes. Introduction of a production control system in Environmental Services has provided more opportunities for transport optimisation.

In 2011, L&T launched a project geared towards more effective use of its properties. The project involves a pilot project designed to improve energy efficiency in our own buildings. These property maintenance agreements have been drawn up in line with the L&T EcoMaintenance concept, in order to minimise energy and water consumption in the properties.

WWF awarded L&T's head office the Green Office designation for fulfilling the criteria of the Green Office programme. Internal assessments on environmental and occupational safety issues, as well as safety audits by insurance companies, are conducted regularly in L&T's business locations.

L&T responds to growing environmental reporting needs by offering tools for both the customer's own monitoring and for reporting to the authorities. The Ympäristönetti online service offers a channel through which customers can monitor their waste volumes and costs. Co-developed with VTT Technical Research Centre of Finland, the corporate waste environmental impact calculator is a tool enabling companies to calculate the climate impacts of their waste management and to compare waste management solutions.

The new recycling facility in Kerava increases processing efficiency, which means recyclable materials can be recovered more effectively and waste raw materials can be processed into high quality recovered fuels.

L&T's Managreen service package consists of customised specialist, training and consultation services in environmental management. Environmental managers specialise in customer segments' service and business structures, and assume responsibility for leading customer's development projects and for measuring and verifying the outcomes.

More details on environmental responsibility is presented on pages 32–43 of the general section of Annual Report.

Loans, liabilities and contingent liabilities to related parties

Related-party transactions are accounted for in Note 34 Related-party transactions.

Corporate Governance Statement

Corporate Governance Statement for the financial year 2011 is disclosed as a separate statement in general section of Annual Report starting from page 44.

Administrative organs

In accordance with Lassila & Tikanoja plc's Articles of Association, the management of the company and the proper arrangement of its operations is the responsibility of a Board of Directors comprising a minimum of three (3) and a maximum of seven (7) members appointed by the General Meeting of Shareholders. The term of each member of the Board of Directors expires at the end of the next Annual General Meeting following his/her election. The company has a President and CEO appointed by the Board of Directors. In accordance with the Companies Act, the General Meeting of Shareholders shall decide on any amendments to the Articles of Association.

According to a written service contract with the President and CEO, the period of notice is 6 months if the company terminates his employment.

The Annual General Meeting of Shareholders held on 17 March 2011 confirmed the number of the members of the Board of Directors six (6). The following Board members were re-elected to the Board until the end of the following AGM: Heikki Bergholm, Eero Hautaniemi, Matti Kavetvuo, Hille Korhonen and Miikka Maijala. Sakari Lassila was elected as a new member for the same term. In its constitutive meeting the Board elected Heikki Bergholm as Chairman of the Board and Matti Kavetvuo as Vice Chairman. From among its members, the Board elected Eero Hautaniemi as Chairman of the audit committee and Sakari Lassila and Miikka Maijala as members of the committee. From among its members, the Board elected Heikki Bergholm as Chairman of the remuneration committee and Matti Kavetvuo and Hille Korhonen as members of the committee. Matti Kavetvuo announced his resignation from the Board of Directors on 27 December 2011 and Eero Hautaniemi was elected as the new Vice Chairman of the Board.

PricewaterhouseCoopers Oy, Authorised Public Accountants, is Auditor of the Company.

Pekka Ojanpää has served as the President and CEO since 1 November 2011 and before that Jari Sarjo until 13 June 2011. Ville Rantala, CFO of Lassila & Tikanoja, served as acting President and CEO as of 13 June until 31 October 2011.

Group Executive Board

The Board of Directors appointed Ville Rantala as Managing Director of L&T Biowatti Oy and Vice President, Renewable Energy Sources division as of 22 March 2011. Rantala will also continue as CFO of Lassila & Tikanoja plc. Tomi Salo, Managing Director of L&T Biowatti, will not continue in the company.

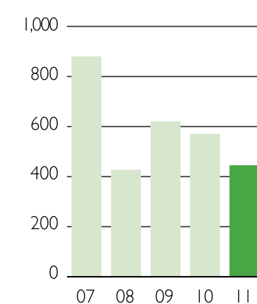
The Board of Directors appointed Pekka Ojanpää as President and CEO on 13 June 2011. Mr Ojanpää assumed his position as Lassila & Tikanoja's President and CEO on 1 November 2011. Jari Sarjo, former President and CEO left his position as President and CEO immediately. Ville Rantala, CFO of Lassila & Tikanoja, was appointed as acting President and CEO as of 13 June.

As of 7 December 2011 HR Director Inkeri Puputti left the company and is no longer member of Group Executive Board.

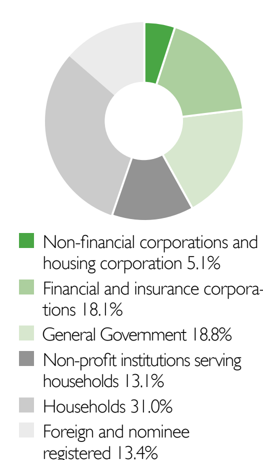
At 31 December, members of Group Executive Board were Pekka Ojanpää, President and CEO, Jorma Mikkonen, Vice President, Environmental Services, Ville Rantala, CFO, Vice President Renewable Energy Sources, Juha Simola, Vice President, Property Maintenance and Henri Turunen, Vice President, Cleaning and Office Support Services.

Kirsi Matero was appointed as HR Director and Group Executive as of 1 January 2012. In addition, Tuomas Mäkipeska was appointed as Business Development Director and Antti Tervo as Chief Procurement Officer. They assumed their positions in February 2012.

Market capitalisation at year end, EUR million



Breakdown of shareholding, % of shares and votes



Distribution of assets

The Group's earnings per share amounted to EUR 0.44 (0.68; 0.85) and cash flow from operating activities per share EUR 1.92 (1.65; 1.71). The Board of Directors proposes to the Annual General Meeting that the profit for 2011 be placed in retained earnings and that no dividend be paid. The Board of Directors will propose a capital repayment of EUR 0.55 per share (a dividend of EUR 0.55; a dividend of EUR 0.55) to the Annual General Meeting to be held on 15 March 2012. Capital is repaid from the reserve for invested non-restricted equity. No capital repayment shall be paid on shares held by the company on the capital repayment record date. On the day when the distribution of profit was proposed, the number of shares conferring entitlement to receive capital repayment totalled 38,685,569 shares, on which the total capital repayment would be EUR 21,277,062.95.

Near-term uncertainties

Economic uncertainty may cause remarkable changes in the Environmental Services division's secondary raw material markets and in industrial customer relationships.

Any disturbances in L&T Recoil plant's production could have a negative effect on the Environmental Services division's performance. End-product and raw material price fluctuations, as well as the plant's supply volumes, have a major effect on L&T Recoil's performance.

Uncertainties associated with the government subsidies for renewable fuels and their continuity could affect demand for the Renewable Energy Sources division's services.

Outlook for the year 2012

The markets in which L&T primarily operates are mainly low-cyclical, and the majority of the company's net sales comes from long-term service agreements. However, general economic developments reflect on L&T's operations, particularly commissioned environmental and support service assignments.

Despite the economic uncertainty, the outlook for Environmental Services is, by and large, stable. The secondary raw material price development and the operational reliability of L&T Recoil's plant in particular will affect the division's profitability.

Prospects for Cleaning and Office Support Services and for Property Maintenance are stable, but economic uncertainty is keeping competition tough in both divisions.

Demand for L&T Biowatti's wood-based fuels is expected to grow slightly and the division's profitability is expected to improve. Any changes in the government subsidies for renewable fuels could, however, impact L&T Biowatti's raw material procurement costs and demand for the end-product.

Full-year net sales is expected to remain at the 2011 level and operating profit excluding non-recurring items is expected to remain at the 2011 level or to improve slightly in 2012.

Changes in share capital and number of shares between 30 September 2001 and 31 December 2011

Change	Change in share capital, EUR	Change in number of shares	Share capital, EUR	Number of shares
30 September 2001–31 December 2003			**7,913,154**	**15,826,308**
Subscriptions pursuant to share options during 2004	35,390	106,170	7,948,544	15,897,088
Bonus issue 1:1	7,948,544	15,897,088	15,897,088	31,794,176
Rights offering 5:2 at EUR 7.50 each*	3,171,029	6,342,058	19,068,117	38,136,234
31 December 2004			**19,068,117**	**38,136,234**
Subscriptions pursuant to share options during 2005	120,770	241,540	19,188,887	38,377,774
31 December 2005			**19,188,887**	**38,377,774**
Subscriptions pursuant to share options during 2006	75,200	150,400	19,264,087	38,528,174
31 December 2006			**19,264,087**	**38,528,174**
Subscriptions pursuant to share options during 2007	128,100	256,200	19,392,187	38,784,374
31 December 2007			**19,392,187**	**38,784,374**
Subscriptions pursuant to share options during 2008	7,250	14,500	19,399,437	38,798,874
31 December 2008			**19,399,437**	**38,798,874**
31 December 2009			**19,399,437**	**38,798,874**
31 December 2010			**19,399,437**	**38,798,874**
31 December 2011			**19,399,437**	**38,798,874**

* Subscription ratio before the bonus issue

The changes in share capital and the number of the shares in 2011 and 2010 are listed in more detail in Note 23 Equity.

Shares and shareholders

Share capital and number of shares
The registered share capital of Lassila & Tikanoja plc is EUR 19,399,437. The number of shares is 38,798,874. In 2011, the average number of shares excluding the shares held by the company totalled 38,721,908. Each share carries one vote. There is no maximum to the number of the shares and the share capital in the Articles of Association. A share has neither a nominal value nor a book equivalent value.

The company's shares are included in the book-entry system of securities maintained by Euroclear Finland Ltd. Euroclear Finland maintains the company's official list of shareholders.

Trading in shares and share options in 2011
The company's shares are quoted on the mid-cap list of the NASDAQ OMX Helsinki Ltd in the Industrials sector. The trading code is LAT1V and the ISIN code is FI0009010854.

The volume of trading in Lassila & Tikanoja plc shares excluding the shares held by the company on the NASDAQ OMX Helsinki during 2011 was 8,915,140, which is 23.0% (20.0; 25.9) of the average number of outstanding shares. The value of trading was EUR 108.2 million (111.1; 126.9). The trading price varied between EUR 9.49 and EUR 15.18. The closing price was EUR 11.49. The company holds 113,305 own shares. The market capitalisation excluding the shares held by the company was EUR 444.5 million (570.6; 619.9) at the end of the period.

Lassila & Tikanoja's 2008 share options have been listed on the NASDAQ OMX Helsinki since 1 November 2010 (trading code LAT1VEW108). Trading with 2005C share options ended 31 May 2011.

Own shares
At the beginning of the period, the company held 60,758 of its own shares and at the end of the period 113,305, representing 0.3% of all shares and votes. Based on the authorisation given by the Annual General Meeting, the company repurchased 50,000 shares in the period from 12 September to 23 September 2011 at a total acquisition cost of EUR 0.5 million. On 5 April 2011, a total of 2,547 shares of Lassila & Tikanoja plc were returned to the company free of consideration, by virtue of the terms of the share-based incentive programme of 2009.

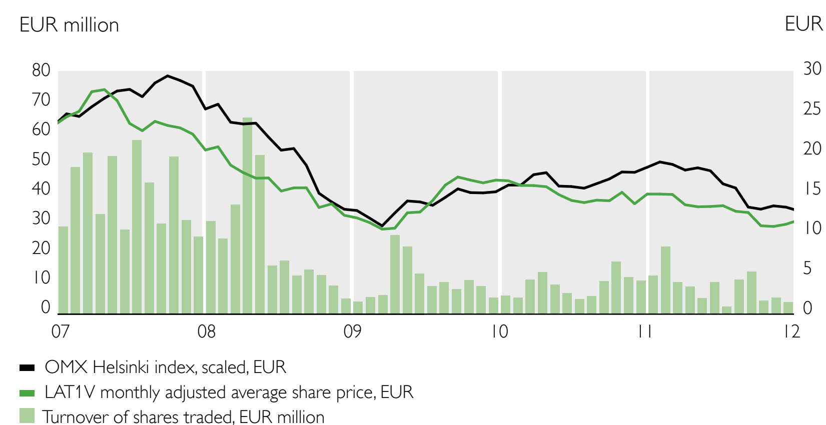
Dividend policy
The amount of dividend is tied to the results for the financial year. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders.

Authorisation for the Board of Directors
The Annual General Meeting held on 31 March 2010 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the company's non-restricted equity and on the issuance of these shares.

The Board of Directors is authorised to transfer a maximum of 500,000 company shares, which is 1.3% of the total number of shares. The share issue authorisation will be effective for four years and it revokes the authorisation to issue shares issued by the Annual General Meeting 2009. The authorisation for the repurchase of the company's own shares has ended.

The Board of Directors is not authorised to launch a convertible bond or share option rights.

Adjusted share price development and turnover of shares traded



Summary of share option scheme 2008 at 31 December 2011

	2008
Maximum number of options	230,000
Granted to	33 key employees
Held by Lassila & Tikanoja plc	62,000
Outstanding options	168,000
Listed since	1 November 2010
Exercise period	1 November 2010–31 May 2012
Exercise price, EUR	16.20
Number of shares to which each share option entitles holder	1

The dividend right and other shareholder rights associated with shares subscribed for using share options shall commence once the increase in share capital or new shares issued are registered in the Trade Register.

Redemption obligation
Under Article 14 of Lassila & Tikanoja plc Articles of Association, a shareholder whose holding either alone or together with other shareholders as specified in the Article reaches or exceeds 33 1/3 or 50 per cent of all shares has an obligation upon the request of other shareholders to redeem their shares or securities entitling them to shares.

Restrictions in voting power
According to the Articles of Association, at a General Meeting of Shareholders no shareholder may cast more than one fifth of the total number of votes represented at the meeting.

Change in control
According to a shareholder agreement concerning the joint venture L&T Recoil Oy, the right to transfer shares in the joint venture is restricted, and any change in control of the parent companies specified in the agreement may create a right of redemption of the joint venture's shares for the other party.

Terms and conditions of share subscriptions based on the share option schemes
The exercise price for 2008 options is EUR 16.20. The exercise price was deducted on 22 March 2011 by EUR 0.07.

The exercise price will be deducted by any amount of per-share dividend, distributed after the determination of the exercise price and before the subscription of shares, which exceeds a total of 70% of the per-share earnings for the financial period for which the dividends are distributed.

The exercise period for 2008 options is from 1 November 2010 to 31 May 2012. The exercise period for 2005C options ended on 31 May 2011.

As a result of the exercise of outstanding share options a maximum of 168,000 shares may be subscribed for, which is 0.4% of the current number of shares.

More details of share option scheme are given in Note 24. Share-based payment. The complete terms and conditions of the share option scheme are available on the company website.

Share-based incentive programme 2009–2011
Lassila & Tikanoja plc's Board of Directors decided on 24 March 2009 on a share-based incentive programme. The programme included three earnings periods one year each, of which the first one began on 1 January 2009 and the last one ended on 31 December 2011. No rewards will be paid for the year 2011. The basis of the payment in 2011 was the EVA result of Lassila & Tikanoja group. In the beginning of 2011, the programme covered 23 persons.

Share-based incentive programme 2012
Lassila & Tikanoja plc's Board of Directors decided on 14 December 2011 on a new share-based incentive programme for one year. Potential rewards will be based on the EVA result of Lassila & Tikanoja group without L&T Recoil. They will be paid partly as shares and partly in cash. The part paid in cash will cover the taxes caused by the reward. In other respects the conditions are equal with the 2009–2011 programme.

Based on the programme a maximum of 65,520 shares of the company can be granted. The company will buy the shares from the stock market. The programme covers 22 persons.

Shareholders
Lassila & Tikanoja plc had 9,365 (9,151; 7,595) registered shareholders at the end of 2011. Nominee-registered shares and shares in direct foreign ownership accounted for 13.4% of the stock (12.6; 9.6).

Holdings of the Board of Directors and President and CEO
The Members of the Board, the President and CEO, and organisations under their control held a total of 864,846 shares in the company on 31 December 2011. They represent 2.2% of the number of shares and votes.

Breakdown of shareholding by category at year end

	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
Non-financial corporations and housing corporations	540	5.8	1,982,124	5.1
Financial and insurance corporations	58	0.6	7,038,373	18.1
General Government	27	0.3	7,279,863	18.8
Non-profit institutions serving households	220	2.3	5,085,709	13.1
Households	8,468	90.4	12,045,172	31.0
Foreign shareholders	52	0.6	161,320	0.4
	9,365	100.0	33,592,561	86.6
Own shares			113,305	0.3
Shares registered in a nominee's name			5,052,472	13.0
Shares not transferred to the book-entry securities system			40,536	0.1
Total			38,798,874	100.0

Breakdown of shareholding by size of holding at year end

Number of shares	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
1–1,000	7,884	84.2	2,204,549	5.7
1,001–5,000	1,048	11.2	2,334,614	6.0
5,001–10,000	184	2.0	1,363,724	3.5
10,001–100,000	203	2.2	6,109,419	15.7
100,001–500,000	31	0.3	6,042,506	15.6
Over 500,000	15	0.2	15,537,749	40.0
	9,365	100.0	33,592,561	86.5
Own shares			113,305	0.3
Shares registered in a nominee's name			5,052,472	13.0
Shares not transferred to the book-entry securities system			40,536	0.1
Total			38,798,874	100.0

Major shareholders at year end

	Shareholder	Number of shares	Percentage of shares and votes
1.	Evald and Hilda Nissi Foundation	2,413,584	6.2
2.	Mandatum Life Insurance Company Limited	2,269,337	5.8
3.	Ilmarinen Mutual Pension Insurance Company	2,157,858	5.6
4.	Tapiola Mutual Pension Insurance Company	1,974,240	5.1
5.	Nordea investment funds	1,613,978	4.2
6.	Maijala Juhani	1,529,994	3.9
7.	Varma Mutual Pension Insurance Company	1,135,690	2.9
8.	Tapiola Group	1,000,545	2.6
9.	Bergholm Heikki	778,807	2.0
10.	OP-Pohjola Group	741,057	1.9
11.	Maijala Mikko	700,000	1.8
12.	Turjanmaa Kristiina	585,842	1.5
13.	The State Pension Fund	562,000	1.4
14.	Veritas Pension Insurance Company Ltd.	557,936	1.4
15.	Sampo investment funds	503,614	1.3
16.	Maijala Eeva	320,000	0.8
17.	Chemec Ltd	300,000	0.8
18.	Aktia investment funds	273,280	0.7
19.	Nordea Life Assurance Finland Ltd	257,000	0.7
20.	Etera Mutual Pension Insurance Company	230,000	0.6
	Total	19,904,762	51.3

All information concerning the company's shareholders is based on the list of shareholders maintained by Euroclear Finland Oy as on 31 December 2011.
Current information on shares and shareholders is available on the company website and is updated monthly.

Key figures on shares

	2011	2010	2009	2008	2007
Earnings per share (EPS), EUR	0.44	0.68	0.85	1.03	0.83
Earnings per share (EPS), diluted, EUR	0.44	0.68	0.85	1.03	0.82
Equity per share, EUR	5.63	5.75	5.60	5.28	5.21
Dividend per share, EUR		0.55	0.55	0.55	0.55
Dividend/earnings ratio, %		81.4	64.4	53.4	66.7
Capital repayment per share, EUR	0.55*				
Capital repayment/earnings ratio, %	125.0*				
Effective dividend yield, %		3.7	3.4	5.0	2.4
Effective capital repayment yield, %	3.7*				
Price/earnings ratio	26.2	21.8	18.7	10.7	27.5
Cash flows from operating activities/share, EUR	1.92	1.65	1.71	1.82	1.43
Share price adjusted for issues:					
lowest, EUR	9.49	12.85	9.16	10.26	20.03
highest, EUR	15.18	16.20	17.19	23.00	27.96
average, EUR	12.13	14.36	12.61	16.50	23.59
closing, EUR	11.49	14.73	15.99	11.00	22.70
Market capitalisation at 31 December, EUR million	444.5	570.6	619.9	426.8	880.4
Number of shares adjusted for issues					
average during the year	38,721,908	38,748,649	38,780,589	38,796,135	38,670,047
at year end	38,685,569	38,738,116	38,768,874	38,798,874	38,784,374
average during the year, diluted	38,762,194	38,772,906	38,784,285	38,816,873	38,843,151
Adjusted number of shares traded during the year	8,965,140	7,816,454	10,089,598	17,452,448	19,802,194
as a percentage of the average	23.2	20.2	26.0	45.0	51.2
Volume of shares traded, EUR 1,000	108,740	112,270	127,213	287,928	467,215

* Proposal by the Board of Directors

Key figures on financial performance

	2011	2010	2009	2008	2007
Net sales, EUR million	652.1	598.2	582.3	606.0	554.6
Operating profit, EUR million	25.6	40.2	50.3	55.5	48.8
as % of net sales	3.9	6.7	8.6	9.2	8.8
Profit before tax, EUR million	21.0	36.0	45.0	50.7	44.5
as % of net sales	3.2	6.0	7.7	8.4	8.0
Profit for the period, EUR million	17.0	26.2	33.1	40.0	32.2
as % of net sales	2.6	4.4	5.7	6.6	5.8
Profit for the period attributable to the equity holders of the parent company, EUR million	17.0	26,2	33.1	40.0	31.9
as % of net sales	2.6	4.4	5.7	6.6	5.8
EVA, EUR million	-2.2	10.1	16.5	25.0	23.0
Cash flows from operating activities, EUR million	74.5	63.8	66.2	70.4	55.4
Balance sheet total, EUR million	494.3	483.7	496.4	477.7	438.3
Return on equity, % (ROE)	7.7	11.9	15.7	19.6	17.0
Return on invested capital, % (ROI)	7.6	11.6	14.5	17.1	17.6
Equity ratio, %	44.5	46.5	44.1	43.2	46.6
Gearing, %	58.3	50.3	53.5	58.8	42.7
Net interest-bearing liabilities, EUR million	127.2	112.3	116.3	120.5	86.4
Capital expenditure, EUR million	70.6	39.3	44.9	84.2	93.2
as % of net sales	10.8	6.6	7.7	13.9	16.8
Depreciation, amortisation and impairment, EUR million	61.5	43.9	40.3	41.0	33.4
Average number of employees in full-time equivalents	8,513	7,835	8,113	8,363	7,819
Total number of full-time and part-time employees at year end	9,357	8,732	8,743	9,490	9,387

Calculation of the key figures

Earnings per share	=	profit attributable to equity holders of the parent company / adjusted average basic number of shares	
Earnings per share, diluted	=	profit attributable to equity holders of the parent company / adjusted average diluted number of shares (Note 10 Earnings per share)	
Equity per share	=	equity attributable to equity holders of the parent company / adjusted basic number of shares at the balance sheet date	
Dividend per share*	=	dividend for the financial period / share issue adjustment factor for issues made after the financial period	
Dividend/earnings ratio, %*	=	dividend per share / earnings per share	x100
Effective dividend yield, %*	=	dividend per share / closing price of the financial period	x100
Price/earnings ratio =	=	closing price of the financial period / earnings per share	
Cash flows from operating activities/share	=	cash flows from operating activities as in the cash flow statement / adjusted average basic number of shares	
Market capitalisation of shares	=	basic number of shares at the balance sheet date x closing price of the financial period	
EVA	=	operating profit - cost calculated on invested capital (average of four quarters) before taxes WACC 2011: 7.70% WACC 2010: 8.70% WACC 2009: 9.40% WACC 2008: 9.30% WACC 2007: 8.75%	
Return on equity, % (ROE)	=	profit for the period / equity (average)	x100
Return on investment, % (ROI)	=	(profit before tax + finance costs) / (balance sheet total - non-interest-bearing liabilities (average))	x100
Equity ratio, %	=	equity / (balance sheet total - advances received)	x100
Gearing, %	=	interest-bearing liabilities / equity	x100
Net interest-bearing liabilities	=	interest-bearing liabilities - liquid assets	
Operating profit excluding non-recurring items	=	operating profit +/- non-recurring	

* The calculations are also applied on capital repayment.

Consolidated income statement

1 January–31 December EUR 1,000	Note	2011	%	2010	%
Net sales	1	652,130	100.0	598,193	100.0
Cost of sales		-584,152	-89.6	-531,066	-88.8
Gross profit		67,978	10.4	67,127	11.2
Other operating income	6	3,038	0.5	2,708	0.5
Selling and marketing costs		-15,217	-2.3	-13,779	-2.3
Administrative expenses		-11,408	-1.7	-10,519	-1.8
Other operating expenses	6	-1,733	-0.3	-2,686	-0.4
Impairment, non-current assets	13	-5,677	-0.9	-2,632	-0.4
Impairment, goodwill and other intangible assets	13	-11,384	-1.7		
Operating profit	3, 5	25,597	3.9	40,219	6.7
Finance income	8	1,041	0.2	1,053	0.2
Finance costs	8	-5,644	-0.9	-5,282	-0.9
Profit before tax		20,994	3.2	35,990	6.0
Income tax expense	9	-4,030	-0.6	-9,786	-1.6
Profit for the period		16,964	2.6	26,204	4.4
Attributable to:					
Equity holders of the company		16,960		26,188	
Non-controlling interest		4		16	
Earnings per share for profit attributable to the equity holders of the company:					
Basic earnings per share, EUR	10	0.44		0.68	
Diluted earnings per share, EUR		0.44		0.68	

Consolidated statement of comprehensive income

1 January–31 December EUR 1,000	Note	2011	2010
Profit for the period		16,964	26,204
Other comprehensive income, after tax			
Hedging reserve, change in fair value		-487	224
Revaluation reserve	8		
Gains in the period		-4	-58
Current available-for-sale financial assets		-4	-58
Currency translation differences		111	777
Currency translation differences, non-controlling interest		-11	14
Other comprehensive income, after tax		-391	957
Total comprehensive income, after tax		16,573	27,161
Attributable to:			
Equity holders of the company		16,580	27,130
Non-controlling interest		-7	31

More information on taxes in consolidated statement of comprehensive income is presented in Note 9 Income taxes.
The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

31 December EUR 1,000	Note	2011	%	2010	%
ASSETS					
Non-current assets					
Intangible assets	12				
Goodwill		119,509		113,467	
Customer contracts arising from acquisitions		10,591		4,736	
Agreements on prohibition of competition		3,162		10,023	
Other intangible assets arising from acquisitions		78		1,229	
Other intangible assets		11,149		13,226	
		144,489	29.2	142,681	29.5
Property, plant and equipment	14				
Land		4,589		4,671	
Buildings and constructions		78,217		78,908	
Machinery and equipment		120,015		111,733	
Other		85		85	
Prepayments and construction in progress		4,616		5,303	
		207,522	42.0	200,700	41.5
Other non-current assets					
Available-for-sale investments	17, 30	605		598	
Finance lease receivables	18, 30	3,578		3,547	
Deferred income tax assets	9	6,323		3,924	
Other receivables	30	3,315		3,401	
		13,821	2.8	11,470	2.4
Total non-current assets		365,832	73.9	354,851	73.3
Current assets					
Inventories	19	27,953		27,957	
Trade and other receivables	20, 30	91,629		85,662	
Derivative receivables	30, 31	419		407	
Prepayments		438		317	
Available-for-sale financial assets	21, 30	2,299		9,895	
Cash and cash equivalents	22, 30	5,770		4,653	
Total current assets		128,508	26.1	128,891	26.7
Total assets		494,340	100.0	483,742	100.0

The notes are an integral part of these consolidated financial statements.

31 December EUR 1,000	Note	2011	%	2010	%
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the company	23				
Share capital		19,399		19,399	
Share premium reserve				50,673	
Other reserves		-2,469		-2,141	
Invested non-restricted equity reserve		50,658			
Retained earnings		133,125		128,597	
Profit for the period		16,960		26,188	
		217,673		222,716	
Non-controlling interest		271		278	
Total equity		217,944	44.1	222,994	46.1
Liabilities					
Non-current liabilities					
Deferred income tax liabilities	9	29,389		33,718	
Retirement benefit obligations	25	628		615	
Provisions	26	2,500		2,748	
Borrowings	27, 30	92,914		95,563	
Other liabilities	28, 30	960		364	
		126,391	25.6	133,008	27.5
Current liabilities					
Borrowings	27, 30	42,319		31,261	
Trade and other payables	29, 30	105,751		94,891	
Derivative liabilities	30, 31	1,850		1,173	
Tax liabilities		85		15	
Provisions	26			400	
		150,005	30.3	127,740	26.4
Total liabilities		276,396	55.9	260,748	53.9
Total equity and liabilities		494,340	100.0	483,742	100.0

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

EUR 1,000	Note	2011	2010
Cash flows from operating activities			
Profit for the period		16,964	26,204
Adjustments	33	69,322	59,522
Net cash generated from operating activities before change in working capital		86,286	85,726
Change in working capital			
Change in trade and other receivables		-7,843	-6,118
Change in inventories		9	4,874
Change in trade and other payables		11,055	-918
Change in working capital		3,221	-2,162
Interest paid		-6,165	-5,409
Interest received		1,020	914
Income tax paid		-9,896	-15,259
Net cash generated from operating activities		74,466	63,810
Cash flows from investing activities			
Acquisitions of subsidiaries and businesses, net of cash acquired	2	-24,430	-1,655
Proceeds from sale of subsidiaries and businesses, net of sold cash	33		199
Purchases of property, plant and equipment and intangible assets		-45,503	-36,003
Proceeds from sale of property, plant and equipment and intangible assets		1,850	3,655
Purchases of available-for-sale investments		-20	-74
Change in other non-current receivables		98	-2,673
Proceeds from sale of available-for-sale investments			
Dividends received			1
Net cash used in investing activities		-68,005	-36,550
Cash flows from financing activities			
Changes in short-term borrowings		8,712	5,091
Proceeds from long-term borrowings		20,000	
Repayments of long-term borrowings		-19,761	-23,166
Repurchase of own shares		-517	-1,125
Dividends paid		-21,284	-21,301
Net cash generated from financing activities		-12,850	-40,501
Net change in liquid assets		-6,389	-13,241
Liquid assets at beginning of period		14,548	27,583
Effect of changes in foreign exchange rates		-90	206
Liquid assets at end of period	22	8,069	14,548

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

EUR 1,000	Note	Share capital	Share premium reserve	Currency translation differences	Revaluation reserve	Hedging reserve	Invested non-restricted equity reserve	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Equity at 1 January 2010		**19,399**	**50,673**	**-2,300**	**10**	**-794**	**0**	**150,014**	**217,002**	**247**	**217,249**
Comprehensive income											
Profit for the period								26,187	26,187	31	26,218
Other comprehensive income, after tax									0		0
Hedging reserve, change in fair value						224			224		224
Current available-for-sale financial assets					-58				-58		-58
Currency translation differences				777					777		777
Total comprehensive income				777	-58	224		26,187	27,130	31	27,161
Transactions with owners of the company											
Expense recognition of share-based benefits	24							386	386		386
Repurchase of own shares	23							-489	-489		-489
Dividends paid	11							-21,313	-21,313		-21,313
Total transactions with owners of the company								-21,416	-21,416	0	-21,416
Equity at 31 December 2010		**19,399**	**50,673**	**-1,523**	**-48**	**-570**	**0**	**154,785**	**222,716**	**278**	**222,994**
Equity at 1 January 2011		**19,399**	**50,673**	**-1,523**	**-48**	**-570**	**0**	**154,785**	**222,716**	**278**	**222,994**
Comprehensive income											
Profit for the period								16,960	16,960	-7	16,953
Other comprehensive income, after tax									0		0
Hedging reserve, change in fair value						-487			-487		-487
Current available-for-sale financial assets					-4				-4		-4
Currency translation differences				111					111		111
Total comprehensive income				111	-4	-487		16,960	16,580	-7	16,573
Transactions with owners of the company											
Expense recognition of share-based benefits	24							183	183		183
Repurchase of own shares	23							-553	-553		-553
Dividends paid	11							-21,290	-21,290		-21,290
Transfer from revaluation reserve					52		-15		37		37
Total transactions with owners of the company					52		-15	-21,660	-21,623	0	-21,623
Transfer from share premium reserve			-50,673				50,673				
Equity at 31 December 2011		**19,399**	**0**	**-1,412**	**0**	**-1,057**	**50,658**	**150,085**	**217,673**	**271**	**217,994**

More information on equity is shown in Note 23 Equity, and on taxes recognised in equity in Note 9 Income taxes.
The notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

General information

Lassila & Tikanoja plc is a Finnish public limited company. Its domicile is Helsinki. The registered address of the company is Hopeatie 2, 00440 Helsinki. The Group consists of the parent Lassila & Tikanoja plc and its subsidiaries (together L&T), and it specialises in environmental management and property and plant support services and is a significant supplier of wood-based biofuels, recovered fuels and secondary raw materials. The Group has business operations in Finland, Sweden, Latvia and Russia.

Lassila & Tikanoja plc is listed on NASDAQ OMX Helsinki.

The consolidated financial statements are available on the company website at www.lassila-tikanoja.com or from the parent company's head office, address Lassila & Tikanoja plc, P.O. Box 28, 00441 Helsinki, Finland.

These consolidated financial statements have been approved for issue by the Board of Directors of Lassila & Tikanoja plc on 1 February 2012. Under the Finnish Companies Act, the shareholders may accept or reject the financial statements at the general meeting of shareholders held after they are published. The meeting also has the power to alter the financial statements.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all the information presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, with application of the IFRS and IAS standards as well as IFRIC and SIC interpretations that were effective on 31 December 2011. In the Finnish Accounting Act and regulations enacted by virtue of it, International Financial Reporting Standards refer to standards and related interpretations approved for adoption within the EU according to the procedure described in regulation (EC) No 1606/2002. The notes to the consolidated financial statements also comply with the Finnish accounting and community legislation supplementing the IFRS regulations.

The consolidated financial statements have been prepared in euros, and figures are presented as thousands of euros. The financial statements have been prepared under the historical cost convention with the exception of available-for-sale investments for which a fair value can be determined from market prices and derivative contracts, which have been measured at fair value. Share-based payments have been recognised at fair value on the grant date.

Consolidation

The consolidated financial statements include the parent company Lassila & Tikanoja plc and all subsidiaries in which the Group exercises control. The Group has a controlling interest when it holds more than 50 per cent of votes, or otherwise exercises control over the company. Control means the right to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The subsidiaries are fully consolidated from the date on which control is transferred to L&T until the date that control ceases.

Intra-Group shareholdings have been eliminated using the acquisition method. Consideration given and the identifiable assets and liabilities of an acquired company are recognised at fair value on the date of acquisition. Any costs associated with the acquisition have been recorded as expenses. Any conditional additional sale price has been recognised at fair value on the date of acquisition and classified as a liability or as equity.

All intra-Group transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, have been eliminated in the consolidated financial statements. Non-realised losses are not eliminated if the losses are attributable to impairment. The distribution of profit for the period between equity holders of the parent company and the non-controlling interest is presented in connection with the income statement, and the share of equity belonging to the non-controlling interest is presented as a separate item in the consolidated statement of financial position under equity.

Business combinations between entities under shared control are measured using the purchase prices.

Joint ventures are entities over which the Group, together with another party, exercise joint, contractually agreed control. Joint ventures are accounted for by the proportionate method line by line. The Group's share of the assets, liabilities, revenues, expenses and contingent liabilities of the joint ventures is included in the consolidated financial statements. A share corresponding to the Group's ownership of the joint venture's cash flow items is consolidated in the Group's statement of cash flows.

Foreign currency translation

The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Items included in the financial statements of each of the Group's entities are treated using the currency of the primary economic operating environment in which the entity primarily operates (the functional currency).

Any transactions in foreign currencies have been recognised in the functional currency using the exchange rate in effect on the transaction date. Monetary assets denominated in foreign currency are translated into euros using the exchange rates in effect on the balance sheet date. Non-monetary assets are translated using the exchange rates on the dates prevailing at the dates of the transactions. There are no non-monetary assets denominated in foreign currency that are measured at fair value. Exchange rate gains and losses arising from foreign currency transactions and the translation of monetary assets are recognised in the income statement. Foreign exchange gains and losses on business transactions are included in the respective items above operating profit. Foreign exchange gains and losses on financial assets and liabilities are included in finance income or finance costs.

The income statements of the Group entities whose functional currency is not the euro are translated into euros at average exchange rate for the period, and the statements of financial positions at the exchange rate for the balance sheet date. The difference in exchange rates applicable to the translation of profit in the income statement and statement of financial position result in a translation difference recognised in the translation reserve within equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries, as well as translation differences in equity items accumulating after the acquisition, are recognised in the translation reserve. Non-current loan receivables for which settlement is neither planned nor likely to occur in the foreseeable future are treated as part of the net investment in subsidiaries. The translation differences on such receivables are also recognised in the translation reserve. When a subsidiary is sold, any accumulated translation differences are recognised in profit or loss as part of the total gain or loss on the sale.

Goodwill and fair value adjustments to the assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into euro at the closing rate.

Revenue recognition

Sales of services are recognised after the services have been provided. At plants producing materials for sale, the cost of materials is recognised in inventories. When the processed materials have no sales price, cost provisions are recognised in accrued expenses.

Sales of goods are recognised after the decisive risks and rewards connected to the ownership of the goods sold have been transferred to the buyer, and the amount of the revenue can be reliably measured.

Sales are shown net of indirect tax and discounts.

Interest income is recognised using the effective interest method. The Group's dividend income is minor, and it is recognised when the right becomes vested if information on dividends is available at that time. Otherwise it is recognised on the date of payment.

Construction contracts

Contract revenue and contract costs are recognised on the basis of the stage of completion once the outcome of the project can be estimated reliably. Landfill closure contracts are recognised using the percentage-of-completion method. Their initiation and completion generally take place in different financial periods. The stage of completion of a contract is determined as the proportion of costs incurred from work completed up to the time of examination in relation to the estimated total contract costs. If the incurred costs and recognised profits exceed the progress billings, the difference is presented in the statement of financial position under trade and other receivables. If the incurred costs and recognised profits are less than the progress billings, the difference is presented under advances received.

When the outcome of a construction contract cannot be estimated reliably, the costs incurred are recognised as an expense in the period in which they are incurred, and revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable. If it is probable that the total contract costs will exceed total contract revenues, the expected loss is recognised as an expense immediately.

The outcome of the projects related to the collection of contaminated soil cannot be estimated reliably. In these projects revenue is recognised to the extent of costs incurred.

Research and development

Research expenditure has been recognised as an expense during the period in which it is incurred. The probable future revenues from new service concepts are evident at such a late stage that the portion to be recognised as an asset has no material importance, and thus the costs are not recognised as an asset.

Computer software development costs recognised as an asset in the statement of financial position are described in more detail in the following chapter.

Goodwill and other intangible assets

Goodwill represents the portion of the acquisition cost by which the aggregate of the consideration given, the share of non-controlling owners in the acquired entity and the previously owned share exceed the fair value of the acquired entities at the time of acquisition. Goodwill is not amortised, but it is tested annually for impairment. Goodwill is presented in the statement of financial position at original cost less impairment losses, if any.

Intangible assets acquired in a business combination are measured at fair value. The useful lives of intangible assets are assessed to be finite or indefinite. In L&T, the intangible assets recognised in business combinations include items such as customer relations, non-competition agreements and environmental permits. They have finite useful lives varying between three and thirteen years.

Other intangible assets consist primarily of software and software licences.

The costs of software projects are recognised in other intangible assets starting from the time when the projects move out of the research phase into the development phase and the outcome of a project is an identifiable intangible asset. Such an intangible asset must provide L&T with future economic benefit that exceeds the costs of its development. The cost comprises all directly attributable costs necessary for preparing the asset to be capable of operating in the manner intended by the management. The largest cost items are consultancy fees paid to third parties, as well as salaries and other expenses for the Group's personnel.

The amortisation period for computer software and software licences is five years.

Property, plant and equipment

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and impairment losses.

The historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

The financial costs attributable to the construction of the joint venture L&T Recoil's re-refinery have been capitalised as part of the cost of the asset and they are depreciated over ten years. As L&T Recoil's borrowings have been taken out for the construction of the re-refinery, the actual borrowing costs have been capitalised in the acquisition cost.

In business combinations, property, plant and equipment are measured at fair value at the acquisition date. In the statement of financial position, property, plant and equipment are shown less depreciation and impairment, if any.

Property, plant and equipment are depreciated using the straight-line method over the expected useful lives excluding new landfills. The expected useful lives are reviewed on each balance sheet date and, if expectations differ substantially from previous estimates, the depreciation periods are adjusted to reflect the changes in the expectations for future economic benefits.

The depreciation in the financial statements is based on the following expected useful lives:

Buildings and structures	5–30 years
Vehicles	6–15 years
Machinery and equipment	4–15 years

For completed landfills the Group applies the units of production method. Landfills are depreciated on the basis of the volume of waste received. Land is not depreciated.

When an asset included in property, plant and equipment consists of several components with different estimated useful lives, each component is treated as a separate asset. Ordinary repair and maintenance costs are recognised in the income statement during the period in which they are incurred. Costs of significant modification and improvement projects are capitalised if it is probable that the projects will result in future economic benefits to the Group. Gains and losses on sales and disposal of property, plant and equipment are recognised through profit or loss and are presented in other operating income or expenses.

Impairment of assets

On each closing day of a reporting period, the Group assesses the balance sheet values of its assets for any impairment. If any indication exists, an estimate of the asset's recoverable amount is made. The need for recognition of impairment is assessed at the level of cash generating units – that is, the lowest level of unit that is primarily independent of other units and that generates cash flows that are separately identifiable.

The recoverable amount is the higher of an asset's fair value less selling costs and its value in use. Value in use refers to the estimated future net cash flows available from an asset or cash generating unit, discounted to present value. The discount rate used is the pre-tax rate, which reflects the market view of the time value of money and the risks associated with the asset item.

An impairment loss is recognised in the income statement when an asset's carrying amount exceeds its recoverable amount. Impairment losses attributable to a cash generating unit are used to deducting first the goodwill allocated to the cash generating unit and, thereafter, the other assets of the unit on an equal basis.

An impairment loss for an asset other than goodwill recognised in prior periods is reversed if there is a change in circumstances and the recoverable amount has changed. An impairment loss recognised on goodwill is not reversed.

Goodwill is tested for impairment annually or whenever there is any indication that it may be impaired. Recoverable amount calculations based both on values in use and on net sales price are made for the cash generating units to which the goodwill has been allocated.

Intangible assets under construction are software projects that cannot be tested separately for impairment as they do not generate separate cash flow. There is no need for impairment if it is stated at the end of the financial period that the projects will be completed and the software will be brought to use. The intangible assets under construction are, however, tested for impairment as a part of the cash generating unit to which they belong.

Leases

The Environmental Services division leases equipment, such as waste compactors, out to customers under long-term leases that transfer substantially all the risks and rewards incidental to ownership to the lessee. Such leases are classified as finance lease, and net investment in them is recognised as a trade receivable at the commencement of the lease term. Each lease payment is apportioned between finance income and repayment of trade receivables. Finance income is allocated over the lease term on the basis of a pattern that reflects a constant periodic rate of return on the net investment.

The assets leased under a finance lease are recognised in property, plant and equipment at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. They are depreciated over the lease term or over their expected useful lives, if shorter. However, when there is reasonable assurance that the ownership of the leased asset will transfer to L&T by the end of the lease term, the asset will be depreciated using the method applied for a corresponding asset being utilised by the company. Liabilities arising from the lease agreements are recognised in borrowings. Each lease payment is apportioned between interest cost and reduction of finance lease liabilities. Finance costs are allocated to each period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases of assets and premises that do not transfer substantially all the risks and rewards incidental to ownership to the lessee are classified as operating leases. The lease payments are recognised on a straight-line basis over the lease term as income or cost depending on whether L&T is the lessor or the lessee. Assets leased out under operating leases are recognised in property, plant and equipment and are depreciated over their expected useful lives using the method applied for corresponding property, plant and equipment being utilised by the company.

The joint venture L&T Recoil has signed a purchase agreement covering the procurement of hydrogen, hot oil and steam. Pursuant to this agreement, L&T Recoil undertakes to purchase the entire production of the production facilities for its re-refinery. The purchase agreement contains a lease as specified in IFRIC 4. This is classified as a financial lease with the same term as the purchase agreement.

Financial instruments

Financial assets and liabilities are classified as loans and receivables, available-for-sale investments, financial assets and liabilities at fair value through profit or loss and as other financial liabilities. The classification is done when the asset or liability is acquired and is based on the purpose of the acquisition.

A financial asset is derecognised when the rights to the cash flows from the asset expire or when substantially all risks and rewards of the ownership of the asset have been transferred outside L&T.

Borrowings and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are included in this category, and they are recognised in the statement of financial position at historical cost less credit adjustments and impairment losses.

Available-for-sale investments include shares as well as certificates of deposit and commercial papers. By definition, the category includes financial assets that do not belong to actual business and are not in production use on the one hand, and financial assets that can be sold to obtain working capital for business operations on the other hand. The financial instruments in this category are measured at fair value. All unlisted shares are, however, measured at cost or at cost less impairment loss, if any, as the markets for these shares are inactive and their fair value cannot be measured reliably.

Available-for-sale investments are included in non-current assets if management intends not to dispose of the investment within 12 months of the balance sheet date. All purchases and sales of available-for-sale investments are recognised on the settlement date. Any change in fair value between the trade date and settlement date is recognised in equity.

In the financial statements, available-for-sale investments are measured at fair value at market prices of the balance sheet date. Changes in fair values are recognised considering tax effects in the revaluation reserve within equity and transferred to the income statement when the asset is sold or becomes due. Changes in fair values of available-for-sale financial assets are transferred to the income statement also when the fair value of an investment has been permanently impaired.

Financial assets and liabilities at fair value through profit or loss are derivative financial instruments to which hedge accounting is not applied. Accounting policies applied to them are described below under Derivative financial instruments and hedge accounting.

Borrowings are recognised in the statement of financial position at the settlement date at fair value on the basis of the consideration received including transaction costs that are directly attributable to the acquisition or issue. Subsequently these financial liabilities are measured at amortised cost using the effective interest rate method. Financing costs associated with the construction of the L&T Recoil re-refinery have been capitalised as part of the acquisition cost of the investment.

Trade and other current non-interest-bearing payables are recognised in the statement of financial position at cost.

Derivative financial instruments and hedge accounting

As specified in its financial policy, L&T uses derivative contracts to reduce the financing risks associated with interest rate, commodity and exchange rate fluctuations. L&T's derivative financial instruments include interest rate swaps to hedge the cash flow of variable-rate borrowings against interest rate risk, commodity derivatives made to balance price fluctuations in future diesel purchases, and currency derivatives made to hedge purchases in foreign currencies against foreign exchange risk.

Derivatives are recognised initially in the statement of financial position at fair value. After acquisition, they are measured at fair value at each balance sheet date. The fair values of interest rate swaps, commodity swaps and forward contracts are based on market quotations at balance sheet date. Any gains and losses arising from fair valuation are accounted for in the manner determined by the purpose of the derivative financial instrument.

All interest rate hedges, commodity hedges and currency hedges meet the criteria set for efficient hedging in the Group's risk management policy. The profits and losses from derivatives covered by hedge accounting are recognised consistently with the underlying commodity. Derivative agreements are defined as hedging instruments for future cash flows and anticipated purchases (cash flow hedging), or as derivative agreements to which hedge accounting is not applied (financial hedging).

L&T applies cash-flow hedge accounting for almost all interest rate swaps and commodity derivatives. When hedge accounting is initiated, L&T documents the relationship between the hedged item and the hedging instrument, as well as the Group's risk management objectives and hedging strategy. The Group does not use derivatives to hedge net investments made in independent foreign units.

When hedging begins and in connection with each interim report, L&T documents and estimates the effectiveness of the hedging relationships by assessing the hedging instrument's ability to cancel any changes in the cash flows of the hedged item.

To the extent that cash flow hedging is efficient, changes in fair values of hedging instruments are recognised in the hedging reserve within equity. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, the gain or loss on the hedging instrument remains in equity until the hedged cash flow becomes realised. If the hedged cash flow no longer is expected to be realised, the gain or loss incurred on the hedging instrument is recognised immediately through profit or loss. The ineffective portion of hedging relationship is also recognised immediately through profit or loss.

The economic characteristics and risks of interest options included in borrowing agreements are embedded derivatives closely related to the host contracts. L&T does not, under IAS 39, account for them separately from the host contracts.

Hedge accounting in accordance with IAS 39 was not applied to foreign currency forward contracts and changes in the fair values of these items were recognised in the income statement as finance income or costs. Derivatives to which hedge accounting is not applied are categorised as financial assets and liabilities held for trading.

The positive fair values of all derivatives are recognised in the balance sheet under derivative receivables. Similarly, the negative fair values of derivatives are recorded under derivative payables. All fair values of derivatives are included in current assets or liabilities

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank deposits redeemable on demand, as well as other short-term liquid investments. Their maturity is no longer than three months from the acquisition date and they are recognised as of the settlement date and measured at historical cost. Foreign currency transactions are translated into euros using the exchange rates prevailing at the balance sheet date.

Impairment of financial assets

The Group assesses on each balance sheet date whether there is objective evidence that any financial asset item is impaired. If there is evidence of impairment, the cumulative loss in the fair value reserve is recognised in profit or loss. Impairment losses on shares classified as financial assets available for sale are not reversed through profit or loss, as is the case with impairment losses recognised on fixed income instruments that are subsequently reversed.

Doubtful debts are reviewed each month. If there is objective evidence that the balance sheet values of the receivables exceed their recoverable amounts, the difference is recognised as an impairment loss in other operating expenses in the income statement. The criteria for recognising an impairment loss on a receivable include the debtor's substantial financial difficulties, corporate restructuring, a credit loss recommendation issued by a collection agency or extended default on payments. If the difference between the balance sheet value of receivables and the recoverable amounts is reduced later, the impairment loss will be cancelled through profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The inventories of L&T Biowatti, L&T Recoil and Environmental Products are measured using the weighted average cost method. The value of other inventories is determined using the FIFO method.

At its recycling plants, L&T processes recyclable materials into secondary raw materials for sale. The cost of the inventories of these materials comprises raw materials, direct labour costs, other direct costs of manufacturing and a proportion of variable and fixed production overheads based on normal operating capacity.

Employee benefits

Retirement benefit obligations

Pension plans are categorised as defined benefit and defined contribution plans. Under defined contribution plans the Group pays fixed contributions for pensions, and it has no legal or factual obligation to pay further contributions. All pension arrangements that do not fulfil these conditions are considered defined benefit plans. Contributions to defined contribution plans are recognised in the income statement in the financial period to which they relate. L&T operates pension schemes in accordance with local regulations and practices in the countries in which it operates, and these are mainly defined contribution plans.

L&T operates some minor defined benefit plans originating mainly from business acquisitions. Some of these defined benefit pension plans are the Group's own responsibilities while some are covered by pension insurance. The obligations have been calculated for each plan separately using the projected unit credit method. Pension costs are recognised in the income statement over employees' periods of service in accordance with actuarial calculations. When calculating the present value of pension obligations, the discount rate is based on the market yield of the high-quality bonds issued by the company, whose maturity materially corresponds to the estimated maturity of the pension obligation. The risk premium is based on bonds issued by companies with AAA credit rating. The pension plan assets measured at fair value on the balance sheet date, the share of unrecognised actuarial gains and losses, as well as any past-service costs are deducted from the present value of the retirement benefit obligation to be recognised in the statement of financial position.

The portion of the actuarial gains and losses that exceeds the greater of 10% of the retirement benefit obligations or 10% of the fair value of plan assets is recognised in the income statement over the expected remaining working lives of the persons participating in the scheme.

Past-service costs are recognised as expenses in the income statement on a straight-line basis over their vesting period.

Share-based payment

Share options

Proceeds from options issued in 2008 are recognised net of any transaction costs in accordance with the terms and conditions of the plan in non-restricted equity fund.

Share-based incentive programmes

Lassila & Tikanoja plc's Board of Directors decided on 24 March 2009 on a share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel. Payment of the reward was subject to reaching the financial targets set by the Board. The criteria for the determination of the rewards were decided annually. The basis of the payment in 2011 was the EVA result of Lassila & Tikanoja group.

The programme included three earnings periods one year each, of which the first one began on 1 January 2009 and the last one ended on 31 December 2011. Potential rewards were paid during the year following each earnings period partly as shares and partly in cash. The fair value of the share is its market price on the grant date.

Lassila & Tikanoja plc's Board of Directors decided on 14 December 2011 on a new share-based incentive programme for one year. Rewards will be based on the EVA result of Lassila & Tikanoja group without L&T Recoil. In other respects the conditions are equal with the 2009–2011 programme.

Provisions

A provision is recognised when L&T has a legal or actual obligation toward a third party resulting from past events and the event involves a probable payment obligation in an amount that can be estimated reliably. A liability of uncertain timing and amount is recognised as a provision. In other cases a liability is recognised in accrued expenses.

Environmental provisions are recognised when it is probable that an obligation has arisen and its amount can be estimated reliably. Environmental provisions related to the restoration of sites are made at the commencement of each project. The costs recognised as a provision, as well as the original acquisition cost of assets, are depreciated over the useful life of the asset. Provisions are discounted to present value. The most significant provisions recognised in the statement of financial position are the site restoration provisions for landfills and the contaminated soil processing site.

Borrowing costs

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be included in the acquisition cost of that asset.

Transaction costs directly attributable to the issue of a financial liability have been included in the historical cost of the liability and have been recognised as interest expense during the expected life of the liability applying the effective interest method already before the effective date of the standard. In addition the financial costs attributable to the construction of the joint venture L&T Recoil's re-refinery have been capitalised as part of the cost of the asset.

Government grants

Government grants or other grants relating to actual costs are recognised in the income statement when the group complies with the conditions attached to them and there is reasonable assurance to that the grants will be received. They are presented in other operating income. Government grants directly associated with the recruitment of personnel, such as employment grants, apprenticeship grants and the like, are recognised as reductions in personnel expenses. Grants for acquisition of property, plant and equipment are recognised as deductions of historical cost. The grant is recognised as revenue over the life of a depreciable asset by way of a reduced depreciation charge.

Income taxes

The Group's income taxes consist of current tax and deferred tax. Tax expenses are recognised in the income statement with the exception of items directly recognised in equity, in which case the tax effect is recognised correspondingly in equity. Current tax is determined for the taxable profit for the period according to prevailing tax rates in each country. Taxes are adjusted by the current tax for previous periods, if any.

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Calculation of deferred taxes is based on the tax rates in effect on the closing day. If the rates change, it is based on the new tax rate. No deferred tax is recognised for impairment of goodwill that is not tax-deductible. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised.

Temporary differences arise e.g. from goodwill amortisation performed under FAS, depreciation on property, plant and equipment and revaluation of derivative financial instruments and measurement at fair value in business combinations.

Critical judgments in applying the Group's accounting policies

The Group's management makes judgments when making decisions on the choice and application of accounting policies. In particular, this concerns cases in which valid IFRS standards provide for alternative methods of recognition, measurement or presentation. A significant choice of accounting policy is to use the proportionate method, not the equity method, in the consolidation of joint ventures within the Group.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS require the management to make such estimates and assumptions that affect the carrying amounts at the balance sheet date for assets and liabilities and the amounts of revenues and expenses. Actual results may differ from the estimates and assumptions. The items wherein critical estimates and judgements have been made are described below.

Fair value measurement of assets and liabilities acquired in business combinations

Assets and liabilities acquired in business combinations are measured at fair value according to IFRS 3. Whenever possible, the management uses available market values when determining the fair values. When this is not possible, the measurement is based on the historical revenues from the asset. In particular, the measurement of intangible assets is based on discounted cash flows and requires the management to make estimates on future cash flows. Although these estimates are based on the management's best knowledge, actual results may differ from the estimates (Note 2 Business acquisitions). The carrying amounts of assets are reviewed continuously for impairment. More information about this is provided in the section "Impairment of assets" under the accounting policies.

Goodwill impairment testing

In testing of goodwill for impairment, the recoverable amounts of the cash generating units to which the goodwill belongs are determined on the basis of value-in-use calculations. These calculations require the judgment by the management. Though the assumptions used are appropriate according to the management's judgment, the estimated cash flows may differ fundamentally from those realised in the future (Note 13 Goodwill impairment tests).

Distribution of dividend

The dividend liability to the company's shareholders is recognised as a liability in the consolidated financial statements after the Annual General Meeting has decided on the dividend distribution.

Application of new or amended IFRS standards

In preparing these interim financial statements, the group has followed the same accounting policies as in the annual financial statements for 2010 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2011:

- IAS 24 (revised) Related Party Disclosures. The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The interpretation does not have an impact on the consolidated financial statements.
- IAS 32 (amendment) Financial Instruments: Presentation – Classification of Rights Issues. The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. Previously such rights issues were accounted for as derivative liabilities. The amendment will be retroactively applied according to IAS 8 Accounting policies, changes in accounting estimates and errors. The interpretation does not have an impact on the consolidated financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments. The interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor. IFRIC 19 requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The amount of the gain or loss recognised in profit or loss will be the difference between the carrying value of the financial liability and the fair value of the equity instruments issued. The new interpretation does not have an impact on the consolidated financial statements.
- IFRIC 14 (Amendment) Prepayments of a Minimum Funding Requirement. The amendment is aimed at correcting an unintended consequence of IFRIC 14. "IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their Interaction" As a result of the interpretation, entities are in some circumstances not permitted to recognise some prepayments for minimum funding contributions as an asset. The amendment remedies this unintended consequence by requiring prepayments in appropriate circumstances to be recognised as assets. The amendment does not have an impact on the consolidated financial statements.
- IASB published changes to 7 standards or interpretations in July 2010 as part of the annual Improvements to standards that the Group has adopted in 2011. The amendements do not have an impact on the consolidated financial statements.

The following new standards, interpretations and amendments to existing standards and interpretations will be adopted by the Group as of 1 January 2012:

- IFRS 7 (amendment) Financial instruments: Disclosures – Derecognition. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Earlier application subject to EU endorsement is permitted. The amendment does not have any impact on the consolidated financial statements.
- IAS 12 (amendment) Income taxes – Deferred tax. IAS 12 previosly required an entity to estimate, which part of the carrying value of an item measured at fair value is recovered through use and which part through sale. The amendment introduces a rebuttable presumption that certain assets measured at fair value are recovered entirely by sale. Presumption applies to deferred tax arising from investment properties, property, plant and equipment or intangible assets that are measured using the fair value model or revaluation model. The standard is still subject to EU endorsement. The interpretation does not have an impact on the consolidated financial statements

The following new standards, interpretations and amendments to existing standards and interpretations will be adopted in 2013 or later:

- IFRS 10 Consolidated financial statements. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements. The standard is still subject to EU endorsement. The standard has no impact on the consolidated financial statements.
- IFRS 11 Joint arrangements. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is still subject to EU endorsement. The change effects the consolidation of joint venture on consolidated financial statements.
- IFRS 12 Disclosures of interests in other entities. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is still subject to EU endorsement. Management is assessing the impact of the standard on the financial statements of the group.
- IFRS 13 Fair value measurement. IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard is still subject to EU endorsement. Management is assessing the impact of the standard on the financial statements of the group.
- IAS 27 (revised 2011) Separate Financial Statements. IAS 27 includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The standard is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.
- IAS 28 (revised 2011) Associates and joint ventures. IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The standard is still subject to EU endorsement. The change effects the consolidation of joint venture in consolidated financial statements.
- IAS 1 (amendment) Presentation of financial statement – other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.
- IAS 19 (amendment) Employee benefits. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.
- IFRS 9 Financial instruments. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group will probably adopt the standard in its 2015 financial statements. The standard is still subject to EU endorsement. Management is currently assessing the impact of the standard on the financial statements of the group.
- IAS 32 (amendment) Offsetting Financial Assets and Financial Liabilities. The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32. The amendments clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that certain gross settlement mechanisms are effectively equivalent to net settlement and would therefore satisfy the IAS 32 criterion in these instances. The Group will probably adopt the standard in its 2014 financial statements. However, the standard is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.
- IFRS 7 (amendment) Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities. The amended disclosures require more extensive disclosures than are currency required on offset financial asset and liabilities. The disclosures focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset in the balance sheet. The Group will adopt the standard in its 2013 financial statements. However, the standard is still subject to EU endorsement. Management is assessing the impact of these changes on the financial statements of the group.

1. Segment reporting

Segment information is reported for business segments.

The business segments, Environmental Services, Cleaning and Office Support Services, Property Maintenance and Renewable Energy Sources, are based on internal organisational structure and internal financial reporting.

Segment information is reported to the highest operational decision-maker, consistent with internal reporting. The highest operational decision-maker is Lassila & Tikanoja plc's President and CEO. Group Administration and Other segment includes expenses associated with Group management, as well as costs incurred from operating as a public company, and the assets and liabilities corresponding to this income and expenses. Group administration assets also include available-for-sale investments.

Segment assets are those operating assets that are employed by a segment in its operating activities and that can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of the segment and can be allocated to the segment on a reasonable basis. Segment assets consist of intangible assets, property, plant and equipment, finance lease receivables, inventories and trade and other receivables excluding accrued receivables from interests and tax receivables. Segment liabilities consist of provisions and retirement benefit obligations and such non-current liabilities as prepayments, accrued liabilities and acquisition price liabilities, and such current liabilities as trade and other payables excluding accrued liabilities related to interests and tax liabilities.

Unallocated assets consist of liquid assets, receivables of interest rate and foreign currency derivatives, accrued interest receivables and other finance income and tax receivables. Unallocated liabilities consist of borrowings, liabilities of interest rate and foreign currency derivatives, accrued interest and other financing liabilities and tax liabilities.

Business segments of the Group

Environmental Services collects waste materials and processes these into secondary raw materials or recovered fuel. In addition, L&T maintains wastewater systems, hazardous waste, offers process cleaning services to the industry and is engaged in wholesale trade in environmental management products.

Cleaning and Office Support Services offers cleaning services as well as office support services.

Property Maintenance offers property maintenance, maintenance of technical systems and damage repair services.

Renewable Energy Sources (L&T Biowatti) specialises in comprehensive fuel solutions based on wood-based biofuels as well as supply of raw material and forestry services.

The geographical areas are Finland and other countries. Net sales of geographical areas are reported based on the geographical location of the customer, and assets are reported by geographical location.

1.1. Business segments

2011 EUR 1,000	Environmental Services	Cleaning and Office Support Services	Property Maintenance	Renewable Energy Sources	Group administration and other	Eliminations	Group
Net sales							
External net sales	322,264	155,817	132,399	41,650			652,130
Inter-division net sales	3,620	1,454	2,192	3,752		-11,018	0
Total net sales	325,884	157,271	134,591	45,402		-11,018	652,130
Operating profit	33,970	7,131	8,181	-21,250	-2,435		25,597
Operating margin, %	10.4	4.5	6.1	-46.8			3.9
Finance income and costs (Note 8)							-4,603
Profit before tax							20,994
Income tax expense (Note 9.1)							-4,030
Profit for the period							16,964
Assets							
Assets of the division	346,224	54,302	45,048	27,346	2,528		475,448
Unallocated assets							18,892
Total assets							494,340
Liabilities							
Liabilities of the division	57,367	29,804	15,889	3,932	1,343		108,335
Unallocated liabilities							168,061
Total liabilities							276,396
Capital expenditure (Notes 12 and 14)	43,362	14,721	11,776	454	277		70,590
Depreciation and amortisation (Note 5)	30,760	4,928	4,873	3,919	7		44,487
Impairment				17,061			17,061
Other expenses of no-cash transactions							
Share-based payment					182		182
Retirement benefit obligations	1	17			58		76
Provisions	111	-10	-5				96
Total	112	7	-5	0	240		354

2010 EUR 1,000	Environmental Services	Cleaning and Office Support Services	Property Maintenance	Renewable Energy Sources	Group administration and other	Eliminations	Group
Net sales							
External net sales	286,260	139,399	121,546	50,988			598,193
Inter-division net sales	3,771	1,216	1,923	4,118		-11,028	0
Total net sales	290,031	140,615	123,469	55,106		-11,028	598,193
Operating profit	33,674	7,524	7,764	-6,553	-2,190		40,219
Operating margin, %	11.6	5.4	6.3	-11.9			6.7
Finance income and costs (Note 8)							-4,229
Profit before tax							35,990
Income tax expense (Note 9.1)							-9,786
Profit for the period							26,204
Assets							
Assets of the division	330,963	39,007	38,098	49,113	1,902		459,083
Unallocated assets							24,659
Total assets							483,742
Liabilities							
Liabilities of the division	50,300	25,654	15,784	4,835	1,193		97,766
Unallocated liabilities							162,982
Total liabilities							260,748
Capital expenditure (Notes 12 and 14)	31,409	2,112	5,074	654	72		39,321
Depreciation and amortisation (Note 5)	28,558	4,023	4,017	4,702	5		41,305
Impairment				2,632			2,632
Other expenses of no-cash transactions							
Share-based payment					663		663
Retirement benefit obligations	16	22			62		100
Provisions	703	51	46	400			1,200
Total	719	73	46	400	725		1,963

Reconciliation of reportable segments' assets to total assets

EUR 1,000	2011	2010
Segment assets for reportable segments	472,920	457,181
Other segments' assets	2,528	1,902
	475,448	459,083
Unallocated assets		
Liquid assets	8,069	14,548
Receivables of interest rate and foreign currency derivatives	4,577	4,629
Accrued interest receivables and other finance income	24	64
Tax assets	6,223	5,418
Total	18,892	24,659
Total assets	494,340	483,742

Reconciliation of reportable segments' liabilities to total liabilities

EUR 1,000	2011	2010
Segment liabilities for reportable segments	106,992	96,573
Other segments' liabilities	1,343	1,193
	108,335	97,766
Unallocated liabilities		
Liabilities of interest rate and foreign currency derivatives	135,644	127,997
Accrued interest and other financing liabilities	2,943	1,252
Tax liabilities	29,474	33,733
Total	168,061	162,982
Total liabilities	276,396	260,748

1.2. Geographical areas

EUR 1,000	2011	2010
Net sales		
Finland	560,178	531,188
Other countries	91,952	67,005
Total	652,130	598,193
Assets		
Finland	431,752	420,991
Other countries	43,696	38,092
Unallocated assets	18,892	24,659
Total	494,340	483,742
Capital expenditure		
Finland	63,660	36,261
Other countries	6,930	3,060
Total	70,590	39,321

2. Business acquisitions

In business combinations, all property, plant and equipment acquired is measured at fair value on the basis of the market prices of similar assets, taking into account the age of the assets, wear and tear and similar factors. Property, plant and equipment will be depreciated over their useful life according to the management's estimate, taking into account the depreciation principles observed within the Group.

Intangible assets arising from business combinations are recognised separately from goodwill at fair value at the time of acquisition if they are identifiable. In connection with acquired business operations, the Group mostly has acquired agreements on prohibition of competition and customer relationships. The fair value of customer agreements and customer relationships associated with them has been determined on the basis of estimated duration of customer relationships and discounted net cash flows arising from current customer relationships. The value of agreements on prohibition of competition is calculated in a similar manner through cash flows over the duration of the agreement. Other intangible assets will be amortised over their useful life according to agreement or the management's estimate.

In addition to the skills of the personnel of the acquired businesses, goodwill arising from business combinations comprises other intangible items. These unidentified items include the potential for gaining new customers in the acquired businesses and the opportunities for developing new products and services, as well as the regionally strong position of an acquired business. All business combinations also create synergy benefits that consist primarily of savings in fixed production costs.

Changes in goodwill arising from acquisitions or acquisition costs may arise on the basis of terms and conditions related to the acquisition price in the deeds of sale. In many acquisitions a small portion of the acquisition price is contingent on future events (less than 12 months). These conditional acquisition prices are recorded at fair value at the time of acquisition, and any changes will be recorded through profit or loss in the income statement for the period. Changes in the acquisition prices made in 2009 and for the Biowatti acquisition in 2007 will be recorded in goodwill in line with the old IFRS 3.

The consolidated net sales for the year 2011 would have been EUR 665.7 million and the operating profit for the period EUR 17.6 million if all the acquisitions had occurred on 1 January 2011. The realised net sales of the acquired businesses have been added to the consolidated net sales, and their realised profits and losses have been added to the consolidated profit in accordance with interim accounts at the time of acquisition. Profit for the period is stated less the current amortisation on intangible assets and depreciation charges on property, plant and equipment. Synergy benefits have not been accounted for.

The aggregate net sales of the acquired businesses totalled EUR 45.1 million in 2011.

2011
Business combinations in aggregate

EUR 1,000 Consideration	Fair values used in consolidation
Cash	27,830
Equity instruments	0
Contingent consideration	45
Total consideration transferred	27,875
Indemnification asset	0
Fair value of equity interest held before the acquisition	0
Total consideration	27,875
Acquisition-related costs (included in the administrative expenses in the consolidated financial statements)	27
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	4,281
Customer contracts	9,042
Agreements on prohibition of competition	3,336
Other intangible assets	160
Non-current available-for-sale financial assets	122
Inventories	411
Trade and other receivables	5,914
Cash and cash equivalents	3,399
Total assets	26,666
Deferred tax liabilities	752
Non-current interest-bearing liabilities	45
Trade and other payables	8,475
Total liabilities	9, 272
Total identifiable net assets	17,394
Goodwill	10,481
Total	27,875

Pentti Laurila Ky, an environmental management business operating in the Keuruu and Multiala region in central Finland, was acquired into Environmental Services on 4 January 2011, the Ypäjä-based Matti Hossi Ky, a waste management and interchangeable platform business, on 1 February 2011, the PPT Luttinen Oy waste management business on 1 March 2011, Papros Oy, an environmental management company and Full House Oy, a company specialising in the provision of environmental management services, both operating in the Helsinki region on 1 May 2011. Additionally in the final quarter on 1 October 2011, Paraisten Puhtaanapito Oy, a company providing waste management, recycling and wastewater services was acquired into Environmental Services.

The cleaning business of Kestosiivous Oy, a company operating in the Helsinki region was acquired into Cleaning and Office Support Services on 1 January 2011 and the cleaning and property maintenance businesses of Varkaus-based Savon Kiinteistöhuolto- ja Siivouspalvelu Oy, Varkauden Kiintestönhoito ja Siivouspalvelu Oy and Jo-Pe Huolto Oy on 1 April 2011. On 1 May 2011, Östgöta Städ Ab in Sweden, a cleaning service provider, on 1 June 2011, WTS-Palvelut Oy, a cleaning company operating in the Tampere region and on 1 November 2011, Palvelusiivous Ulla Haavisto Oy, a cleaning company operating in the Forssa region were acquired into the division.

On 1 April 2011, Cleaning and Office Support Services and Property Maintenance acquired the Hansalaiset Oy group, including its subsidiaries, providing cleaning and property maintenance services in the Helsinki, Turku, Tampere and Oulu regions.

The operations of KH-Kiinteistöhuolto Oy operating in the Nurmijärvi region were acquired into Property Maintenance on 1 March 2011 and Nastolan Talohuolto Oy, property maintenance company operating in Lahti region was acquired on 1 December 2011.

The figures for these acquired businesses are stated in aggregate, because none of them is of material importance when considered separately. Fair values have been determined as of the time the acquisition was realised. No business operations have been divested as a consequence of any acquisition. All acquisitions have been paid for in cash. With share acquisitions, L&T was able to gain 100% of the voting rights. The conditional consideration is tied to the transfer of the customer contracts to Lassila & Tikanoja plc, and the estimates of the fair values of considerations were determined on the basis of probability-weighted final acquisition price. The estimates for the conditional consideration have not changed between the time of acquisition and the balance sheet date. Trade and other receivables have been recorded at fair value at the time of acquisition. Individual acquisition prices have not been itemised because none of them is of material importance when considered separately.

By annual net sales, the largest acquisitions were Hansalaiset Oy (EUR 10,973 thousand), Papros Oy (EUR 6,209 thousand), Full House Oy (EUR 3,208 thousand) and Östgöta Städ Ab (EUR 11,842 thousand).

It is not possible to itemise the effects of the acquired businesses on the consolidated net sales and profit for the period, because L&T integrates its acquisitions into the current business operations as quickly as possible to gain synergy benefits.

On 18 December 2006, an agreement was signed on the acquisition of the majority (70%) of the shares of Biowatti Oy from the acting management of the company. L&T also made a commitment to redeem the remaining 30% of the shares by the beginning of the year 2012. The acquisition price for the 70% portion was EUR 30.9 million, and it was settled in cash. No interest-bearing liabilities were transferred in the acquisition. In the consolidated financial statements the whole acquisition price (100%) was recognised as acquisition cost. No minority interest was separated from the profit or equity, but the estimated acquisition price of the remaining 30% was recognised as interest-bearing non-current liability. The final price of the 30% portion will be determined based on the future earnings of L&T Biowatti. The estimate is assessed annually as of 31 December, or whenever any indication exists. According to the assessment of 31 December 2011, the acquisition price for the remaining 30 percent was reduced by EUR 239 thousand to EUR 2,411 thousand (2,650). The adjustment is treated in line with IFRS 3 and it has no impact on the profit or loss, as the adjustment was recognised accordingly under cost of the combination, goodwill and interest-bearing liabilities.

After the financial period the property maintenance operations of IK Kiinteistöpalvelu Oy was acquired into Property Maintenance on 1 January 2012. and the business of Jyvässeudun Talonmiehet Oy and Kiinteistöhuolto Markku Hyttinen Oy on 1 February 2012. The accounting process for these acquisitions is still in progress.

2010
Business combinations in aggregate

EUR 1,000 Consideration	Fair values used in consolidation
Cash	1,684
Equity instruments	0
Contingent consideration	30
Total consideration transferred	1,714
Indemnification asset	0
Fair value of equity interest held before the acquisition	0
Total consideration	1,714
Acquisition-related costs (included in the administrative expenses in the consolidated financial statements)	0
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	500
Customer contracts	356
Agreements on prohibition of competition	339
Non-current available-for-sale financial assets	8
Trade and other receivables	173
Cash and cash equivalents	59
Total assets	1,435
Deferred tax liabilities	92
Trade and other payables	109
Total liabilities	201
Total identifiable net assets	1,234
Goodwill	480
Total	1,714

The property maintenance services business of Kiinteistöpalvelu Oy Hollola was acquired into Property Maintenance on 1 June 2010, and the business of Kiinteistöhuolto Oy Forsblom on 1 July 2010. On 1 December 2010, the business of SiivousJyvä Oy was acquired into Cleaning and Office Support Services and Säkkivaihto Oy, a waste management company operating in the Tampere region, was acquired into Environmental Services.

The figures for these acquired businesses are stated in aggregate, because none of them is of material importance when considered separately. Fair values have been determined as of the time the acquisition was realised. No business operations have been divested as a consequence of any acquisition. All acquisitions have been paid for in cash. With share acquisitions, L&T was able to gain 100% of the voting rights. The contingent consideration is tied to the transfer of the customer contracts to Lassila & Tikanoja plc, and the estimates of the fair values of considerations were determined on the basis of probability-weighted final acquisition price. The estimates for the contingent consideration did not change between the time of acquisition and the balance sheet date. Trade and other receivables have been recognised at fair value at the time of acquisition. Individual acquisition prices have not been itemised because none of them is of material importance when considered separately.

By annual net sales, the largest acquisitions were Kiinteistöpalvelu Oy Hollola (EUR 1,618 thousand) and Säkkivaihto Oy (EUR 1,054 thousand).

It is not possible to itemise the effects of the acquired businesses on the consolidated net sales and profit for the period, because L&T integrates its acquisitions into the current business operations as quickly as possible to gain synergy benefits.

On 1 July 2010, L&T acquired the remaining 16.5% of the Muoviportti Group (83.5% held previously). An estimate of the acquisition price for the remaining 16.5% was recognised as current interest-bearing liability, as L&T had made a commitment to acquire the remaining shares. The acquisition is not subject to IFRS 3, because it concerns corporations under the same control.

On 18 December 2006, an agreement was signed on the acquisition of the majority (70%) of the shares of Biowatti Oy from the acting management of the company. L&T also made a commitment to redeem the remaining 30% of the shares by the beginning of the year 2012. The acquisition price for the 70% portion was EUR 30.9 million, and it was settled in cash. No interest-bearing liabilities were transferred in the acquisition. In the consolidated financial statements the whole acquisition price (100%) was recognised as acquisition cost. No minority interest was separated from the profit or equity, but the estimated acquisition price of the remaining 30% was recognised as interest-bearing non-current liability. The final price of the 30% portion will be determined based on the future earnings of L&T Biowatti. The estimate is assessed annually as of 31 December, or whenever any indication exists. According to the assessment of 30 June 2010, the acquisition price for the remaining 30% was reduced by EUR 1,113 thousand to EUR 2,650 thousand (3,763). The adjustment is subject to IFRS 3 and it has no impact on the profit or loss, as the adjustment was recognised accordingly under cost of the combination, goodwill and interest-bearing liabilities.

3. Employee benefit expenses

EUR 1,000	2011	2010
Wages and salaries	216,434	193,764
Pension costs		
Defined contribution plans	40,915	37,292
Defined benefit plans	76	100
Share-based payment	182	663
Other personnel expenses	13,360	10,827
Total	270,967	242,646
Defined benefit plan costs by function		
Cost of sales	17	22
Sales and marketing	1	16
Administration	58	62
Total	76	100

Details on granted share options and share-based payment are presented in Note 24 Share-based payment.

The employee benefits of the top management are presented in Note 34 Related-party transactions.

Details on the items of defined benefit pension plans in the consolidated statement of financial position are presented in Note 25 Retirement benefit obligations.

Average number of employees in full-time equivalents

	2011	2010
Salaried employees	1,402	1,319
Non-salaried employees	7,111	6,516
Total	8,513	7,835
Finland	6,473	6,044
Other countries	2,040	1,791
Total	8,513	7,835

4. Construction contracts

At the end of the financial year 2011, the Group had no construction contracts where revenue recognition is based on the percentage of completion. It is not yet possible to estimate the outcome of receiving of contaminated soil reliably. In these projects revenue is recognised to the extent of costs incurred.

5. Depreciation, amortisation and impairment

Depreciation and amortisation by function

EUR 1,000	Intangible assets	Property, plant and equipment	Total
2011			
Depreciation and amortisation			
On cost of sales	11,139	32,686	43,825
On sales and marketing	12	127	139
On administration	441	82	523
Total depreciation and amortisation	11,592	32,895	44,487
Impairment	12,273	4,788	17,061
2010			
Depreciation and amortisation			
On cost of sales	8,586	31,999	40,585
On sales and marketing	17	68	85
On administration	531	104	635
Total depreciation and amortisation	9,134	32,171	41,305
Impairment		2,632	2,632

6. Other operating income and expenses

EUR 1,000	2011	2010
Other operating income		
Gains on sales of property, plant and equipment	475	481
Lease income	77	58
Reversals of impairment losses on trade receivables	182	113
Reimbursements and government grants	423	332
Income from commodity derivatives	972	403
Environmental permit	300	
Other	609	1,321
Total	3,038	2,708
Other operating expenses		
Losses on disposals and scrapping of property, plant and equipment	210	364
Impairment losses on trade receivables	1,176	1,496
Discontinuation of wood pellet business of L&T Biowatti		580
Other	347	245
Total	1,733	2,686

7. Research and development expenses

EUR 1.2 million (1.6) research and development expenses arising from centralised development projects are included in the income statement.

8. Finance income and costs

EUR 1,000	2011	2010
Finance income		
Dividend income on available-for-sale investments		1
Interest income on available-for-sale financial assets and other receivables	87	101
Interest income on loans and other receivables	954	803
Foreign exchange gains		148
Total finance income	1,041	1,053
Finance costs		
Interest expenses on borrowings measured at amortised cost	-4,133	-3,764
Losses on non-hedging interest rate swaps, transferred from equity	-640	-893
Revaluations on financial assets at fair value through profit or loss (excl. derivative swaps under hedge accounting)	-144	
Other finance expenses	-653	
Losses on foreign exchange	-74	-625
Total finance costs	-5,644	-5,282

9. Income taxes

9.1. Income tax in the income statement

EUR 1,000	2011	2010
Income tax on taxable profit	-11,742	-12,121
Income tax for previous periods	321	-7
Deferred income tax	7,391	2,342
Total	-4,030	-9,786

The differences between income tax expense recognised in the income statement and income tax calculated at the statutory tax rate in Finland		
Profit before tax	20,994	35,990
Income tax at Finnish tax rate (26%)	-5,458	-9,357
Effects of different tax rates of foreign subsidiaries	-31	-176
Expenses not deductible for tax purposes	-204	-222
Goodwill impairment	-972	
Tax exempt income	73	9
Income tax for previous periods	-321	-7
Change in deferred tax liabilities (amortisation on dissolution losses)	1,519	
Effect of change in tax rate, deferred tax	1,464	
Other items	-100	-33
Total	-4,030	-9,786

9.2. Tax effects of components of other comprehensive income

EUR 1,000	Note	2011 Before tax	2011 Tax expense/ benefit	2011 After tax	2010 Before tax	2010 Tax expense/ benefit	2010 After tax
Hedging reserve, change in fair value		-623	136	-487	302	-78	224
Revaluation reserve							
Current available-for-sale financial assets	21	-5	1	-4	-60	2	-58
Currency translation differences		169	-58	111	1,275	-498	777
Currency translation differences, non-controlling interest		-11		-11	14		14
Components of other comprehensive income		-470	79	-391	1,531	-574	957

9.3. Changes in deferred income tax assets and liabilities during the period

2011 EUR 1,000	At 1 January 2011	Recognised in income statement	Recognised in equity	Exchange differences	Acquired/sold businesses	At 31 December 2011
Deferred tax assets						
Pension benefits	160	-6				154
Provisions	625	-66				559
Fair value adjustments	217	68	137	7		429
Revenue recognition	16	20				36
Deferred depreciation	88	1,445				1,533
Losses of joint ventures	2,965	786				3,751
Losses of subsidiaries	1,159	-32		-3	-544	580
Translation differences	25		-58			-33
Other tax deductible temporary differences	368	1,315			-48	1,635
Total	5,623	3,530	79	4	-592	8,644
Deferred tax liabilities						
Depreciation differences	-34,725	3,682		-6	-148	-31,197
Finance lease agreements	-531	42				-489
Share-based benefits	-25	1				-24
Other temporary differences	-136	136				0
Total	-35,417	3,861		-6	-148	-31,710
Net deferred tax liability	-29,794	7,391	79	-2	-740	-23,066

2010 EUR 1,000	At 1 January 2010	Recognised in income statement	Recognised in equity	Exchange differences	Acquired/sold businesses	At 31 December 2010
Deferred tax assets						
Pension benefits	174	-14				160
Provisions	494	131				625
Fair value adjustments	278	15	-76			217
Revenue recognition	458	-442				16
Deferred depreciation	71	17				88
Losses of joint ventures	1,533	1,226	206			2,965
Losses of subsidiaries	-10	1,164		5		1,159
Translation differences	524		-499			25
Other tax deductible temporary differences	374	0	-6			368
Total	3,896	2,097	-375	5		5,623
Deferred tax liabilities						
Depreciation differences	-34,792	159			-92	-34,725
Finance lease agreements	-582	51				-531
Share-based benefits	26	-51				-25
Other temporary differences	-23	86	-199			-136
Total	-35,371	245	-199		-92	-35,417
Net deferred tax liability	-31,475	2,342	-574	5	-92	-29,794

9.4. Deferred tax in the statement of financial position

EUR 1,000	2011	2010
Deferred tax assets	6,323	3,924
Deferred tax liabilities	-29,389	-33,718
Net deferred tax liabilities	-23,066	-29,794

Deferred tax is recognised in the balance sheet as tax assets and tax liabilities. Deferred tax assets and deferred tax liabilities are set off if both the assets and the liabilities relate to the same taxable entity and if the amount is not significant.

Deferred tax assets amounting to EUR 3,751 thousand (EUR 2,965 thousand) in respect of losses of joint ventures and EUR 580 thousand (EUR 1,159 thousand) in respect of losses of subsidiaries. The recognition is based on the estimated realisation of the related tax benefit through future taxable income.

Other tax deductible temporary differences include a deferred tax asset related to revenue recognition of amortisation on dissolution loss of EUR 1,519 thousand.

No deferred tax liability is recognised from the non-distributed profits of subsidiaries, because subsidiary dividends received from EU countries are not taxable under taxation of source.

10. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the company by the adjusted weighted average number of ordinary shares outstanding during the period excluding ordinary shares purchased by the company and held as treasury shares.

EUR 1,000	2011	2010
Profit attributable to equity holders of the company	16,960	26,188
Adjusted weighted average number of ordinary shares outstanding during the year, 1,000 shares	38,722	38,749
Earnings per share, EUR	0.44	0.68

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In 2011 and 2010, earnings per share are diluted by the share-based payments of the share-based incentive programme for the years 2009–2011, for which the cost recognition period has not yet ended. These payments are treated as share options in the calculation for diluted earnings per share even though they remain contingent.

Options have a diluting effect, when the exercise price with an option is lower than the market value of the company share. Not yet recognised option expenses are accounted for in the exercise price. The diluting effect is the number of shares that the company has to issue gratuitously because the funds received from the exercised options do not cover the fair value of the shares. The fair value of the company's share is determined as the average market price of the share during the period.

EUR 1,000	2011	2010
Profit attributable to equity holders of the company	16,960	26,188
Adjusted weighted average number of ordinary shares outstanding during the year, 1,000 shares	38,722	38,749
Effect of shares included in the share-based incentive programme, 1,000 shares	40	24
Adjusted average number of shares during the period, diluted, 1,000 shares	38,762	38,773
Earnings per share, diluted, EUR	0.44	0.68

11. Dividend and capital repayment per share

The Board of Directors will propose to the Annual General Meeting to be held on 15 March 2012 that the profit for 2011 be placed in retained earnings and that no dividend be paid.

A capital repayment of EUR 0.55 will be proposed by the Board of Directors, corresponding to total of EUR 21,277,062.95. This capital repayment payable is not recognised as a liability in the financial statements.

A dividend of EUR 0.55 per share was paid in respect of 2010.

12. Intangible assets

2011 EUR 1,000	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Internally generated intangible assets	Intangible rights	Other intangible assets	Pre-payments	Total
Opening net book amount	116,787	14,254	20,318	9,435	5,311	13,067	10,885	1,826	191,883
Additions					511	438	451	1,246	2,646
Business acquisitions	10,481	9,042	3,336						22,859
Disposals						-15	-3		-18
Transfers between items					-1,724	331	3,773	-2,380	0
Exchange differences	206	36	8	4		2	3	21	280
Closing net book amount	127,474	23,332	23,662	9,439	4,098	13,823	15,109	713	217,650
Accumulated amortisation and impairment at 1 January 2011	-3,320	-9,518	-10,295	-8,206	-2,466	-9,869	-5,528		-49,202
Accumulated amortisation on disposals and transfers					1,019		-1,019		0
Amortisation charge		-3,187	-3,420	-1,151	-754	-915	-2,165		-11,592
Impairment	-4,607		-6,776			-68	-822		-12,273
Exchange differences	-38	-36	-9	-4		-5	-2		-94
Accumulated amortisation and impairment at 31 December 2011	-7,965	-12,741	-20,500	-9,361	-2,201	-10,857	-9,536		-73,161
Net book amount at 31 December 2011	119,509	10,591	3,162	78	1,897	2,966	5,573	713	144,489

Other intangible assets arising from acquisitions include mainly patents and permits.

In 2011, there were no contractual commitments related to acquisition of intangible assets.

In 2011, L&T Biowatti Oy was tested for impairment resulting in an impairment loss of which EUR 12,273 thousand was allocated to intangible assets.

2010 EUR 1,000	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Internally generated intangible assets	Intangible rights	Other intangible assets	Pre-payments	Total
Opening net book amount	116,690	14,000	19,894	9,395	4,516	12,544	9,182	1,894	188,115
Additions					1,310	445	282	907	2,944
Business acquisitions	480	356	339						1,175
Disposals	-1,688	-447				-43	-24		-2,202
Transfers between items					-515	109	1,409	-1,007	-4
Exchange differences	1,305	345	85	40		12	36	32	1,855
Closing net book amount	116,787	14,254	20,318	9,435	5,311	13,067	10,885	1,826	191,883
Accumulated amortisation and impairment at 1 January 2010	-2,919	-7,768	-8,253	-6,201	-1,715	-8,828	-4,014		-39,698
Accumulated amortisation on disposals and transfers		418					24		442
Amortisation charge		-1,905	-1,957	-1,966	-751	-1,035	-1,520		-9,134
Exchange differences	-401	-263	-85	-39		-6	-18		-812
Accumulated amortisation and impairment at 31 December 2010	-3,320	-9,518	-10,295	-8,206	-2,466	-9,869	-5,528		-49,202
Net book amount at 31 December 2010	113,467	4,736	10,023	1,229	2,845	3,198	5,357	1,826	142,681

Other intangible assets arising from acquisitions include mainly patents and permits.

In 2010, there were no contractual commitments related to acquisition of intangible assets.

In June, the acquisition price for the remaining 30% of L&T Biowatti was reassessed and the price was reduced by EUR 1,113 thousand to EUR 2,650 (3,763). The change in acquisition price has no impact on the profit or loss as the adjustment was recognised under goodwill and interest-bearing liabilities. The acquisition price is presented in more detail in Note 2 Business acquisitions.

In September, the cleaning business in Moscow was disposed of. Goodwill and intangible assets allocated to the component of an entity disposed of were measured in accordance with IAS 36.86 on the basis of the relative values of the operations disposed of and the portion of the unit retained. The goodwill and the intangible assets arising from acquisitions allocated to the component of an entity disposed of were recognised as losses on sale of businesses in other operating expenses. This component of entity does not meet the criteria concerning presentation of discontinued operations specified in IFRS 5.31–32.

13. Goodwill impairment tests

Goodwill allocation

Lassila & Tikanoja's business operations are grouped into four divisions: Environmental Services, Cleaning and Office Support Services, Property Maintenance and Renewable Energy Sources (L&T Biowatti).

Environmental Services in Finland is divided into three business operations forming cash generating units: Environmental Services, L&T Recoil and Environmental Products. Cleaning and Office Support Services in Finland forms a cash generating unit. The Property Maintenance and Renewable Energy Sources (L&T Biowatti) divisions are tested as cash generating units. In addition, the Latvian/Baltic and Swedish business operations form cash generating units. For the purpose of impairment testing, goodwill is allocated to the cash generating units.

Allocation of book values of goodwill

EUR 1,000	2011	2010
Environmental Services excluding Environmental Products and L&T Recoil	84,601	80,294
Cleaning and Office Support Services	13,758	10,884
Property Maintenance	5,254	4,526
Renewable Energy Sources (L&T Biowatti)	0	4,606
Latvia	5,646	5,564
Sweden	10,174	7,516
Total	119,433	113,390
Units for which the amount of goodwill allocated is not significant in proportion to the balance sheet value of the Group	76	77
Total	119,509	113,467

Impairment tests

In estimation of the recoverable amounts, an asset's value in use is used. Future cash flows are based on annual estimates of income statements and upkeep investments made by the management in connection with the budgeting process for a five-year period. The management bases its estimates on actual development and the management's opinion on the outlook of the industry (general market development and profitability specific to the business, pricing, municipalisation decisions, personnel costs and raw material costs). Approved investment decisions are taken into account in the growth estimates. In these estimates, the percentages of net sales growth of the cash generating units vary between -2.5% and 17.0% (-7.2% and 14.7%). Beyond that period, upkeep investments and a residual growth rate on a par with inflation rate (2%) or slightly higher than the inflation rate (3%) have been estimated for the cash flows. The EBITDA percentages for the future have been determined on a conservative basis. Their values are based on actual development, and no substantial changes are expected to occur during the estimate period.

The value in use has been determined using the Discounted Cash Flow method. The calculation components for the cost of capital are risk-free return rate (10-year government bond), market risk premium, illiquidity premium on unlisted companies, industry beta, cost of debt and debt equity ratio. The industry beta, cost of debt and debt equity ratio have been calculated for each cash generating unit on the basis of the key figures of peer group companies determined by the management. The peer group companies are listed companies operating in the same business sectors as L&T. In 2011, changes in return rates are mainly due to the changes of risk-free return rate and industry betas. Based on these factors, the discount rate used in the impairment tests is pre-tax return on equity (WACC) as follows: Environmental Services excluding Environmental Products and L&T Recoil 8.9% (9.7), Property Maintenance 11.5% (10.2), Cleaning and Office Support Services 10.1% (10.0), Renewable Energy Sources (L&T Biowatti) 9.9% (10.4), Sweden 8.5% (10.9) and Latvia 12.5% (13.3). The WACC was defined on 30 September 2011 except for Renewable Energy Sources, for which the impairment was retested in December due to the weakened market outlook.

On the basis of goodwill impairment testing, an impairment loss was recorded for the Renewable Energy Sources (L&T Biowatti) cash-generating unit. The impairment is due to the weakening competitiveness of wood-based fuels in the long term and a significant decline in government subsidies for promoting the use of forest energy. The impairment of EUR 17,061 thousand affects both goodwill and other assets, and has been treated as a non-recurring cost for the final quarter. On the basis of impairment testing, an impairment loss of EUR 4,607 thousand was allocated to goodwill, EUR 7,666 thousand to intangible rights and the remaining EUR 4,788 thousand to tangible assets. With respect to other cash-generating units, goodwill impairment testing did not show any signs of impairment.

In December 2011, the acquisition price for the remaining 30% of L&T Biowatti was reassessed and the price was reduced by EUR 239 thousand to EUR 2,411 (EUR 2,650 thousand). The change in acquisition price has no impact on the profit or loss as the adjustment was recognised under goodwill and interest-bearing liabilities. The acquisition price is presented in more detail in Note 2 Business acquisitions.

Sensitivity analysis of impairment testing

Principal assumptions	Share of goodwill	Required change	Required change in the most critical CGU
2011			
Residual EBITDA percentage	82%	≥ -50%	36%
WACC (before tax)	82%	≥ 99%	-31%
2010			
Residual EBITDA percentage	89%	≥ -50%	-7%
WACC (before tax)	84%	≥ 99%	7%

In 33% of the cash generating units and 82% of the consolidated goodwill (50 and 84), the change in the discount rate would have to be 99% or more to make the value in use equal to the book value. In 33% of the cash generating units and 82% of the consolidated goodwill (67 and 89), the residual EBITDA percentage would have to decrease by 50% or more to make the value in use equal to the book value. In the most critical cash generating unit, Renewable Energy Sources (L&T Biowatti), the interest rate would have to decrease by 31% (7) and the residual EBITDA percentage would have to increase by 36% (-7) to make the value in use equal to the book value.On the basis of testing, the goodwill of the most critical cash-generating unit was written down by EUR 4.6 million and other intangible and tangible assets by EUR 12.5 million. The value in use of the Swedish cash-generating unit exceeds its carrying amount, but even a slight change in key assumptions might cause an inconsistency between the use in value and carrying amount. For other cash-generating units, even bigger changes would be required in critical variables, to warrant recognition of impairment loss.

Recognition of impairment loss of other cash generating units would require even greater changes in the critical variables.

14. Property, plant and equipment

2011 EUR 1,000	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Opening net book amount	4,671	116,544	283,759	174	5,303	410,451
Additions	165	4,358	30,503		5,590	40,616
Business acquisitions			4,441			4,441
Disposals	-21	-4	-419		-79	-523
Transfers between items	273	3,506	2,337		-6,116	0
Exchange differences	-6	-1	122		-82	33
Closing net book amount	5,082	124,403	320,743	174	4,616	455,018
Accumulated depreciation at 1 January 2011	0	-37,636	-172,026	-89	0	-209,751
Accumulated depreciation on disposals and transfers			46			46
Depreciation charges		-6,544	-26,351			-32,895
Impairment	-493	-2,009	-2,286			-4,788
Exchange differences		3	-111			-108
Accumulated depreciation at 31 December 2011	-493	-46,186	-200,728	-89	0	-247,496
Net book amount at 31 December 2011	4,589	78,217	120,015	85	4,616	207,522

Assets acquired under finance lease arrangements included in property, plant and equipment

EUR 1,000	Buildings and constructions	Machinery and equipment	Total
Opening net book amount	3,350	1,019	4,369
Additions			0
Closing net book amount	3,350	1,019	4,369
Accumulated depreciation at 1 January 2011	-238	-1,017	-1,255
Accumulated depreciation on disposals	-168	-2	-170
Accumulated depreciation at 31 December 2011	-406	-1,019	-1,425
Net book amount at 31 December 2011	2,944	0	2,944

Contractual commitments related to property, plant and equipment totalled EUR 4,593 thousand.

In 2011, L&T Biowatti Oy was tested for impairment resulting in an impairment loss of which EUR 4,788 thousand was allocated to property, plant and equipment.

2010 EUR 1,000	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Opening net book amount	4,015	101,794	264,391	169	14,666	385,035
Additions	453	3,554	18,229		12,392	34,628
Business acquisitions			500			500
Disposals	-59	-1,726	-8,548		-16	-10,349
Transfers between items	262	12,845	8,748		-21,851	4
Exchange differences		77	439	5	112	633
Closing net book amount	4,671	116,544	283,759	174	5,303	410,451
Accumulated depreciation at 1 January 2010	0	-29,722	-153,574	-88	0	-183,384
Accumulated depreciation on disposals and transfers		1,019	7,619			8,638
Depreciation charges		-7,234	-24,937			-32,171
Impairment		-1,682	-950			-2,632
Exchange differences		-17	-184	-1		-202
Accumulated depreciation at 31 December 2010	0	-37,636	-172,026	-89	0	-209,751
Net book amount at 31 December 2010	4,671	78,908	111,733	85	5,303	200,700

Assets acquired under finance lease arrangements included in property, plant and equipment

EUR 1,000	Buildings and constructions	Machinery and equipment	Total
Opening net book amount	3,350	1,019	4,369
Additions			0
Closing net book amount	3,350	1,019	4,369
Accumulated depreciation at 1 January 2010	-70	-993	-1,063
Accumulated depreciation on disposals	-168	-24	-192
Accumulated depreciation at 31 December 2010	-238	-1,017	-1,255
Net book amount at 31 December 2010	3,112	2	3,114

Contractual commitments related to property, plant and equipment totalled EUR 5,106 thousand.

In May 2010, the wood pellet business of L&T Biowatti was discontinued. Property, plant and equipment of the wood pellet plant in Suonenjoki were measured at fair value and an impairment loss of EUR 2,632 was recognised.

In 2010, Ministry of Employment and the Economy granted L&T Biowatti Oy EUR 248 thousand for the acquisition of equipment. The grant was recognised as deductions of historical cost.

15. Joint ventures

The Group holds a 50% interest in L&T Recoil Oy, Helsinki.

The assets, liabilities, revenues and expenses of the joint venture included in the consolidated income statement and the statement of financial position

EUR 1,000	2011	2010
Non-current assets	34,465	34,195
Current assets	3,459	4,630
Non-current liabilities	-19,152	-17,408
Current liabilities	-5,467	-8,261
Net assets	13,305	13,156
Revenues	11,508	8,237
Expenses	-13,092	-11,376
Profit/loss for the period	-1,584	-3,139

	2011	2010
Average personnel in joint venture	47	42

More details on the joint venture are shown in Note 34 Related-party transactions.

16. Investments in subsidiaries

	Group holding of shares and votes %
Hansalaiset Oy, Helsinki*	100.0
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100.0
Kiinteistöpalvelu Hansalaiset Oy, Helsinki*	100.0
Lassila & Tikanoja Service AB, Stockholm, Sweden	100.0
Lassila & Tikanoja Services OÜ, Tallin, Estonia	100.0
L&T Biowatti Oy, Helsinki	70.0
L&T Ecoinvest LLC, Dubna, Russia	100.0
L&T Hankinta Ky, Helsinki	100.0
L&T Hygienutveckling AB, Kävlinge, Sweden	100.0
L&T Kalusto Oy, Helsinki	100.0
L&T LLC, Dubna, Russia	100.0
L&T Relations Oy, Helsinki	100.0
L&T Toimi Oy, Helsinki	100.0
L&T Östgöta AB, Norrköping, Sweden	100.0
Nastolan Talohuolto Oy, Helsinki	100.0
Palvelusiivous Ulla Haavisto Oy, Helsinki	100.0
Papros Oy, Helsinki*	100.0
Paraisten Puhtaanapito Oy, Helsinki	100.0
SIA L&T, Riga, Latvia	100.0
Suomen Keräystuote Oy, Helsinki	100.0
The Russian-Finnish Company Ecosystem LLC, Dubna, Russia	90.0
WTS-Palvelut Oy, Helsinki*	100.0
Ympäristöhuollon Palvelukeskus Full House Oy, Helsinki*	100.0

* in voluntary liquidation

17. Non-current available-for-sale investments

EUR 1,000	2011	2010
Carrying amount at 1 January	598	525
Additions	16	65
Business acquisitions		8
Disposals	-9	
Carrying amount at 31 December	605	598

Non-current available-for-sale investments include unlisted shares.

18. Finance lease receivables

EUR 1,000	2011	2010
Maturity of minimum lease payments		
Not later than one year	1,886	2,007
Later than one year and not later than five years	3,752	3,947
Later than five years	386	227
Gross investment in finance lease agreements	6,024	6,181
Maturity of present value of minimum lease payments		
Not later than one year	1,826	1,937
Later than one year and not later than five years	3,273	3,409
Later than five years	305	138
Total present value of minimum lease payments	5,404	5,484
Unearned finance income	620	697
Gross investment in finance lease agreements	6,024	6,181

Finance lease receivables result from leases of compactors, balers and other assets to customers. The minimum payments include the payment of the transfer of the title to the asset at the end of lease term if the option to purchase is such that it is reasonably certain at the commencement of the lease term that the option will be exercised or if a binding contract has been made on the purchase.

19. Inventories

EUR 1,000	2011	2010
Raw materials and consumables	19,007	19,545
Unfinished goods	209	281
Finished goods	6,179	5,341
Other inventories	2,558	2,790
Total	27,953	27,957

Cost of inventory recognised as an expense under cost of sales in the income statement, totalled EUR 22,200 thousand (14,200).

EUR 2.3 million (1.8) of the carrying amounts of inventories was recognised as an expense, and a write-down of inventories to net realisable value was made respectively. The expense is included in the cost of sales.

20. Trade and other receivables

EUR 1,000	2011	2010
Trade receivables	81,677	72,887
Current finance lease receivables	1,826	1,937
Loan receivables	1,021	987
Accruals	6,799	7,888
Tax receivables	39	1,494
Other receivables	268	471
Total	91,629	85,662
Accruals include the following:		
Interest	24	64
Employees' health care compensation	2,162	2,934
Statutory pension insurances	670	927
Grants received	857	1,093
Indirect tax	1,136	1,012
Other	1,950	1,858
Total	6,799	7,888

The receivables are not collateralised, and they do not include any significant concentrations of credit risk. Impairment losses and their reversals recognised in trade receivables are shown in Note 6 Other operating income and expenses.

21. Current available-for-sale financial assets

EUR 1,000	2011	2010
Certificates of deposit and commercial papers	2,299	9,895
Total	2,299	9,895
At 1 January	9,895	18,484
Additions/disposals	-7,590	-8,581
Changes in fair values transferred into equity	-5	-8
At 31 December	2,299	9,895

Gains of EUR 87 thousand (101) were transferred from the equity to the income statement in 2011.

Available-for-sale financial assets are stated in the financial statements at fair value. Changes in the fair values are recognised in the revaluation reserve in equity.

22. Cash and cash equivalents

EUR 1,000	2011	2010
Cash on hand and in banks	5,770	4,653
Total	5,770	4,653

Cash and cash equivalents are presented in nominal values, which equal to their fair values.

Liquid assets in the consolidated statement of cash flows include the following:

EUR 1,000	2011	2010
Cash and cash equivalents	5,770	4,653
Certificates of deposit and commercial papers	2,299	9,895
Total	8,069	14,548

23. Equity

Share capital and share premium fund

2011 EUR 1,000	Number of shares, 1,000 shares	Share capital	Share premium reserve	Invested non-restricted equity reserve	Own shares	Total
At 1 January 2011	38,738	19,399	50,673		-845	69 227
At 5 April 2011 Transfer of own shares	-3				-37	-37
At 12 September 2011 Purchase of own shares	-5				-50	-50
At 13 September 2011 Purchase of own shares	-7				-67	-67
At 14 September 2011 Purchase of own shares	-5				-54	-54
At 15 September 2011 Purchase of own shares	-6				-65	-65
At 16 September 2011 Purchase of own shares	-4				-37	-37
At 19 September 2011 Purchase of own shares	-3				-36	-36
At 20 September 2011 Purchase of own shares	-3				-29	-29
At 21 September 2011 Purchase of own shares	-4				-42	-42
At 22 September 2011 Purchase of own shares	-8				-82	-82
At 23 September 2011 Purchase of own shares	-5				-55	-55
At 31 December 2011 Transfer of share premium reserve to invested non-restricted equity reserve			-50,673	50,658		-15
At 31 December 2011	38,685	19,399	0	50,658	-1 399	68,658

2010 EUR 1,000	Number of shares, 1,000 shares	Share capital	Share premium reserve	Invested non-restricted equity reserve	Own shares	Total
At 1 January 2010	38,769	19,399	50,673		-356	69 716
At 17 May 2010 Purchase of own shares	-7				-105	-105
At 18 May 2010 Purchase of own shares	-6				-88	-88
At 19 May 2010 Purchase of own shares	-8				-110	-110
At 20 May 2010 Purchase of own shares	-7				-98	-98
At 21 May 2010 Purchase of own shares	-11				-153	-153
At 24 May 2010 Purchase of own shares	-2				-32	-32
At 25 May 2010 Purchase of own shares	-6				-82	-82
At 26 May 2010 Purchase of own shares	-8				-111	-111
At 27 May 2010 Purchase of own shares	-10				-138	-138
At 28 May 2010 Purchase of own shares	-8				-108	-108
At 31 May 2010 Purchase of own shares	-1				-19	-19
At 1 June 2010 Purchase of own shares	-4				-55	-55
At 2 June 2010 Purchase of own shares	-2				-26	-26
At 4 June 2010 Transfer of own shares	49				636	636
At 31 December 2010	38 738	19 399	50 673		-845	69 227

Lassila & Tikanoja plc has one share series. There is no maximum to the number of the shares and the share capital in the Articles of Association. A share has neither a nominal value nor a book equivalent value. All issued shares have been paid for in full.

At 31 December 2011 the company held 113,305 of its own shares (60,758). A decision was made at a shareholders' meeting on 8 September 2011 to reduce the share premium shown in the balance sheet on 31 December 2010, by transferring all share premium funds to the invested non-resticted equity reserve.

Invested non-restricted equity reserve includes other equity-type investments and share subscription prices to the extent that they are not expressly designated to be included in share capital.

Other reserves

Translation reserve
Translation differences arise from the translation of the equity and earnings of subsidiaries into euros. Furthermore, non-current loan receivables for which settlement is neither planned nor likely to occur in the foreseeable future are handled as part of the net investment in subsidiaries.

Revaluation and hedging reserves
Revaluation reserve includes a fair value fund for changes in fair values of available-for-sale investments. Hedging reserve includes effective changes in the fair values of derivative instruments used for hedging of cash flow.

Capital management
The objective of the Group's capital management is to secure the continuity of operations and maintain an optimal capital structure to enable investments, taking the cost of capital into account. The capital includes equity and liabilities less advances received.

The amount of annual dividend is linked to earnings. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders. The share capital shall be increased if extraordinarily rapid growth or large investments call for more capital.

The development of the capital structure is monitored quarterly using the equity ratio. This ratio is calculated by dividing the Group's equity by the balance sheet total less advances received.

EUR 1,000	2011	2010
Equity in the consolidated statement of financial position	217,944	222,994
Statement of financial position total	494,340	483,742
Current advances received	-4,843	-4,239
Non-current advances received	-262	-263
Total	489,235	479,240
Equity ratio, %	44.5%	46.5%

The equity ratio has decreased slightly in comparison with the previous year. The gross capital expenditure totalled EUR 70.6 million (39.3). EUR 3.2 million were released from the working capital (EUR 2.2 million tied up). The amount of net cash generated from operating activities was EUR 74.5 million (63.8).

Covenants for long-term bank borrowings are shown in Note 27 Borrowings.

24. Share-based payment
The Group has share option scheme granted in 2008. Trading in 2005 option scheme's last series ended in 2011. Expenses arising from fair values of options are recognised as expenses on a straight-line basis during the vesting periods. The fair values are measured using the Black-Scholes option pricing model.

Option rights

Option	Exercise period	Exercise price EUR/share	Number of shares to be subscribed for at 31 Dec. 2011	Number of shares to be subscribed for at 31 Dec. 2010	End of vesting period
2005C	2.11.2009–31.5.2011	26.80		200,000	2.11.2009
2008	1.11.2010–31.5.2012	16.20	168,000	168,000	1.11.2010
Total			168,000	368,000	

Amounts and average exercise prices of outstanding option rights

	2011		2010	
	Weighted average exercise price EUR/share	Number of options	Weighted average exercise price EUR/share	Number of options
Beginning of year	22.03	368,000	20.19	572,000
New options granted				
Forfeited options			16.27	-28,000
Exercised options				
Expired options	26.80	-200,000	16.98	-176,000
End of year	16.20	168,000	22.03	368,000
Options exercisable at year end	16.20	168,000	22.03	368,000

In 2011, 2010 and 2009, no options were exercised.

Parameters used in the Black-Scholes option pricing model

	2008	2005C
Grant date	5 June 2008	12 June 2007
Number of options in the scheme	230,000	230,000
Share price at grant date	16.65	25.18
Exercise price	16.20	26,80
Expected volatility	53%	26%
Expected vesting period	3y 360d	3y 354d
Vesting conditions	Employment period 2y 4m	Employment period 2y 4m
Risk-free interest	4.57%	4.56%
Expected dividends, EUR	2.13	2.73
Fair value at grant date, EUR	5.16	4.70

Expected volatility has been determined as average of 50, 100 and 260 days prior to the measurement date. The determination of the volatility is based on information in Bloomberg database.

The terms and conditions of the options do not include any exercising conditions, which should be taken into account when estimating the fair value of the options. The returning rate assumption at grant date is 0%.

Option schemes

Share options have been granted to key persons belonging to the management. The share options entitle their holders to subscribe for the shares of Lassila & Tikanoja plc at a subscription price and over a period determined in the terms and conditions of the option scheme. The exchange ratio for all option rights is 1:1.

Those share options whose share subscription period has not commenced and which have not yet been vested, may not be transferred to a third party. Should a participant cease to be employed by L&T for any reason other than retirement or death, such a person shall without delay offer to the company, free of charge, those options whose share subscription period has not commenced. After the exercise period the option rights will expire with no value.

The entitlement for dividends of the shares subscribed for pursuant to the option rights, together with other shareholder rights, shall commence once the increase in the share capital or new shares have been entered in the trade register. The share subscription periods and prices are presented in the above table. The subscription prices will, as per the dividend record date, be reduced by the amount of dividend which exceeds 70% of the profit per share for the financial period to which the dividend applies.

Pursuant to share options outstanding on 31 December 2011, a maximum of 168,000 new shares may be subscribed for, which is 0.4% of the current number of shares and votes.

Option scheme 2008

The Annual General Meeting of the year 2008 resolved to issue a maximum of 230,000 share options. 33 key persons hold 168,000 options. Lassila & Tikanoja plc holds 62,000 option and these options will not be exercised.

The exercise price of the 2008 share options is EUR 16.20. The exercise price shall be recognised in the invested non-restricted equity reserve.

As a result of the exercise of the outstanding 2008 share options, the number of shares issued by Lassila & Tikanoja plc may increase by a maximum of 168,000 new shares which is 0.4% of the current number of shares.

2008 options have been listed on NASDAQ OMX Helsinki since 1 November 2010.

Share-based incentive programme 2009–2011

Lassila & Tikanoja plc's Board of Directors decided on 24 March 2009 on a share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel. Payment of the reward was subject to reaching the financial targets set by the Board. The criteria for the determination of the rewards were decided annually. Rewards paid were based on the EVA result of Lassila & Tikanoja Group. Rewards were paid for the year 2009 only.

The programme included three earnings periods one year each, of which the first one began on 1 January 2009 and the last one ended on 31 December 2011. Potential rewards were paid during the year following each earnings period partly as shares and partly in cash. The proportion paid in cash covered taxes arising from the reward. No reward was paid if a key person's employment ended before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment of each reward. After that, the members of the Group Executive Board are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

A maximum total of 180,000 Lassila & Tikanoja plc shares could be paid out on the basis of the programme. The shares will be obtained in public trading. In the starting phase the programme covered 28 persons.

The share component is measured at fair value at the grant date and the measurement will not be changed during the validity of the programme. Expenses from the share component are deferred to three years over vesting period and recognised as personnel expenses in the income statement and under the equity.

Cash components are measured at fair value based on the share price on the balance sheet date. Cash components of the share-based incentive programme are recognised under personnel expenses and liabilities and deferred over the earnings period.

In June, the shares for the first earnings period 2009 were transferred. The obligation to hold shares earned through the incentive programme ceases on 31 May 2012.

Share-based incentive programme 2012

Lassila & Tikanoja plc's Board of Directors decided on 14 December 2011 on a new share-based incentive programme for one year. Potential rewards will be based on the EVA result of Lassila & Tikanoja group without L&T Recoil. In other respects the conditions are equal with the 2009–2011 programme.

Based on the programme a maximum of 65,520 shares of the company can be granted. The company will buy the shares from the stock market. The programme covers 22 persons.

Share-based incentive programmes 2009–2011 and 2012

Instrument	Share-based incentive programme 2009–2011		Share-based incentive programme 2012
Share-based incentive programme	2010	2011	2012
Grant date	9.2.2010	3.1.2011	2.1.2012
Start of earnings period	1.1.2010	1.1.2011	1.1.2012
End of earnings period	31.12.2010	31.12.2011	31.12.2012
Average share price at grant date	15.26	14.99	11.60
Realisation on closing date, shares	0	0	32,760
Obligation to hold shares, years	2	2	2
Release date of shares	31.3.2013	31.3.2014	31.3.2015
Number of persons included	25	23	22
Expenses arising from share-based incentive programme, EUR 1,000			
Share component	192.4	182.1	
Cash component	277.8		
Total	470.2	182.1	

No share-based payments were paid for 2010 and 2011 as the criteria for the rewards was not fulfilled.

25. Retirement benefit obligations

L&T operates some minor defined benefit plans concernig a few persons in Finland. Most of them originate from company acquisitions. These plans are administered either by insurance companies or by the company.

EUR 1,000	2011	2010
The amounts recognised in the consolidated statement of financial position		
Present value of funded obligations	557	623
Fair value of plan assets	-496	-546
	61	77
Present value of unfunded obligations	536	537
Unrecognised actuarial gain (+) and loss (-)	30	
Closing net liability	627	614
Changes in present value of obligation		
Opening defined benefit obligation	1,160	1,116
Current service cost	49	49
Interest cost	55	57
Actuarial gain (-) and loss (+) on obligation	-86	23
Benefits paid	-85	-85
Closing present value of obligation	1,093	1,160
Changes in fair value of plan assets		
Opening fair value of plan assets	546	529
Expected return on plan assets	24	24
Employee contributions	8	7
Actuarial gain (+) and loss (-) on plan assets	-57	11

EUR 1,000	2011	2010
Benefits paid	-25	-25
Closing fair value of plan assets	496	546
Changes in the net liability recognised in the consolidated statement of financial position		
Opening net liability	611	671
Expense recognised in the income statement	81	10
Contributions paid	-64	-70
Closing net liability	628	611
The amounts recognised in the income statement		
Current service cost	49	49
Interest cost	55	57
Expected return on plan assets	-24	-24
Actuarial gain (-) and loss (+) recognised	-4	18
Total	76	100

The return on plan assets was EUR -33 thousand in 2011 (35).

Expected contributions to post-employment benefit plans for the year 2012 are EUR 44 thousand.

EUR 1,000	2011	2010	2009
The amounts for the period and for two preceding periods			
Present value of obligation	1,093	1,160	1,116
Fair value of plan assets	-496	-546	-529
Deficit	597	614	587
Actuarial gain (+) / loss (-) on plan ssets due to experience adjustments	-57	11	76
Actuarial gain (+) / loss (-) on obligation due to experience adjustments	-101	2	96
The principal actuarial assumptions used			
Discount rate	4.8%	4.8%	5.0%
Expected rate of inflation	2.0%	2.0%	2.0%
Expected rate of return on plan assets	4.5%	4.5%	4.5%
Rate of salary increase	4.5%	4.5%	4.5%

26. Provisions

EUR 1,000	Environmental provisions	Other provisions	Total
Provisions at 1 January 2011	2,531	617	3,148
Additional provisions	157	0	157
Used during the year	-149	-400	-549
Reversal of unused provisions	0	-37	-37
Effect of discounting	-219	0	-219
Provisions at 31 December 2011	2,320	180	2,500

EUR 1,000	2011	2011
Non-current provisions	2,500	2,748
Current provisions	0	400
Total	2,500	3,148

The environmental provisions cover the following obligations: The Group has leased sites that it uses as landfills from the Cities of Kerava and Kotka. In Varkaus the Group uses a site for intermediate storing, processing and final disposal of contaminated soil. At the expiry of the leases or at the discontinuation of operations, the Group is responsible for site restoration comprising landscaping and post-closure environmental monitoring called for in the terms and conditions of environmental permits.

The site restoration provision for the Kerava landfill is divided into three parts. For one part, future expenditure has been measured at the price level of the time of calculation adjusted by a change in cost index of civil engineering and by an annual inflation rate of 2% because the cost level will be higher at the moment when the provision will be used than during the construction of the landfill. The expenditure adjusted by inflation has been discounted to the date of construction of the landfill. The interest rate used is the yield expectation of a risk-free five-year government bond at the time of construction plus L&T's loan margin at the time in question. This part arising from the construction of the landfill is recognised at present value in the balance sheet as a part of the cost of the site and it is depreciated using the straight-line method. A corresponding amount has been recognised as a provision in liabilities. This amount is increased annually by a discount interest recognised in finance costs. The second part of the provision is calculated on the basis of the tonnage taken to the landfill. The third portion of the provision is a part for post-closure environmental monitoring.

The site restoration provision for the Kotka landfill consists of two parts. For one part, the construction expenditure is recognised at present value in the balance sheet as a part of the cost of the site as the provision for the Kerava landfill. The accrual method, however, is applied to the depreciations on the Kotka landfill, and it will be depreciated on the basis of the volume of the waste taken to the site. The other part consists of a provision for post-closure environmental monitoring, which is based on depreciation where the straight-line method is used. Future expenditure is measured at the price level of the time of calculation adjusted by an annual inflation rate of 2%.

The principle applied for the Kerava site has been applied to the restoration provision of the processing and final disposal site of contaminated soil in Varkaus.

The settlement of the obligations recognised under long-term provisions will probably require an outflow of resources embodying economic benefits over a period of 1 to 5 years from now, except for the provision for the post-closure monitoring of the Kotka landfill the period is 30 years.

Other provisions are mainly related to restructuring and arbitration claims.

27. Borrowings

EUR 1,000	2011 Carrying amount	2010 Carrying amount
Non-current		
Bank borrowings and loans from pension institutions	90,345	92,849
Finance lease liabilities	2,569	2,714
Total	92,914	95,563
Current		
Repayments of long-term borrowings	24,548	22,202
Repayments of finance lease liabilities	341	341
Short-term borrowings	16,926	4,994
Acquisition price liabilities	473	1,691
Other interest-bearing liabilities	31	2,033
Total	42,319	31,261

Fair values of financial liabilities are presented in Note 30 Financial assets and liabilities by category.

Maturity of long-term bank borrowings and financial lease liabilities is presented in Note 37. Financial risk management.

The average duration of long-term borrowings at 31 December 2011 was 2.2 years (2.8) and the weighted average of effective interest rates 3.1% (3.3).

The loan agreements include equity ratio and interest cover covenants and other normal terms which restrict giving of collaterals to other financiers and discontinuation or disposal of present business. The breaching of the terms will entitle the borrowers to call in the loans immediately. The terms of loans being in Lassila & Tikanoja plc's name have not been close to breaching during 2011 and 2010.

The gross margin for the year 2011 provided for in the loan agreements of the joint venture L&T Recoil Oy was not achieved due to weaker than expected operating reliability. However, the banks have acclaimed the breaching of covenant for a definite duration.

Finance lease liabilities

EUR 1,000	2011	2010
Maturity of minimum lease payments		
Not later than one year	354	354
Later than one year and not later than five years	1,416	1,416
Later than five years	2,565	2,919
Total minimum lease payments	4,335	4,689
Maturity of present values of minimum lease payments		
Not later than one year	341	341
Later than one year and not later than five years	1,149	1,149
Later than five years	1,420	1,565
Total present value of minimum lease payments	2,910	3,055
Future finance costs	1,425	1,634
Total finance lease liabilities	4,335	4,689

The finance lease concerns the purchase agreement signed by joint venture L&T Recoil, covering the procurement of hydrogen, hot oil and steam. Pursuant to this agreement, L&T Recoil undertakes to purchase the entire production of the production facilities for its re-refinery. The purchase agreement contains a lease as specified in IFRIC 4.

The minimum lease payments stated above comprise the redemption price to be paid at the end of the lease term, if it is included in the lease agreement.

28. Other non-current liabilities

EUR 1,000	2011	2010
Advances received	262	263
Other liabilities	698	101
Total	960	364

29. Trade and other current payables

EUR 1,000	2011	2010
Advances received	4,843	4,239
Trade payables	24,899	22,834
Other liabilities	20,081	18,168
Accrued expenses and deferred income	55,928	49,650
Total	105,751	94,891
Accrued expenses and deferred income		
Liabilities related to personnel expenses	49,441	40,798
Waste charges	1,420	1,265
Interest liabilities	1,500	1,252
Other accrued expenses	3,567	6,335
Total	55,928	49,650

The fair values of trade and other current payables do not differ significantly from the carrying amounts presented above.

30. Financial assets and liabilities by category

2011 EUR 1,000	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair values by balance sheet item	Fair value hierarchy level under IFRS 7
Non-current financial assets								
Available-for-sale investments			605			605	605	3
Finance lease receivables		3,578				3,578	3,894	
Other receivables		3,315				3,315	3,315	
Current financial assets								
Trade and other receivables		84,792				84,792	84,792	
Derivative receivables					419	419	419	2
Available-for-sale financial assets			2,299			2,299	2,299	2
Cash and cash equivalents		5,770				5,770	5,770	
Total financial assets	0	97,455	2,904		419	100,778	101,094	
Non-current financial liabilities								
Borrowings				92,914		92,914	94,033	
Other liabilities				698		698	698	
Current financial liabilities								
Borrowings				42,319		42,319		
Trade and other payables				44,713		44,713		
Derivative liabilities	163				1,687	1,850	1,850	2
Total financial liabilities	163			180,644	1,687	182,494	96,581	

2010 EUR 1,000	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair values by balance sheet item	Fair value hierarchy level under IFRS 7
Non-current financial assets								
Available-for-sale investments			598			598	598	3
Finance lease receivables		3,547				3,547	3,923	
Other receivables		3,401				3,401	3,401	
Current financial assets								
Trade and other receivables		76,280				76,280	76,280	
Derivative receivables	7				400	407	407	2
Available-for-sale investments			9,895			9,895	9,895	2
Cash and cash equivalents		4,653				4,653	4,653	
Total financial assets	7	87,881	10,493		400	98,781	99,157	
Non-current financial liabilities								
Borrowings				95,563		95,563	96,943	
Other liabilities				101		101	101	
Current financial liabilities								
Borrowings				29,289		29,289		
Trade and other payables				44,546		44,546		
Derivative liabilities					1,173	1,173	1,173	2
Total financial liabilities				169,499	1,173	170,672	98,217	

In the above tables, Non-current other liabilities do not include advances received, Trade and other receivables do not include tax receivables and accruals, and Trade and other payables do not include statutory liabilities (e.g. tax liabilities), as such classifications are required of financial instruments only.

Principles for determining fair values of financial assets and liabilities

Available-for-sale investments
Available-for-sale investments consist of unquoted shares. The unquoted equity instruments whose fair values are not available due to inactive markets, are measured at acquisition cost.

Available-for-sale financial assets
Available-for-sale financial assets consist of certificates of deposit and commercial papers. The certificates of deposit are tradable on the secondary market and their fair value is based on the interest rate market quotations at the balance sheet date.

Derivatives
Fair values of interest rate swaps are valued using a technique based on present value of future cash flows, which is supported by market interest rates at the balance sheet date. Fair values describe the prices that the Group would gain or should pay, if the derivative financial instruments were cancelled at the balance sheet date.

Bank and other borrowings
Fair values of borrowings are based on discounted cash flows. The discount rate is defined to be the interest rate the Group would pay for an equivalent loan at the balance sheet date. The overall interest is composed of a risk-free market interest rate and a company-based risk premium.

Finance lease liabilities
Fair value of finance lease liabilities is calculated by discounting future cash flows. The discount rate is defined to be the interest rate with which the Group could enter into an equivalent lease contract at the balance sheet date.

Trade and other receivables
Trade and other receivables, which are non-derivative financial assets, are recognised in the balance sheet at historical cost less credit adjustments and impairment losses. This corresponds with their fair value as the periods for payment are short and thus the discounting effect is not essential.

Trade and other payables
Trade and other current non-interest-bearing payables are recognised in the balance sheet at historical cost which corresponds with their fair value, as the discounted effect is not essential considering the maturity of the payables.

Fair value hierarchy of financial assets and liabilities measured at fair value
The financial assets and liabilities measured at fair value must be classified using a three-level fair value hierarchy that reflects the significance of input data used for value definition. At L&T, only non-current available-for-sale financial assets and derivatives are measured at fair value. The fair value of non-current available-for-sale investments consisting of certificates of deposit and commercial papers and derivatives consisting of interest rate swaps and currency and commodity derivatives represent level 2. The fair values of both financial instruments are based on prices derived from prices quoted in active markets or on generally accepted valuation techniques, the input data for which is, however, materially based on verifiable market data.

31. Derivative financial instruments

Currency derivatives

EUR 1,000	2011 Nominal value	2011 Fair value	2010 Nominal value	2010 Fair value
Maturity of currency derivatives held for trading				
Not later than one year	1,079	-19	196	7

Currency derivatives are entered into in order to hedge the foreign currency net cash flows..
Hedge accounting under IAS 39 has not been applied to currency derivatives. Changes in fair values have been recognised in finance income and costs.

EUR 1,000	Nominal value	Fair value	Nominal value	Fair value
Maturity of interest rate swaps under hedge accounting*				
Not later than one year	13,429		11,010	
Later than one year and not later than five years	38,033		49,355	
Later than five years			267	
Total	51,462	-1,504	60,632	-1,173

EUR 1,000	Nominal value	Fair value	Nominal value	Fair value
Maturity of interest rate swaps not under hedge accounting**				
Not later than one year	4,000		0	
Later than one year and not later than five years	19,455		0	
Later than five years	4,545		0	
Total	28,000	-144	0	0

* The interest rate and currency swaps are used to hedge cash flow related to a floating rate loan, and hedge accounting under IAS 39 has been applied to it. The hedges have been effective, and the changes in the fair values are shown in the consolidated statement of comprehensive income for the period. On the balance sheet date, the value of foreign currency loans was EUR 0.5 million positive. The fair values of the swap contracts are based on the market data at the balance sheet date.
** Hedge accounting under IAS 39 has not been applied to these interest rate swaps. Changes in fair values have been recognised in finance income and costs. The fixed interest rates of the interest rate swaps at 31 December 2011 varied between 1.24% and 4.22% (1.67% and 4.22%). The floating interest rate was 1-, 3- or 6-month Euribor. The fair values of the interest rate swaps are based on the market quotations at the balance sheet date.

Commodity derivatives

	2011		2010	
Metric tonnes	Nominal value	Fair value	Nominal value	Fair value
Maturity of diesel swaps under hedge accounting				
Not later than one year	2,544		7,596	
Later than one year and not later than five years	636		2,544	
Total	3,180	419	10,140	400

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

32. Operating leases

EUR 1,000	2011	2010
Maturity of minimum lease payments of non-cancellable operating leases		
Not later than one year	7,708	8,087
Later than one year and not later than five years	15,504	20,087
Later than five years	4,185	4,509
Total minimum lease payments	27,397	32,683

The Group has leased a part of the production and office premises, office equipment and vehicles. Most of the leases are index-linked and in conformity with local market practice.

The income statement of 2011 includes lease expenses arising from other leases EUR 17,054 thousand (16,040).

33. Notes to the consolidated statement of cash flows

EUR 1,000	2011	2010
Adjustments to cash flows from operating activities		
Taxes	4,030	9,786
Depreciation, amortisation and impairment	61,548	43,937
Finance income and costs	4,602	4,229
Profit/loss on sales of equipment	-1,338	-368
Provisions	311	578
Other	169	1,360
Total	69,322	59,522
Effect of subsidiaries and businesses disposed of on the Group's financial position		
Property, plant and equipment	0	179
Goodwill and other intangible assets	0	56
Total assets and liabilities	0	235
Received in cash	0	199
Net cash flow arising from disposals	0	199

No disposals of subsidiaries or businesses were made in 2011. In 2010, the cleaning business in Moscow was disposed of. Goodwill and intangible assets allocated to the component of an entity disposed of were measured in accordance with IAS 36.86 on the basis of the relative values of the operations disposed of and the portion of the unit retained. The goodwill and the intangible assets arising from acquisitions allocated to the component of an entity disposed of were recognised as losses on sale of businesses in other operating expenses. These components of entity do not meet the criteria of presenting discontinued operations specified in IFRS 5.31–32.

34. Related-party transactions

Lassila & Tikanoja Group has related-party relationships with a joint venture and the top management. The Group had no associates in 2011 and 2010.

Transactions and balances with joint ventures

EUR 1,000	2011	2010
Sales	2,489	2,332
Other operating income	63	74
Interest income	707	505
Non-current receivables		
Capital loan receivable	24,396	20,646
Current receivables		
Trade receivables	2,710	2,375
Loan receivables	1,633	1,034

Transactions with joint ventures are carried out at fair market price.

At 31 December 2011, the interest rate of the joint venture L&T Recoil Oy's subordinated loans totalling EUR 2,646 thousand (granted in 2006 and 2007) was 3.756% p.a. Interest on the loans will be paid if the joint venture has any distributable assets in its balance sheet.

The following new subordinated loans were granted to L&T Recoil Oy:

- EUR 5,750 thousand in 2008
- EUR 7,500 thousand in 2009
- EUR 4,750 thousand in 2010
- EUR 3,750 thousand in 2011

The weighted average interest rate of these loans is 3% p.a. and the payments of interest on these loans will be made when the amount of L&T Recoil's unrestricted equity and the subordinated loans exceeds the loss in the balance sheet.

The parent company of the Group is committed to invest in joint venture L&T Recoil Oy as share capital and equity loans 50% of the amount that fulfils the solvency covenant of financial contracts

The parent company of the Group has provided absolute guarantee for L&T Recoil Oy's credit limits amounting to EUR 37.1 million. The guarantee covers 50% of the amount of the credit limits in use.

Employee benefits of top management

EUR 1,000	2011	2010
Salaries and other short-term employee benefits	1,364	1,791
Post-employment benefits	49	42
Share-based payment (share options)		809
Total	1,413	2,642

Top management consists of the members of the Board of Directors, President and CEO and the Group Executive Board. An expense of EUR 97 thousand (291) was recognised in the income statement as the top managements' share of the share-based payment.

Salaries and remunerations paid to members of the Board of Directors

EUR 1,000	2011	2010
Heikki Bergholm, Chairman	64	33
Eero Hautaniemi, Vice Chairman since 28 December 2011	36	32
Matti Kavetvuo, Vice Chairman and member until 27 December 2011	46	59
Hille Korhonen	36	33
Miikka Maijala	36	33
Sakari Lassila	34	
Juhani Lassila, former Vice Chairman and member of the Board of Directors	3	41

The President and CEO until 13 June 2011 was Jari Sarjo. Ville Rantala served as temporary President and CEO from 13 June to 31 October 2011. Pekka Ojanpää assumed the position of President and CEO on 1 November 2011. The figures below include the sum of salaries for each period.

In 2011, the salaries paid to the President and CEO totalled EUR 316 thousand including salaries and benefits EUR 285 thousand and bonuses EUR 31 thousand (salaries and benefits EUR 338 thousand and bonuses EUR 164 thousand and share-based payments EUR 261 thousand).

The salaries paid to the Group Executive Board totalled EUR 794 thousand which includes salaries and benefits EUR 678 thousand and bonuses EUR 116 thousad (salaries and benefits EUR 852 thousand, bonuses EUR 206 thousand and share-based payments EUR 548 thousand). The figures include salaries for the period during which the persons in question held an executive position.

The members of the Board of Directors have no pension contracts with the company. In 2011, EUR 49 thousand (42) arising from the pension agreement of the President and CEO, Jari Sarjo (until 13 June 2011) was recognised in the income statement.

The members of the Board are not included in the share option plans.

No share-based payments were granted to the President and CEO and Group Executive Board for the year 2011. No options were granted in 2011. The composition of the Group Executives Board changed in 2011.

At 31 December 2011, the President and CEO and the members of the Group Executive Board held a total of 23,000 options, of which 23,000 were exercisable (115,000 options, of which 115,000 were exercisable).

No loans were granted and no guarantees nor other securities given to persons belonging to the related parties.

35. Auditing costs

EUR 1,000	PWC*	Other companies	Total
2011			
Auditing	203	17	220
Other assignments in accordance with the auditing act	3		3
Tax consulting services	3		3
Other services	33		33
Total	242	17	259
2010			
Auditing	235	12	247
Other assignments in accordance with the auditing act	5		5
Tax consulting services	13		13
Other services	30	2	32
Total	283	14	297

* PricewaterhouseCoopers chain

36. Contingent liabilities

EUR 1,000	2011	2010
Collaterals for own commitments		
Mortgages on rights of tenancy	42,186	42,179
Company mortgages	21,460	21,460
Other securities	174	222
Bank guarantees required for environmental permits	5,702	4,634

Collaterals for own commitments are mainly collaterals given to banks by joint venture L&T Recoil.The objects of the mortgages are sites rented from the City of Hamina and the re-refinery plant situated on the sites.

The Group has given no pledges, mortgages or guarantees on behalf of outsiders.

37. Financial risk management

The principles for L&T's financial risk management are defined in the financial policy approved by the Board of Directors. The purpose of financial risk management is to mitigate significant financial risks and strive to reduce the effects of the unfavourable fluctuations in the financial market on the Group's result.

The Group's financing and liquidity management are handled centrally at the Group's financial management managed by the CFO. Transactions related to financial risk management are carried out by Group's financial management. The joint venture L&T Recoil's financing arrangements are separate from the rest of the Group, but the Group's financial management is responsible for the related hedging transactions and for the company's liquidity management.

Foreign exchange risk

L&T comprises the parent company operating in Finland and subsidiaries operating in Finland, Sweden, Latvia and Russia. The functional and reporting currency of the parent company and Finnish subsidiaries is the euro, while the other subsidiaries use the currency of each country of location. Therefore exchange rate fluctuations have an effect on consolidated earnings and equity but this is not very significant.

Transaction risk

The business operations of L&T's foreign subsidiaries are carried out almost completely in their functional currency. Financing for subsidiaries is generally provided through intra-Group loans that are denominated in the functional currency of each subsidiary. Group companies operating in Finland use the euro as the invoicing currency for sales almost exclusively, while minor amounts of purchases are also invoiced in Swedish kronas.

Translation risk

L&T's exposure to translation risk consists of net investments in foreign subsidiaries, which include equity and loans. The position of net investments in foreign subsidiaries is not hedged, as these holdings are considered long-term strategic investments.

Changes in exchange rates in 2011 resulted in translation differences of EUR 169 thousand in equity (EUR 1,275 thousand). Net investments by currency are presented in the table below.

Translation exposure of net investments

EUR 1,000	2011	2010
SEK	19,864	14,342
LVL	9,719	8,341
RUB	8,244	8,069
Total	37,827	30,752

Price risk of investments

L&T has not invested in listed securities, the value of which changes as the market prices change, and L&T is not exposed to securities price risk. L&T has only a minor holding in unlisted shares, and there is no substantial price risk related to these shares.

Commodity risk

The fluctuations of world market price of crude oil are reflected in the price of fuel used in waste management transports as well as in the purchase prices of Environmental Products through oil-based raw materials. In waste management, some customer contracts specify such invoicing periods and contract terms that the sales prices cannot be raised monthly. This means that the rise in fuel prices is passed on to the process of the services with a delay. This price risk has been partly hedged using commodity derivatives, for the period 2012–2013. Hedge accounting under IAS 39 has been applied to these derivatives.

The price development of the base oil produced at the L&T Recoil's plant partly follows crude oil prices. The plant's reliability improved in 2011 but it still constitutes a significant risk to L&T's financial performance. The price development of the base oil produced at the plant partly follows crude oil prices.

L&T manages the raw material price risk for Environmental Products through fixing sales prices for a period not exceeding the period for which the suppliers' purchase prices are valid.

Repricing date or maturity date of long-term borrowings (incl. interest-rate swaps)

EUR 1,000	2012	2013	2014	2015	2016	2017 and later	Total
Bank borrowings and loans from pension institutions	24,548	30,073	33,161	11,196	6,263	9,652	114,893
Finance lease liabilities	341	318	296	276	259	1,420	2,910
Total	24,889	30,391	33,457	11,472	6,522	11,072	117,803

EUR 1,000	2011	2012	2013	2014	2015	2016 and later	Total
Bank borrowings and loans from pension institutions	22,202	31,777	25,067	15,283	7,196	13,526	115,051
Finance lease liabilities	341	318	296	276	259	1,565	3,055
Total	22,543	32,095	25,363	15,559	7,455	15,091	118,106

Interest rate risk

The most significant interest risk of L&T relates to borrowings, which are tied to variable interest rates and create cash flows that vary with the interest rate level. As the demand for L&T's services or their prices are not significantly dependent on fluctuations in economic trends, L&T tries to keep interest costs steady. On account of this, a major portion of the cash flow associated with variable-rate borrowings is hedged against interest rate risk by interest rate swaps. Moreover, some of the loans have been taken out with fixed interest rates.

At 31 December 2011, 68% (70%) of the company's borrowings were either fixed interest rate borrowings or hedged with interest rate swaps. Variable-rate borrowings accounted for 32% (30%). Moreover, some of long-term variable-rate borrowing agreements include interest rate options to attenuate the effect of changes in interest rates. Therefore changes in the interest rate level will not impact interest costs in full.

All interest rate swaps made to hedge the cash flow are hedges in accordance with the Group's risk management policy and hedge accounting is applied to almost all contracts.

Major part of L&T's net sales arises from long-term service agreements. Due to good cash flow predictability it is determined in L&T's financial policy that the company seeks to minimise the amount of interest-bearing assets in proportion to the current short-term financing requirements, and invests in relatively short-term instruments.

Credit and counterparty risk

Financial instruments involve the risk of the counterparty being unable to fulfil its contractual commitments. Counterparty risk is managed by making financial and derivative contracts with major Nordic banks only and by making investments related to liquidity management only in certificates of deposit and commercial papers of issuers with a good credit standing in accordance with the counterparty list approved by the Board. No impairment is expected on any outstanding investments at the balance sheet date.

L&T has a wide customer base comprising companies, industrial plants, office and business properties, institutional property owners, housing corporations, public sector and households. Its accounts receivable consist mostly of a high number of relatively small receivables and there are no significant concentrations of credit risk. L&T has credit control guidelines to ensure that services and products are sold only to customers with an appropriate credit standing or, if a customer's creditworthiness is inadequate, prepayment is required. Most customer relationships are based on long-term service contracts, and customers are not generally required to provide collateral.

With regard to Finnish trade receivables, collection operations related to trade receivables are managed centrally by the financial management function. The foreign subsidiaries manage the collection of their accounts receivable locally. 85.9% of net sales originated from Finland in 2011.

The net amount of impairment on the accounts receivable in proportion to the net sales decreased from year earlier and was below 0.2%. The total of carrying amounts of financial assets at 31 December 2011 represents best the Group's maximum exposure to credit risk at the balance sheet date in case that the counterparties are not able to fulfil their commitments related to the financial instruments.

Analysis of trade receivables by age

EUR 1,000	2011	2010
Trade receivables past due	70,605	63,178
Trade receivables past due 1-90 days	9,019	7,325
Trade receivables past due 91-180 days	873	837
Trade receivables past due 181-365 days	341	1,496
Trade receivables past due over 365 days	838	51
Total	81,676	72,887

Impaired trade receivables have been recognised as expenses in the income statement. Impairment losses and reversals of impairment losses recognised in previous periods are shown in Note 6 Other operating income and expenses.

Credit risk related to financial assets

EUR 1,000	2011 Carrying amount	2010 Carrying amount
Non-current available-for-sale investments	605	598
Non-current finance lease receivables	3,578	3,547
Other non-current receivables	3,315	3,402
Trade and other current receivables	81,676	72,887
Derivative receivables	419	407
Current available-for-sale financial assets	2,299	9,895
Cash and cash equivalents	5,770	4,653
Total	97,662	95,389

Financial assets are not collateralised, and they do not include any significant concentrations of credit risk. The maximum exposure to credit risk is the carrying amount of the financial assets. The criteria for recognising an impairment loss on a receivable include, based on the management's judgement, the debtor's substantial financial difficulties, corporate restructuring, a credit loss recommendation issued by a collection agency or extended default on payments. No impairment was recognised on other financial assets.

Liquidity and refinancing risk

Liquidity risk management ensures that L&T continuously will be able to answer for its financial obligations associated with operations at the lowest possible cost. L&T seeks to maintain good liquidity through efficient cash management and by investing in money market instruments which can be realised quickly. The liquidity situation is monitored in real time and predicted using cash flow forecasts. The netting of the Finnish Group companies' liquidity is done using Group bank accounts, and the Group's financial management is responsible for investing any excess liquidity.

To ascertain the availability of funding, L&T uses several banks in its financial operations. Refinancing risk is managed by a broad-based maturity profile of loans and by maintaining the level of the average duration of the loan portfolio at least 2.5 years.

L&T seeks to keep its cash assets fairly small, while ensuring sufficient credit limits for liquidity management purposes.

To meet any temporary need for cash arising from cash flow fluctuations, L&T has credit limits (totalling EUR 45 million) and a commercial paper programme (EUR 100 million). At 31 December 2011, the Group's liquid assets and investments amounted to EUR 8.1 million (14.5). At 31 December 2011 EUR 17.0 million of the commercial paper programme was in use (EUR 5.0 million).

The following table shows the Group's financial liabilities classified according to contractual maturity dates at the balance sheet date. The figures shown are undiscounted contractual cash flows. The long-term borrowings include equity ratio and interest cover covenants and other normal terms which restrict giving of collaterals to other financiers and discontinuance or disposal of present business. Breaching of these terms would entitle the borrowers to call in the loans immediately, which would lead to earlier realisation of the cash flows related to the borrowings.

Maturity of financial liabilities

EUR 1,000	Carrying amount	Contractual cash flows	2012	2013	2014	2015	2016	2017 and later
31 December 2011								
Bank borrowings and loans from pension institutions	114,893	122,930	27,497	32,375	34,552	11,815	6,644	10,047
Finance lease liabilities	2,910	4,335	354	354	354	354	354	2,565
Acquisition price liabilities	473	473	473					
Commercial paper liabilities	16,926	17,000	17,000					
Derivative liabilities	1,850	1,850	1,850					
Trade and other payables	47,923	47,923	47,923					
Total	184,975	194,511	95,097	32,729	34,906	12,169	6,998	12,612

EUR 1,000	Carrying amount	Contractual cash flows	2011	2012	2013	2014	2015	2016 and later
31 December 2010								
Bank borrowings and loans from pension institutions	115,122	123,136	24,614	33,799	26,349	15,981	7,830	14,562
Finance lease liabilities	3,055	4,689	354	354	354	354	354	2,919
Acquisition price liabilities	1,691	1,748	1,748					
Other non-current financial liabilities	306	306	306					
Commercial paper liabilities	4,994	5,000	5,000					
Derivative liabilities	1,173	1,173	1,173					
Trade and other payables	51,988	51,988	51,988					
Total	178,329	188,040	85,183	34,153	26,703	16,335	8,184	17,481

Breakdown of borrowings

EUR 1,000	In use at 31 December 2011	Undrawn at 31 December 2011	Total	In use at 31 December 2010	Undrawn at 31 December 2010	Total
Bank borrowings and loans from pension institutions	114,893		114,893	115,051		115,051
Finance lease liabilities	2,910		2,910	3,055		3,055
Committed credit facility with maturity in 2012		15,000	15,000		15,000	15,000
Committed credit facility with maturity in 2014		30,000	30,000			
Non-committed credit facilities		8,000	8,000		8,000	8,000
Commercial paper programme	17,000	83,000	100,000	5,000	45,000	50,000
Overdraft facilities				1,972	1,221	3,193
Acquisition price liabilities	473		473	1,691		1,691
Total	135,276	136,000	271,276	126,769	69,221	195,990

Sensitivity for market risks arising from financial instruments

The following sensitivity analysis required by IFRS 7 illustrates the sensitivity of the Group's profit for the period and equity to changes in the interest rate level and diesel oil price level with regard to financial instruments in the statement of financial position at 31 December 2011, including financial assets and liabilities as well as derivative contracts. Changes in the fair value of derivative contracts under hedge accounting are assumed to be allocated entirely to equity, while changes in the fair value of other derivative contracts are assumed to be allocated entirely to the income statement.

The following assumptions have been used in calculating sensitivity to changes in the interest rate level:

- The change in the interest rate level is assumed to be +/-0.5 percentage point.
- The change in diesel oil price is assumed to be +/-10 percentage point.
- The exposure underlying the calculation includes interest-bearing financial liabilities and receivables, as well as interest rate swaps.

Net investments in foreign subsidiaries are not included in the sensitivity analysis.

Sensitivity analysis under IFRS 7 of market risk arising from financial instruments

	2011		2010	
EUR million	Profit after tax	Equity	Profit after tax	Equity
+ 0.5% change in market interest rate	-0.1	0.3	-0.1	0.4
- 0.5% change in market interest rate	0	-0.3	0	-0.4
+10% change in diesel oil CIF CARGO NWE price *		0.2		0.5
-10% change in diesel oil CIF CARGO NWE price *		-0.2		-0.5

* price level in euros

38. Disputes and litigation

Lassila & Tikanoja plc is a defendant in a dispute over damages related to the company's business. The company has adequate insurance coverage for the liability for damages. Additionally, Lassila & Tikanoja is involved in a few minor disputes incidental to the Group's business operations. The outcome of these disputes will not have material effect on the Group's financial position.

39. Events after the balance sheet date

The company's management is not aware of any events of material importance after the balance sheet date, which might have affected the preparation of the financial statements.

Financial statements of the parent company, FAS

Income statement

EUR 1,000	Note	2011	2010
Net sales	1	499,023	459,472
Cost of goods sold		-437,122	-397,870
Gross profit		61,901	61,602
Sales and marketing expenses		-12,600	-13,313
Administration expenses	3	-8,209	-7,537
Other operating income	5	6,791	7,321
Other operating expenses	5	-24,991	-805
Operating profit before goodwill amortisation	2, 4	22,892	47,268
Goodwill amortisation		-2,655	-1,777
Operating profit		20,237	45,491
Financial income and costs	6	439	375
Profit before extraordinary items		20,676	45,866
Extraordinary items	7	1,660	3,149
Profit before appropriations and income taxes		22,336	49,015
Appropriations			
Increase/decrease in accumulated depreciation		81	-292
Income tax	8	-10,896	-11,057
Profit for the period		11,521	37,666

Balance sheet

EUR 1,000	Note	2011	2010
ASSETS			
Fixed assets			
Intangible assets	9		
Intangible rights		547	549
Goodwill		6,784	5,574
Other capitalised expenditure		691	844
		8,022	6,967
Tangible assets	10		
Land		3,287	3,240
Buildings and constructions		37,477	37,911
Machinery and equipment		5,335	4,018
Other tangible assets		47	48
Advance payments and construction in progress		3,596	1,428
		49,742	46,645
Financial assets	11		
Shares in Group companies		24,735	53,084
Shares in joint ventures		4	4
Capital loan receivables from joint ventures		24,396	20,646
Capital loan receivables from others		115	115
Other shares and holdings		447	422
		49,697	74,271
Total fixed assets		107,461	127,883
Current assets			
Inventories			
Raw materials and consumables		918	692
Finished products/goods		2,694	2,719
Other inventories		1,381	427
		4,993	3,838
Non-current receivables			
Loan receivables		2,960	3,042
Current receivables	12		
Receivables from Group companies		143,560	125,358
Receivables from joint ventures		4,343	2,928
Trade receivables		66,902	57,488
Other receivables		256	657
Prepaid expenses and accrued income		3,384	5,268
		218,445	191,699
Cash and cash equivalents		3,543	10,632
Total current assets		229,941	209,211
Total assets		337,402	337,094

EUR 1,000	Note	2011	2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		19,399	19,399
Share premium reserve			50,672
Fair value reserve		287	400
Invested non-restricted equity reserve		50,755	46
Retained earnings		49,369	33,547
Profit for the period		11,521	37,666
Total shareholders' equity		131,331	141,730
Appropriations			
Depreciation difference		3,248	2,963
Obligatory provisions	14		
Non-current		2,274	1,974
Current		429	407
		2,703	2,381
Liabilities	15		
Non-current			
Loans from financial institutions		59,693	48,821
Pension institution loans		13,767	28,744
Accrued income		262	263
		73,722	77,828
Current			
Commercial paper liabilities		16,926	4,994
Loans from financial institutions		22,372	18,372
Advances received		4,689	3,749
Trade payables		16,716	15,276
Liabilities to Group companies		3,786	12,812
Other liabilities		17,297	15,578
Accruals and deferred expenses		44,612	41,411
		126,398	112,192
Total liabilities		200,120	190,020
Total shareholders' equity and liabilities		337,402	337,094

Cash flow statement

EUR 1,000	2011	2010
Operations		
Operating profit	20,237	45,491
Adjustments:		
Depreciation and amortisation	7,826	7,274
Gains and losses on sales	-47	-77
Other adjustments	261	573
Cash flow before change in working capital	28,277	53,261
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	-6,448	-10,808
Increase/decrease in inventories	-1,155	75
Increase/decrease in current non-interest-bearing liabilities	6,461	4,293
Cash flow from operations before financial income/expenses and tax	27,135	46,821
Interest expenses and other financial expenses	-4,486	-6,441
Interest income from operations	3,821	4,604
Direct taxes paid	-10,558	-11,108
Cash flow from operating activities	15,912	33,876
Investments		
Investments in Group companies	-5,279	-848
Investments in tangible and intangible assets	-12,413	-14,757
Proceeds from sale of tangible and intangible assets	-465	545
Granted capital loans	24,656	-3,838
Dividends received from investments	1,069	2,012
Cash flow from investing activities	7,568	-16,886
Financing		
Proceeds from share issue		
Group contribution paid	-128	-3,505
Group contribution received	3,277	2,101
Proceeds from/repayments of short-term borrowings	4,000	1,200
Proceeds from/repayments of current liabilities to Group companies	-15,249	15,973
Proceeds from long-term loans	20,000	
Repayments of long-term loans	-20,652	-21,892
Dividends paid	-21,300	-21,301
Repurchase of own shares	-517	-1,125
Cash flow from financing activities	-30,569	-28,549
Changes in cash and cash equivalents	-7,089	-11,559
Cash and cash equivalents at 1 Jan	10,632	22,191
Cash and cash equivalents at 31 Dec	3,543	10,632
Cash and cash equivalents 31 Dec		
Cash and cash equivalents	1,145	624
Available-for-sale non-current financial assets	2,298	9,889
Overdraft facilities	100	119
	3,543	10,632

The items in the statement of changes in the financial position cannot be derived directly from the balance sheet owing, among other things, to mergers and dissolutions of subsidiaries.

Notes to the financial statements of the parent company

Principles for preparing the financial statements

The financial statements of Lassila & Tikanoja plc have been prepared in accordance with the Finnish Accounting Standards (FAS). Items in the financial statements are stated at cost.

Fixed assets

Tangible and intangible assets are stated in the balance sheet at direct acquisition cost less planned depreciation. Planned straight-line depreciation is calculated from the historical cost on the basis of probable economic life except for new landfills. The depreciation and amortisation periods are as follows:

Buildings and structures	5–25 years
Vehicles	6–8 years
Machinery and equipment	4–10 years
Goodwill	5–10 years
Intangible rights and other capitalised expenditure	5–10 years

In 2008 the Group started to apply the units of production method to new landfills. Landfills are depreciated on the basis of the volume of waste received. This method reflects more closely than the straight-line method the expected future benefits to be derived from the landfills.

Depreciation on fixed assets acquired during the financial year is calculated from the day on which they become operational.

Lease payments are recognised as expenses in the income statement. The assets are not stated in the balance sheet. Investments are measured at cost.

Inventories

Inventories are measured at the variable cost of production or the probable lower replacement or sales price. The inventories of Environmental Products are measured using the weighted average cost method. The value of other inventories is determined using the FIFO method. The cost of inventories produced by the company comprises, in addition to direct costs, a share of production overheads.

Items denominated in foreign currencies

Foreign currency transactions are recognised using the exchange rates for the dates of the transactions. Receivables and liabilities denominated in foreign currencies are translated into euros at the reference rate of the European Central Bank for the balance sheet date. Exchange rate differences are recognised in the income statement.

Derivatives

Interest rate swaps are used for hedging against the interest rate risk associated with variable-rate borrowings. Interest income and expenses arising from the swaps are allocated over the contract period and recognised as adjustments to the interest on the hedged item.

Commodity swaps are used for hedging against the commodity risk associated with cash flows from diesel purchases. As far as the ineffective portion of the hedging is concerned, changes in the fair values of these agreements are recorded in the income statement, and similarly when the agreements mature or the hedged risk materialises.

Currency forward contracts are used to hedge against foreign exchange risk. Changes in fair values are recorded in the income statement as financial income or expenses.

Net sales

Sales are stated net of indirect sales taxes, discounts and exchange rate differences. Sales freights and other costs incurred in sales and deliveries are recognised as either costs of goods sold or sales expenses. Bad debt is recognised under other operating expenses.

Research and development expenditure

Research and development expenditure is recognised as an expense.

Other operating income and expenses

Other operating income and expenses consist of items not included in regular service and product sales, such as gains and losses on the sale or disposal of fixed assets, as well as the recognition and recovery of bad debt.

Income taxes

Current income tax is determined for the taxable profit for the period according to prevailing tax rates. Taxes are adjusted by current tax rates for previous periods, if any. Deferred tax liabilities are stated in the notes to the financial statements.

1. Net sales

EUR 1,000	2011	%	2010	%
Net sales by division				
Environmental Services	271,673	54.4	241,049	52.5
Cleaning and Office Support Services	99,485	19.9	101,555	22.1
Property Maintenance	127,865	25.7	116,868	25.4
Total	499,023	100.0	459,472	100
Net sales by market				
Finland	488,801	98.0	453,082	98.6
Other countries	10,222	2.0	6,390	1.4
Total	499,023	100.0	459,472	100

2. Personnel and administrative bodies

	2011	2010
Average personnel		
Salaried employees	1,024	969
Non-salaried employees	4,885	4,675
Total	5,909	5,644

EUR 1,000	2011	2010
Personnel expenses		
Salaries and bonuses	173,260	161,653
Pension expenditure	29,552	27,678
Other salary-related expenses	12,265	10,389
Total	215,077	199,720
Personnel services invoiced from the Group	-290	-431
	214,787	199,289

Salaries, bonuses and pension benefits of the management are described in the Note 34 Related-party transactions of the consolidated financial statements. No loans were granted to the related parties of the Group companies.

3. Auditor's fees to PricewaterhouseCoopers Oy

EUR 1,000	2011	2010
Auditing	154	135
Other assignments in accordance with the auditing act	3	5
Tax consulting services	3	12
Other services	24	30
Total	184	182

4. Depreciation and amortisation

EUR 1,000	2011	2010
Depreciation and amortisation by function		
Cost of goods sold	4,971	5,295
Sales and marketing	2	2
Administration	198	200
Goodwill	2,655	1,777
Total	7,826	7,274

Depreciation and amortisation are itemised under intangible and tangible assets.

5. Other operating income and expenses

EUR 1,000	2011	2010
Other operating income		
From Group companies		
Compensation for administration costs	458	491
From others		
Merger profit	3,954	4,071
Profit on sale of real estates		12
Profit on sale of other fixed assets	63	66
Government grants	258	332
Rents	70	58
Recovery of bad debt	149	105
Low-wage support	1	604
Change in values of commodity derivatives	965	403
Other operating income	873	1,179
Total	6,791	7,321
Other operating expenses		
To others		
Losses on sale of fixed assets	16	53
Impairment of shares	23,844	
Bad debt	895	490
Other	236	262
Total	24,991	805

6. Financial income and costs

EUR 1,000	2011	2010
Dividend income	959	1,819
Other interest and financial income	3,943	4,790
Other interest and financial costs	-4,463	-6,234
Total financial income and costs	439	375
Financial income and costs include		
Dividend income		
from Group companies	958	1,818
from others	1	1
Interest income		
from Group companies	2,925	4,104
from joint ventures	707	505
from others	200	180
Interest costs		
to Group companies	771	2,513
to others	3,362	3,324

7. Extraordinary items

EUR 1,000	2011	2010
Extraordinary income		
Group contribution received	1,690	3,277
Extraordinary expenses		
Group contribution paid	-30	-128
Total extraordinary income and expenses	1,660	3,149

8. Income taxes

EUR 1,000	2011	2010
Income taxes on operations for the financial year	11,040	11,057
Income taxes for previous periods	-144	
Total	10,896	11,057
Deferred tax liabilities/ receivables		
From depreciation differences	-796	-770
From other matching differences	677	629
Total	-119	-141

9. Intangible assets

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments and construction in progress	Total
Cost at 1 January	2,131	115,241	1,280		118,652
Additions	109	4,378			4,487
Disposals	-812				-812
Transfers between items					
Cost at 31 December	1,428	119,619	1,280	0	122,327
Accumulated depreciation at 1 January	-1,582	-109,667	-436		-111,685
Accumulated depreciation on disposals and transfers	775	-513			262
Depreciation during the period	-74	-2,655	-153		-2,882
Accumulated depreciation at 31 December	-881	-112,835	-589		-114,305
Total book value	547	6,784	691	0	8,022

10. Tangible assets

EUR 1,000	Land	Buildings	Machinery and equipment	Other	Advance payments and construction in progress	Total
Cost at 1 January	3,240	64,409	27,894	133	1,428	97,104
Additions	65	3,447	5,066		2,847	11,425
Disposals			-998	-1	-9	-1,008
Transfers between items	-18	679	9		-670	
Cost at 31 December	3,287	68,535	31,971	132	3,596	107,521
Accumulated depreciation at 1 January		-26,498	-23,876	-85		-50,459
Accumulated depreciation on disposals and transfers		-980	-1,396			-2,376
Depreciation during the period		-3,580	-1,364			-4,944
Accumulated depreciation at 31 December		-31,058	-26,636	-85		-57,779
Total book value	3,287	37,477	5,335	47	3,596	49,742

11. Investments

EUR 1,000	Shares in Group companies	Holdings in joint ventures	Capital loan receivables*	Other shares and holdings	Total
Cost at 1 January	53,084	4	20,761	422	74,271
Additions			3,750	33	3,783
Disposals	-4,505			-8	-4,513
Cost at 31 December	48,579	4	24,511	447	73,541
Impairment 31 December	-23,844				
Total book value	24,735	4	24,511	447	49,697

* Capital loan receivables include:	
Capital loan receivables	
From joint ventures	24,396
From others	115

	Holding of shares and votes, %
Group companies	
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100.0
L&T Biowatti Oy, Helsinki	70.0
L&T Kalusto Oy, Helsinki	100.0
L&T Relations Oy, Helsinki	100.0
L&T Toimi Oy, Helsinki	100.0
Suomen Keräystuote Oy, Helsinki	100.0
Joint ventures	
L&T Recoil Oy, Helsinki	50.0

12. Receivables

EUR 1,000	2011	2010
From Group companies		
Loan receivables	142,966	124,368
Trade receivables	594	990
Total	143,560	125,358
From joint ventures		
Loan receivables	1,633	1,034
Trade receivables	2,710	1,894
Total	4,343	2,928
Prepaid expenses and accrued income		
Interests	15	4
Employees' health care compensation	1,553	2,872
Statutory personnel insurance	223	792
Insurance refunds	380	147
Derivative financial instrument receivables	419	407
Other	794	1,046
Total	3,384	5,268

13. Shareholders' equity

EUR 1,000	2011	2010
Share capital at 1 January / 31 December	19,399	19,399
Share premium at 31 December		50,672
Fair value reserve at 31 December	287	400
Invested non-restricted equity reserve at 31 December	50,755	46
Retained earnings at 1 January	71,213	55,349
Dividend	-21,306	-21,323
Out-dated dividend	16	10
Purchase of own shares	-554	-489
Retained earnings at 31 December	49,369	33,547
Profit for the period	11,521	37,666
Shareholders' equity at 31 December	131,331	141,730
Distributable assets		
Retained earnings	49,369	33,547
Profit for the period	11,521	37,666
Invested non-restricted equity reserve	50,755	46
Total distributable assets	111,645	71,259

14. Obligatory provisions

EUR 1,000	2011	2010
Environmental provisions	1,649	1,315
Pension liabilities	545	541
Restructuring provisions	180	218
Screened construction waste	329	307
Total	2,703	2,381

The environmental provisions relate to the site restoration cost of the landfill in Kerava.

15. Liabilities

Repayments of non-current liabilities in coming years

EUR 1,000	2012*	2013	2014	2015	2016	2017 and later
Loans from financial institutions	22,372	27,897	18,504	11,196	6,263	9,601

* In the balance sheet under current liabilities

EUR 1,000	2011	2010
Liabilities to Group companies		
Trade payables	430	834
Other liabilities	3,356	11,978
Total	3,786	12,812
Accruals and deferred expenses		
Personnel expenses	37,263	34,619
Interests	608	632
Waste charges	1,420	1,084
Other matched expenses	5,321	5,076
Total	44,612	41,411

16. Contingent liabilities

EUR 1,000	2011	2010
For own commitments		
Mortgages on rights of tenancy	186	179
Other securities	137	166
Liabilities related to leasing and leases		
Falling due next year	6,993	7,520
Falling due in subsequent years	15,333	19,108
Total	22,326	26,628
For Group companies		
Guarantees	8,160	13,788
For joint ventures		
Guarantees	18,128	20,802
Bank guarantees required for environmental permits	5,649	4,624

17. Derivatives

EUR 1,000	2011	2010
Interest rate swaps		
Nominal value	79,462	51,132
Fair value	-1,648	-1,056

Interest rate swaps were entered into for hedging purposes. Their fair values are based on the market prices at the balance sheet date.

metric tonnes	2011	2010
Commodity derivatives		
Nominal value	3,180	10,140
Fair value	419	400

Commodity derivatives were entered into for hedging purposes. Their fair values are based on the market quotations at the balance sheet date.

EUR 1,000	2011	2010
Currency derivatives		
Nominal value	1,079	196
Fair value	-19	7

Currency derivatives were entered into for hedging purposes. Their fair values are based on the market quotations at the balance sheet date.

Proposal for the distribution of assets

Proposal by the Board of Directors for the use of the profit shown on the balance sheet and the capital repayment:

According to the financial statements, Lassila & Tikanoja plc's non-restricted equity amount to EUR 111,645,234.28 with the operating profit for the period representing EUR 11,521,380.63. There were no substantial changes in the financial standing of the company after the end of the period, and the solvency test referred to in Chapter 13, section 2 of the Companies Act does not affect the amount of distributable assets.

The Board of Directors proposes to the Annual General Meeting that the profit for 2011 be placed in retained earnings and that no dividend be paid.

The Board of Directors proposes to the Annual General Meeting that, based on the balance sheet to be adopted for 2011, a capital repayment of EUR 0.55 per share be made. Capital is repaid from the reserve for invested non-restricted equity. Capital is repaid to shareholders included in the company shareholder register maintained by Euroclear Finland Oy on the record date, 20 March 2012. The Board proposes to the Annual General Meeting that the capital repayment be made on 27 March 2012.

No capital repayment shall be paid on shares held by the company on the capital repayment record date, 20 March 2012.

On the day the proposal for the distribution of assets was made, the number of shares entitling to capital repayment was 38,685,569, which means the total amount of the capital repayment would be	EUR 21,277,062.95
To be retained and carried forward	EUR 90,368,171.33
Total	EUR 111,645,234.28

In accordance with the resolution of the Board of Directors, the record date is 20 March 2012. The Board of Directors proposes to the Annual General Meeting that the capital repayment be paid on 27 March 2012.

Signatures to the Report of the Board of Directors and the Financial Statements for the year 2011:

Helsinki on 1 February 2012

Heikki Bergholm
Hille Korhonen
Miikka Maijala

Eero Hautaniemi
Sakari Lassila

Pekka Ojanpää
President and CEO

Auditor's report

To the Annual General Meeting of Lassila & Tikanoja plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Lassila & Tikanoja plc for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other Opinions

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet and the distribution of other unrestricted equity is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki 14 February 2012

PricewaterhouseCoopers Oy
Authorised Public Accountants

Heikki Lassila
Authorised Public Accountant

Information to investors

Lassila & Tikanoja Disclosure Policy

This disclosure policy defines the principles and operating procedures in Lassila & Tikanoja plc's (L&T) communication with the capital market. The policy is approved by the Board of Directors.

Principles and goals of investor communications

L&T complies with the requirements of the Finnish legislation and with the regulations and guidelines issued by The Finnish Financial Supervision Authority and NASDAQ OMX Helsinki.

The purpose of L&T's investor communications is to provide correct and relevant information for the capital market, in order to support the correct valuation of L&T's share. All material information on L&T's activities, operating environment, strategy, goals and financial standing is disclosed timely, clearly and sufficiently comprehensively. All market participants are provided with the same information simultaneously, and both positive and negative events are reported. Periodical reports are produced in a continuous, consistent format in terms both of figures and written assessments.

Regular disclosure requirements

L&T issues a financial statement release, interim reports, financial statements, report of the Board of Directors and an annual summary according to a previously disclosed calendar. The calendar is disclosed prior to the start of each financial year.

Other disclosure requirements

L&T discloses without undue delay information on decisions and circumstances concerning the company and its activities, which is expected to materially affect the price of its listed securities. In evaluating whether information is immaterial, the expected extent or importance of the matter compared to the company's activities as a whole is considered. Material information is always disclosed by a stock exchange release.

Examples of information that could be material: changes in the management, profit warnings, major capital expenditure, major business acquisitions, major reorientation of business, major new partnership arrangements, major litigation pending or decisions rendered in legal disputes, major decision made by authorities, significant information regarding a subsidiary or a joint venture.

Information leaks

In the event that confidential material information leaks out, the company will make immediate disclosure of that information without undue delay.

Forward looking information and guidance

Forecasts and forward-looking statements are disclosed in the financial statement release and interim reports. L&T discloses forecasts for the current financial year as a whole only. L&T does not comment on analyst estimates nor market rumours.

Communication practices

L&T discloses without undue delay a profit warning, if either a forecast or prospects deviate significantly from a previous forecast. In deciding whether a deviation is significant enough, the deviation is compared to the latest disclosed financial report. Primarily the decision on the disclosure of a profit warning is made by the Board. If a sufficient number of directors to constitute a quorum cannot be reached quickly enough, the decision is made by the Chairman of the Board or the President and CEO, who endeavour to discuss with as many members of the Board as possible prior to the disclosure.

In crisis situations, the company's crisis communication guidelines are followed.

Stock exchange releases are available on the company website immediately after the disclosure.

Responsibilities and designated spokespersons

The President and CEO is in charge of investor relations. Investor communications are the responsibility of CFO. Announcements are published by IR personnel supervised by the CFO. Individual investor relations and meetings are the responsibility of Pekka Ojanpää, President and CEO, Ville Rantala, CFO, and Keijo Keränen, Head of Treasury and Investor Relations.

Within the operative management public statements on the company's finances are issued only by the President and CEO or a person designated by him. Others must not respond to any inquiries concerning the company as a whole or its finances. Such inquiries are directed to Keijo Keränen.

Procedures in investor and analyst meetings

In conjunction with the publication of its annual and interim results L&T holds conferences for analysts and investors. Investors are met at the analyst and investor meetings and in the road shows organised by banking companies. Analysts and investors are also invited to visit the company.

Silent period

No appointments will be arranged with L&T's representatives, nor will they comment on the financial result during the period between the end of the financial period and the disclosure of the result.

Financial Information in 2012
The interim report for the period between 1 January and 31 March will be published on 26 April 2012 at 8 am.
The interim report for the period between 1 January and 30 June will be published on 24 July 2012 at 8 am.
The interim report for the period between 1 January and 30 September will be published on 23 October 2012 at 8 am.

Distribution of financial information
Lassila & Tikanoja's Annual Report and interim reports are published in Finnish and English.

The annual report will be mailed to the persons on the mailing list maintained by the company. The company website can be used for subscribing for annual reports.

E-mail alerts for stock exchange releases can be ordered on the company website.

Contact information
www.lassila-tikanoja.com
E-mail: ir@lassila-tikanoja.fi
Keijo Keränen, Head of Treasury and Investor Relations, tel. +358 10 636 2782 or +358 50 385 6957

Changes of address
Shareholders are requested to provide any changes of address to the bank, brokerage firm or other account operator that manages the shareholders' book-entry account.

Analyses of the company
The financial performance of Lassila & Tikanoja plc is monitored and assessed by at least the brokerage firms listed below. Lassila & Tikanoja plc is not responsible for any comments made in these analyses.

Carnegie, Finland Branch
Danske
Evli Bank
FIM
Nordea
Pohjola Bank
SEB Enskilda
Ålandsbanken

The contact details of the analysts are available on the company website.

Lassila & Tikanoja plc share and listed share options
The company's shares are quoted on the mid-cap list of the NASDAQ OMX Helsinki Ltd. in the Industrials sector. Listing date is 1 October 2001.

	Share	2008 share option
Trading code	LAT1V	LAT1VEW108
ISIN code	FI0009010854	FI0009648190

Annual General Meeting and payment of capital repayment

Annual General Meeting
The Annual General Meeting of Lassila & Tikanoja plc will be held on Thursday 15 March at 4 pm in the Helsinki room of the Finlandia Hall, Mannerheimintie 13 e, Helsinki. Each shareholder, who is registered on 5 March 2012 in the shareholders' register of the company held by Euroclear Finland Ltd, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

Registration
A shareholder, who wants to participate in the Annual General Meeting, shall register for the meeting no later than 12 March 2012 at 4 pm by giving a prior notice of participation. Such notice can be given:
a) via the company website www.lassila-tikanoja.com
b) by e-mail at taru.enrot@lassila-tikanoja.fi
c) by telephone at +358 10 636 2882 / Taru Enrot
d) by fax at +358 10 636 2899 or
e) by regular mail to Lassila & Tikanoja plc, Taru Enrot
P.O. Box 28, FI-00441 Helsinki, Finland.

Any powers of attorney and proxy documents shall be delivered in originals to the above mentioned address by the end of the registration period.

Holders of nominee registered shares
A holder of nominee registered shares, who wants to participate in the Annual General Meeting, shall be temporarily entered into the Company's shareholder register on 12 March 2012 at 10 am at the latest. A holder of nominee registered shares is advised to request without delay necessary instructions regarding the registration in the Company's shareholder register, the issuing of proxy documents and registration for the Annual General Meeting from his/her custodian bank.

Payment of capital repayment
The Board of Directors proposes to the Annual General Meeting that, based on the balance sheet to be adopted for 2011, a capital repayment of EUR 0.55 per share be made. The capital repayment determined by the Annual General Meeting will be paid from the reserve for invested non-restricted equity. The capital repayment will be paid to a shareholder registered in the company's list of shareholders maintained by the Euroclear Finland Ltd on the record date.

Annual General Meeting	15 March 2012
Ex-date	16 March 2012
Record date	20 March 2012
Payment of dividend	27 March 2012

Lassila & Tikanoja plc
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