

LASSILA & TIKANOJA PLC: FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2016

- Net sales for the final quarter increased by 1.9% to EUR 168.3 million (EUR 165.2 million), operating profit was EUR 10.5 million (EUR 9.7 million) and earnings per share EUR 0.22 (EUR 0.18)
- Full-year net sales increased by 2.4% to EUR 661.8 million (EUR 646.3 million), operating profit was EUR 50.5 million (EUR 49.9 million) and earnings per share EUR 1.13 (EUR 0.98)
- Full-year net sales and operating profit in 2017 are expected to remain at the 2016 level
- The Board of Directors proposes a dividend of EUR 0.92 per share

CEO PEKKA OJANPÄÄ:

"Lassila & Tikanaja's result for 2016 was in line with our expectations. Net sales grew organically and due to strategically targeted acquisitions. Facility Services and Industrial Services substantially improved their profitability. The strong performance of these two divisions compensated for the weaker result of Environmental Services due to the decreased demand for, and low prices of, recyclable raw materials and solid recovered fuels. The prices of recyclable raw materials and solid recovered fuels are still below the long-term averages and the situation is not expected to change in the short run. Price competition in cleaning services also remained intense.

The year 2016 was in many ways similar to the previous few years. The business environment is in constant flux, with the rate of change only accelerating further. While there are signs of an upturn in the air, economic recovery will take a long time. This underscores the significance of renewal and the improvement of productivity in all of our businesses. In line with our strategy, our focus in 2017 remains on strengthening our market position and ensuring profitability and cash flow.

GROUP NET SALES AND FINANCIAL PERFORMANCE**October–December**

Lassila & Tikanaja's net sales for the final quarter increased by 1.9% to EUR 168.3 million (EUR 165.2 million). Operating profit totalled EUR 10.5 million (EUR 9.7 million), representing 6.2% (5.9%) of net sales. Earnings per share were EUR 0.22 (EUR 0.18).

In the final quarter, the Industrial Services achieved organic growth in net sales of 5.3% due to strong demand for services. Net sales grew by 3.6% in Environmental Services and by 0.1% in Facility Services, organically and due to acquisitions. The net sales of the Renewable Energy Sources division declined by 1.1% due to the weak demand for energy wood.

Operating profit improved significantly in Facility Services and Renewable Energy Sources. Operating profit also grew in Industrial Services. The operating profit of Environmental Services was substantially lower than in the comparison period. The Group's operating profit was reduced by cost provisions for efficiency improvement measures implemented at the end of the year, totalling approximately EUR 0.7 million.

Year 2016

Net sales for 2016 increased by 2.4% to EUR 661.8 million (EUR 646.3 million). Operating profit totalled EUR 50.5 million (EUR 49.9 million), representing 7.6% (7.7%) of net sales. Earnings per share were EUR 1.13 (EUR 0.98).

Net sales grew by 6.6% in Industrial Services organically, 1.9% in Facility Services, mostly organically, and 3.2% in Environmental Services, due to acquisitions. The net sales of the Renewable Energy Sources division declined by 6.6% due to the low demand for wood-based fuels.

Profitability improved particularly in Facility Services and was also higher than in the comparison period in Industrial Services. The operating profit of Environmental Services and Renewable Energy Sources showed a substantial decline.

The Group's earnings per share was improved in the second quarter by a legally valid decision handed

down by the Administrative Court, according to which the payment of approximately EUR 16.7 million made by the company in 2014 under the L&T Recoil Oy guarantee commitment is tax-deductible as far as the payment is not available from the bankrupt's estate. In previous financial reports, the company has treated the payment as a non-tax deductible item due to the matter being unfinished. The decision had a favourable impact of EUR 0.09 on earnings per share.

Impact of new guidance from the European Securities and Markets Authority

The new guidance issued by the European Securities and Markets Authority (ESMA) regarding Alternative Performance Measures entered into effect on 3 July 2016. Lassila & Tikanoja presents Alternative Performance Measures in addition to IFRS performance measures in order to illustrate the financial performance of its business operations and to improve comparability between reporting periods. Alternative Performance Measures should not be considered to be replacements for the performance measures defined in the IFRS standards. The new guidance on Alternative Performance Measures has no impact on the company's reporting of performance measures.

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

Financial summary

	10-12/ 2016	10-12/ 2015	Change	1-12/ 2016	1-12/ 2015	Change
Net sales, EUR million	168.3	165.2	1.9%	661.8	646.3	2.4%
Operating profit, EUR million	10.5	9.7	8.7%	50.5	49.9	1.2%
Operating margin, %	6.2	5.9		7.6	7.7	
Profit before tax, EUR million	10.6	8.6	23.1%	50.1	47.7	5.1%
Earnings per share, EUR	0.22	0.18	24.6%	1.13	0.98	15.1%
Dividend/share, EUR				0.92*	0.85	
Cash flow from operating activities/share, EUR	1.11	0.75	48.8%	1.99	1.99	0.0%
EVA, EUR million	19.9	4.7	320.5%	30.7	30.3	1.3%

* Proposal by the Board of Directors

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

October-December

The net sales of the Environmental Services division grew by 3.6% in the final quarter, mainly due to acquisitions. Net sales totalled EUR 66.5 million (EUR 64.2 million). Operating profit was EUR 6.5 million (EUR 7.4 million).

The operating profit of Environmental Services was decreased by the lower volume of recyclable materials at recycling plants, the reduced demand for solid recovered fuels and the continued low market prices of secondary raw materials.

Year 2016

The Environmental Services division's full-year net sales grew by 3.2% to EUR 264.8 million (EUR 256.5 million). Operating profit totalled EUR 31.3 million (EUR 35.8 million).

Previously completed acquisitions and stronger demand for waste management and in the construction sector in particular increased the division's net sales.

The division's operating profit was affected by significant changes in the business environment, such as a decline in the market for recyclable paper and the responsibility for household packaging materials being shifted to producers. The volumes and prices of secondary raw materials and solid recovered fuels were also at a low level.

Industrial Services

October–December

The Industrial Services division's net sales for the final quarter increased by 5.3% to EUR 21.4 million (EUR 20.3 million). Operating profit totalled EUR 2.6 million (EUR 1.8 million).

The net sales of the division's services improved excellently particularly in process cleaning, and net sales also grew in hazardous waste management and environmental construction. Net sales decreased in sewer maintenance.

The division's operating profit grew significantly, particularly due to the improved profitability of hazardous waste management. Process cleaning also achieved a year-on-year increase in operating profit. Profitability declined in sewer maintenance and environmental construction.

Year 2016

The Industrial Services division's full-year net sales grew by 6.6% to EUR 82.1 million (EUR 77.0 million). Operating profit totalled EUR 7.8 million (EUR 6.8 million).

The division's net sales grew particularly in environmental construction. Net sales also increased in process cleaning and sewer maintenance. The net sales of hazardous waste management remained at the previous year's level. The division's growth was entirely organic.

Profitability increased in all service lines, especially in environmental construction. Operating profit improved substantially in process cleaning and sewer maintenance. The improvement in profitability was made possible by strong demand and the enhanced efficiency of operations.

Facility Services

October–December

The Facility Services division's net sales for the final quarter increased by 0.1% to EUR 71.8 million (EUR 71.7 million). Operating profit was EUR 2.6 million (EUR 1.0 million).

The division's net sales grew in renovation services and property maintenance, but declined in the maintenance of technical systems and cleaning.

Operating profit grew year-on-year across all service lines due to previously implemented efficiency improvement measures.

Year 2016

The Facility Services division's full-year net sales grew by 1.9% to EUR 288.3 million (EUR 282.9 million). Operating profit amounted to EUR 13.5 million (EUR 8.1 million).

Net sales grew in renovation services, maintenance of technical systems and cleaning, but declined in property maintenance.

The Facility Services division's other service lines substantially improved their profitability thanks to efficiency improvement measures, but the profitability of cleaning declined as a result of price competition remaining intense. The recovery of the construction market was reflected in higher demand for renovation services and maintenance of technical systems.

Renewable Energy Sources

October–December

The final quarter net sales of Renewable Energy Sources (L&T Biowatti) decreased by 1.1% to EUR 11.6 million (EUR 11.7 million). Operating profit totalled EUR 0.7 million (EUR 0.3 million).

The division's net sales declined due to the low demand for forest energy.

Operating profit grew in the final quarter, especially in southern Finland.

Year 2016

The full-year net sales of the Renewable Energy Sources division were down by 6.6% to EUR 36.8 million (EUR 39.4 million). Operating profit totalled EUR 1.5 million (EUR 2.1 million).

The year-on-year decline in the division's net sales and operating profit was mainly attributable to the low demand for forest energy due to the short heating season, the weak profitability of electricity produced from wood chips and the low price of competing fuels.

FINANCING

Cash flow from operating activities amounted to EUR 76.4 million (EUR 89.8 million). A total of EUR 2.7 million in working capital was released (EUR 9.5 million released). The exceptionally high cash flow from operating activities in the comparison period was affected by the factoring of trade receivables implemented in summer 2015.

At the end of the period, interest-bearing liabilities amounted to EUR 66.9 million (EUR 95.8 million).

Net interest-bearing liabilities amounted to EUR 38.7 million (EUR 41.8 million), showing a decrease of EUR 27.0 million from the previous quarter and a decrease of EUR 3.1 million from the comparison period.

Net financial expenses in 2016 amounted to EUR 0.4 million (EUR 2.2 million). Net financial expenses were 0.1% (0.3%) of net sales and they included EUR 1.4 million in exchange rate gains arising from the appreciation of the Russian rouble.

The average interest rate on long-term loans (with interest rate hedging) was 1.6% (1.5%). Long-term loans totalling EUR 2.6 million will mature in 2017.

The equity ratio was 50.4% (46.5%) and the gearing rate was 17.3 (19.8). Liquid assets at the end of the period amounted to EUR 28.2 million (EUR 54.0 million).

The EUR 100 million commercial paper programme and the committed limit totalling EUR 100 million were not in use at the end of the period, as was the case in the comparison period.

DISTRIBUTION OF ASSETS

The Annual General Meeting held on 17 March 2016 resolved that a dividend of EUR 0.85 per share be paid on the basis of the balance sheet that was adopted for the financial year 2015. The dividend, totalling EUR 32.6 million, was paid to shareholders on 30 March 2016.

CAPITAL EXPENDITURE

Gross capital expenditure in 2016 totalled EUR 41.6 million (EUR 49.6 million), consisting primarily of machine and equipment purchases, investments in information systems and acquisitions. Of the significant ongoing information system projects, the deployment of the new ERP system for Facility Services and the first deployments of new financial systems took place in late 2016 and early 2017.

PERSONNEL

In 2016, the average number of employees converted into full-time equivalents was 7,199 (7,099). At the end of the period, Lassila & Tikanoja had 7,931 (8,085) full-time and part-time employees. Of these, 7,023 (7,192) worked in Finland and 908 (893) in other countries.

PROPOSAL FOR THE DISTRIBUTION OF ASSETS

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amounts to EUR 103,632,967.71 with the operating profit for the period representing EUR 38,541,799.58. 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 a dividend of EUR 0.92 per share be paid for the financial year 2016.

The dividend is paid to shareholders included in the company shareholder register maintained by Euroclear Finland Oy on the record date, 20 March 2017. The Board proposes to the Annual General Meeting that the dividend be paid on 27 March 2017.

No dividend shall be paid on shares held by the company on the record date of 20 March 2017.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 38,378,006, which means the total amount of the dividend would be EUR 35,307,765.52.

Earnings per share amounted to EUR 1.13. The proposed dividend, EUR 0.92 per share, is 81.3% of the earnings per share.

L&T's online Annual Report, which includes the report by the Board of Directors and the financial statements for 2016, will be published in the week starting on 20 February 2017 at www.lassila-tikanoja.fi/annualreport2016.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading on Nasdaq Helsinki in 2016, excluding the shares held by the company in Lassila & Tikanoja plc, was 6,475,324 shares, which is 16.9% (26.0%) of the average number of outstanding shares. The value of trading was EUR 110.1 million (EUR 172.4 million). The highest share price was EUR 19.59 and the lowest EUR 14.37. The closing price was EUR 19.20. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 736.9 million (EUR 695.1 million).

Own shares

At the end of the period, the company held 420,868 of its own shares, representing 1.1% of all shares and votes.

Share capital and number of shares

The company's registered share capital amounts to EUR 19,399,437 and the number of outstanding shares is 38,378,006. The average number of shares excluding the shares held by the company was 38,375,007.

Shareholders

At the end of the period, the company had 10,812 (9,790) shareholders. Nominee-registered holdings accounted for 17.6% (21.6%) of the total number of shares.

Authorisation for the Board of Directors

The Annual General Meeting held on 17 March 2016 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the company's unrestricted equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on the share issue and the issuance of special rights entitling their holders to shares.

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

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

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting, which was held on 17 March 2016, adopted the financial statements and consolidated financial statements for 2015 and released the members of the Board of Directors and the President and CEO from liability.

The Annual General Meeting resolved that a dividend of EUR 0.85 per share, totalling EUR 32.6 million, be paid on the basis of the balance sheet adopted for the financial year 2015. It was decided that the dividend be paid on 30 March 2016.

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

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

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 17 March 2016.

BOARD OF DIRECTORS

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

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

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

On 4 January 2016, the company announced that it had concluded the repurchase of its own shares that was announced on 2 September 2015. The repurchase of the company's own shares began on 15 September 2015 and the repurchase programme ended on 31 December 2015. The final share purchase was realised on 21 December 2015. A total of 253,406 shares were purchased during the repurchase programme. As of the conclusion of the repurchase programme, the company holds a total of 437,721 of its own shares, which corresponds to 1.1% of shares and votes.

On 3 February 2016, the company announced a change to its target range for gearing for the strategy period 2014–2018. The new range is 0–70 per cent. The previous range was 30–80 per cent. The change is based on the company's strong cash flow as well as the need to prepare for potential acquisitions and other capital expenditure.

On 10 June 2016, the company announced that Tutu Wegelius-Lehtonen, Lic.Sc. (Tech.), has been appointed Vice President for Facility Services starting from 1 July 2016, having previously served as L&T's Director, Supply Chain, and as a member of the Group Executive Board since February 2015. Tomi Kontinen, B. Eng. (Logistics), was appointed Wegelius-Lehtonen's successor as Director, Supply Chain, and member of the Group Executive Board, starting from 1 July 2016.

EVENTS AFTER THE REVIEW PERIOD

The company's management is not aware of any events of material importance after the review period that might have affected the preparation of the financial statements release.

NEAR-TERM RISKS AND UNCERTAINTIES

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

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

The company began the deployment of a new ERP system in 2016 and will continue the deployment process in 2017. The deployment of the new system may lead to temporary overlapping costs arising from changes in the operating model, which can have a negative effect on the company's result.

More detailed information on Lassila & Tikanoja's risks and risk management is available in the 2016 Annual Report, which will be published on 23 February, and in the Report of the Board of Directors and the consolidated financial statements.

OUTLOOK FOR THE YEAR 2017

Full-year net sales and operating profit in 2017 are expected to remain at the 2016 level.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2016

CONSOLIDATED INCOME STATEMENT

EUR million	10–12/2016	10–12/2015	1–12/2016	1–12/2015
Net sales	168.3	165.2	661.8	646.3
Cost of sales	-151.0	-149.7	-586.8	-572.0
Gross profit	17.3	15.5	75.0	74.2
Other operating income	1.7	1.7	4.8	3.7
Sales and marketing expenses	-3.2	-3.3	-12.5	-12.9
Administrative expenses	-5.1	-3.7	-15.1	-13.0
Other operating expenses	-0.1	-0.5	-1.8	-2.1
Operating profit	10.5	9.7	50.5	49.9
Financial income	0.7	0.1	1.6	0.3
Financial expenses	-0.6	-1.1	-2.0	-2.5
Profit before tax	10.6	8.6	50.1	47.7
Income taxes	-2.1	-1.8	-6.7	-9.7
Profit for the period	8.5	6.8	43.4	37.9
Attributable to:				
Equity holders of the company	8.5	6.8	43.4	37.9
Non-controlling interest	0.0	0.0	0.0	0.0
Earnings per share attributable to equity holders of the parent company:				
Earnings per share, EUR	0.22	0.18	1.13	0.98
Diluted earnings per share, EUR	0.22	0.18	1.13	0.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Profit for the period	8.5	6.8	43.4	37.9
Items not to be recognised through profit or loss				
Items arising from re-measurement of defined benefit plans	0.0	0.1	0.0	0.1
Items not to be recognised through profit or loss, total	0.0	0.1	0.0	0.1
Items potentially to be recognised through profit or loss				
Hedging reserve, change in fair value	0.1	0.0	0.4	0.4
Currency translation differences	0.2	0.1	-0.1	0.1
Currency translation differences recognised in profit or loss	0.0	0.0	0.0	0.0
Currency translation differences, non-controlling interest	0.0	0.0	0.0	0.0
Items potentially to be recognised through profit or loss, total	0.3	0.1	0.3	0.4
Total comprehensive income, after tax	8.8	7.0	43.7	38.4
Attributable to:				
Equity holders of the company	8.8	7.0	43.7	38.5
Non-controlling interest	0.0	0.0	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	12/2016	12/2015
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	116.5	113.7
Customer contracts arising from acquisitions	5.2	5.4
Agreements on prohibition of competition	0.1	0.2
Other intangible assets arising from business acquisitions	0.6	0.6
Other intangible assets	20.8	15.0
	143.2	134.9
Property, plant and equipment		
Land	5.3	5.0
Buildings and constructions	40.7	39.9
Machinery and equipment	104.8	111.0
Other	0.1	0.1
Prepayments and construction in progress	5.3	5.5
	156.1	161.5
Other non-current assets		
Available-for-sale investments	0.6	0.6
Finance lease receivables	1.2	2.1
Deferred tax assets	5.5	2.4
Other receivables	1.7	2.0
	9.0	7.0
Total non-current assets	308.3	303.4
Current assets		
Inventories	24.9	23.6
Trade and other receivables	90.5	84.4
Derivative receivables	0.3	0.0
Prepayments	0.6	0.3
Current available-for-sale financial assets	0.0	5.0
Cash and cash equivalents	28.2	49.0
Total current assets	144.5	162.4
Total assets	452.8	465.8

EQUITY AND LIABILITIES

EUR million	12/2016	12/2015
Equity		
Equity attributable to equity holders of the parent company		
Share capital	19.4	19.4
Other reserves	-3.1	-3.4
Invested unrestricted equity reserve	0.4	0.5
Retained earnings	162.7	156.8
Profit for the period	43.4	37.9
	222.8	211.2
Non-controlling interest	0.2	0.1
Total equity	223.0	211.4
Liabilities		
Non-current liabilities		
Deferred tax liabilities	24.8	24.9
Retirement benefit obligations	1.0	0.9
Provisions	4.8	4.1
Borrowings	63.5	61.0
Other liabilities	0.3	0.4
	94.3	91.2
Current liabilities		
Borrowings	3.4	34.9
Trade and other payables	129.9	121.9
Derivative liabilities	0.1	1.1
Tax liabilities	0.1	1.4
Provisions	2.0	3.9
	135.5	163.2
Total liabilities	229.8	254.4
Total equity and liabilities	452.8	465.8

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million

1–12/2016 1–12/2015

	1–12/2016	1–12/2015
Cash flows from operating activities		
Profit for the period	43.4	37.9
Adjustments		
Income taxes	6.7	9.7
Depreciation and impairment	38.8	40.0
Financial income and expenses	0.4	2.2
Gain on sale of shares	0.0	0.0
Other	-2.1	0.7
Net cash generated from operating activities before change in working capital	87.2	90.6
Change in working capital		
Change in trade and other receivables	-2.5	11.8
Change in inventories	-1.4	-1.0
Change in trade and other payables	6.6	-1.3
Change in working capital	2.7	9.5
Interest paid	-2.0	-1.7
Interest received	0.3	0.3
Income taxes	-11.7	-8.9
Net cash from operating activities	76.4	89.8
Cash flows from investing activities		
Acquisition of subsidiaries and businesses, net of cash acquired	-1.8	-6.5
Prepayments for Group companies and businesses	-	-3.6
Purchases of property, plant and equipment and intangible assets	-33.9	-37.6
Proceeds from sale of property, plant and equipment and intangible assets	0.8	0.0
Change in other non-current receivables	0.2	1.7
Dividends received	0.0	0.0
Net cash used in investing activities	-34.6	-46.1
Cash flows from financing activities		
Change in short-term borrowings	-0.2	0.2
Proceeds from long-term borrowings	-	25.0
Repayments of long-term borrowings	-34.8	-25.2
Dividends paid	-32.6	-29.0
Acquisition of own shares	-	-4.7
Net cash generated from financing activities	-67.6	-33.7
Net change in liquid assets	-25.9	10.0
Liquid assets at beginning of period	54.0	44.0
Effect of changes in foreign exchange rates	0.0	0.0
Liquid assets at end of period	28.2	54.0

Liquid assets

EUR million	12/2016	12/2015
Cash and cash equivalents	28.2	49.0
Available-for-sale financial assets	0.0	5.0
Total	28.2	54.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-Controlling interest	Total equity
Equity on 1 Jan. 2016	19.4	-2.9	-0.4	0.5	194.7	211.2	0.1	211.4
Total comprehensive income								
Profit for the period					43.4	43.4	0.0	43.4
Items arising from re-measurement of defined benefit plans					0.0	0.0		0.0
Hedging reserve, change in fair value			0.4			0.4		0.4
Currency translation differences		-0.1				-0.1	0.0	-0.1
Total comprehensive income	0.0	-0.1	0.4	0.0	43.4	43.7	0.0	43.7
Transactions with shareholders								
Share-based benefits				0.0	0.5	0.5		0.5
Dividends paid					-32.6	-32.6		-32.6
Dividends returned					0.0	0.0		0.0
Transactions with shareholders, total	0.0	0.0	0.0	0.0	-32.1	-32.1		-32.1
Other changes					0.0	0.0		0.0
Equity on 31 Dec. 2016	19.4	-3.0	-0.1	0.4	206.1	222.8	0.2	223.0

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-Controlling interest	Total equity
Equity on 1 Jan. 2015	19.4	-3.0	-0.9	0.3	190.3	206.2	0.2	206.3
Total comprehensive income								
Profit for the period					37.9	37.9	0.0	37.9
Items arising from re-measurement of defined benefit plans					0.1	0.1		0.1
Hedging reserve, change in fair value			0.5		-0.1	0.4		0.4
Currency translation differences		0.1			0.0	0.1	0.0	0.0
Total comprehensive income		0.1	0.5		37.9	38.4	0.0	38.4
Transactions with shareholders								
Share-based benefits				0.1	0.2	0.3		0.3
Dividends paid					-29.0	-29.0		-29.0
Dividends returned					0.0	0.0		0.0
Capital repayment					-4.7	-4.7		-4.7
Transactions with shareholders, total				0.1	-33.5	-33.4		-33.4
Other changes					0.0	0.0		0.0
Equity on 31 Dec. 2015	19.4	-2.9	-0.4	0.5	194.7	211.2	0.1	211.4

KEY FIGURES

	10–12/ 2016	10–12/ 2015	1–12/ 2016	1–12/ 2015
Earnings per share, EUR	0.22	0.18	1.13	0.98
Diluted earnings per share, EUR	0.22	0.18	1.13	0.98
Cash flow from operating activities/share, EUR	1.11	0.75	1.99	2.33
EVA, EUR million*	19.9	4.7	30.7	30.3
Gross capital expenditure, EUR million	14.4	18.4	41.6	49.6
Depreciation, amortisation and impairment, EUR million	9.8	10.0	38.8	40.0
Equity per share, EUR			5.81	5.51
Dividend/share, EUR			0.92**	0.85
Dividend/earnings, %			81,3	86.5
Effective dividend yield, %			4.8	4.7
P/E ratio			17.0	18.40
Return on equity, % (ROE)			20.0	18.2
Return on invested capital, ROI, %			17.4	16.5
Equity ratio, %			50.4	46.5
Gearing, %			17.3	19.8
Net interest-bearing liabilities, EUR million			38.7	41.8
Average number of employees in full-time equivalents			7,199	7,099
Total number of full-time and part-time employees at end of period			7,931	8,085
Number of outstanding shares adjusted for issues, 1,000 shares				
average during the period			38,375	38,590
at end of period			38,378	38,361
average during the period, diluted			38,390	38,605

* EVA = operating profit - cost calculated on invested capital (average of four quarters) WACC: 2016 6.56%, 2015 6.51%

* Proposal by the Board of Directors

ACCOUNTING POLICIES

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

The interim report has been prepared with application of the IFRS standards and interpretations in effect on 31 December 2016.

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

The information presented in the financial statements release has not been audited.

SEGMENT INFORMATION

Net sales

EUR million	10–12/ 2016			10–12/ 2015			Total net sales, change %
	External	Inter- division	Total	External	Inter- division	Total	
Environmental Services	65.5	1.1	66.5	63.2	1.0	64.2	3.6
Industrial Services	20.3	1.1	21.4	19.7	0.6	20.3	5.3
Facility Services	71.0	0.8	71.8	70.6	1.1	71.7	0.1
Renewable Energy Sources	11.6	0.0	11.6	11.7	0.0	11.7	-1.1
Eliminations		-3.0	-3.0		-2.8	-2.8	
Total	168.3	0.0	168.3	165.2	0.0	165.2	1.9

EUR million	1–12/ 2016			1–12/ 2015			Total net sales, change %
	External	Inter- division	Total	External	Inter- division	Total	
Environmental Services	261.2	3.6	264.8	253.1	3.4	256.5	3.2
Industrial Services	78.7	3.4	82.1	75.0	2.0	77.0	6.6
Facility Services	285.3	2.9	288.3	279.0	4.0	282.9	1.9
Renewable Energy Sources	36.6	0.2	36.8	39.2	0.2	39.4	-6.6
Eliminations		-10.1	-10.1		-9.5	-9.5	
Total	661.8	0.0	661.8	646.3	0.0	646.3	2.4

Operating profit

EUR million	10–12/ 2016		10–12/ 2015		1–12/ 2016		1–12/ 2015	
		%		%		%		%
Environmental Services	6.5	9.7	7.4	11.6	31.3	11.8	35.8	14.0
Industrial Services	2.6	11.9	1.8	9.1	7.8	9.5	6.8	8.9
Facility Services	2.6	3.6	1.0	1.5	13.5	4.7	8.1	2.9
Renewable Energy Sources	0.7	6.2	0.3	2.6	1.5	4.1	2.1	5.3
Group administration and other	-1.8		-1.0		-3.7		-3.0	
Total	10.5	6.2	9.7	5.9	50.5	7.6	49.9	7.7

OTHER SEGMENT INFORMATION

EUR million	12/2016	12/2015
Assets		
Environmental Services	215.4	214.2
Industrial Services	69.5	71.4
Facility Services	97.2	97.6
Renewable Energy Sources	23.5	23.3
Group administration and other	11.1	1.0
Unallocated assets	36.0	58.2
L&T total	452.8	465.8
Liabilities		
Environmental Services	54.7	52.1
Industrial Services	22.4	21.9
Facility Services	46.9	49.8
Renewable Energy Sources	7.0	4.8
Group administration and other	6.6	2.1
Unallocated liabilities	92.2	123.7
L&T total	229.8	254.4

EUR million	10–12/2016	10–12/2015	1–12/2016	1–12/2015
Capital expenditure				
Environmental Services	5.1	10.1	18.5	24.4
Industrial Services	2.8	2.9	8.2	7.5
Facility Services	6.5	5.3	14.5	17.3
Renewable Energy Sources	0.1	0.1	0.3	0.3
Group administration and other	0.0	0.0	0.0	0.0
L&T total	14.4	18.4	41.6	49.6
Depreciation and amortisation				
Environmental Services	4.8	5.0	19.6	19.9
Industrial Services	1.8	1.6	6.7	6.6
Facility Services	3.2	3.4	12.2	13.3
Renewable Energy Sources	0.1	0.1	0.3	0.3
Group administration and other	0.0	0.0	0.0	0.0
L&T total	9.8	10.0	38.8	40.0

INCOME STATEMENT BY QUARTER

EUR million	10–12/2016	7–9/2016	4–6/2016	1–3/2016	10–12/2015
Net sales					
Environmental Services	66.5	68.2	68.2	61.8	64.2
Industrial Services	21.4	23.9	20.9	15.9	20.3
Facility Services	71.8	71.5	72.8	72.2	71.7
Renewable Energy Sources	11.6	5.3	7.0	12.8	11.7
Interdivision net sales	-3.0	-2.9	-2.1	-2.1	-2.8
L&T total	168.3	166.0	166.9	160.7	165.2

Operating profit

Environmental Services	6.5	10.2	9.2	5.4	7.4
Industrial Services	2.6	3.4	2.1	-0.3	1.8
Facility Services	2.6	6.1	3.7	1.2	1.0
Renewable Energy Sources	0.7	0.1	0.0	0.7	0.3
Group administration and other	-1.8	-0.7	-1.0	-0.1	-1.0
L&T total	10.5	19.1	14.1	6.8	9.7

Operating margin

Environmental Services	9.7	14.9	13.5	8.8	11.6
Industrial Services	11.9	14.2	10.3	-2.0	9.1
Facility Services	3.6	8.5	5.1	1.6	1.5
Renewable Energy Sources	6.2	2.0	0.3	5.1	2.6
L&T total	6.2	11.5	8.4	4.2	5.9

Financial income and expenses, net	0.1	-0.4	-0.2	0.1	-1.0
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Profit before tax	10.6	18.7	13.9	6.9	8.6
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BUSINESS ACQUISITIONS, COMBINED

Fair value, total EUR million	1-12/2016	1-12/2015
Intangible assets	1.1	2.5
Property, plant and equipment	1.8	1.6
Investments	0.0	0.0
Receivables	1.7	1.4
Cash and cash equivalents	2.3	0.9
Total assets	6.9	6.4
Other liabilities	1.0	2.3
Deferred tax liabilities	0.0	0.3
Total liabilities	1.0	2.6
Net assets acquired	5.9	3.8
Total consideration	8.8	7.4
Goodwill	2.9	3.6
Effect on cash flow		
Consideration paid in cash	-8.8	-7.4
Cash and cash equivalents of the acquired company	2.3	0.9
Paid in the previous year	3.6	-
Unpaid	1.0	-
Cash flow from investing activities	-1.8	-6.5

CHANGES IN INTANGIBLE ASSETS

EUR million	1-12/2016	1-12/2015
Carrying amount at beginning of period	134.9	125.7
Business acquisitions	1.4	6.0
Other capital expenditure	9.2	7.9
Disposals	0.2	0.0
Depreciation and impairment	-4.8	-5.0
Transfers between items	2.7	0.0
Exchange differences	-0.4	0.2
Carrying amount at end of period	143.2	134.9

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	1-12/2016	1-12/2015
Carrying amount at beginning of period	161.5	162.1
Business acquisitions	0.8	4.1
Other capital expenditure	30.2	31.5
Disposals	-0.7	-0.9
Depreciation and impairment	-34.0	-35.1
Transfers between items	-2.7	0.0
Exchange differences	1.0	-0.2
Carrying amount at end of period	156.1	161.5

CAPITAL COMMITMENTS

EUR million	12/2016	12/2015
Intangible assets	0.1	-
Property, plant and equipment	7.2	6.3
Total	7.3	6.3

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million 31 December 2016	Loans and other receivable s	Available- for-sale financial assets	Financial liabilities measured at effective interest method	Derivative s under hedge account ing	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets						
Available-for-sale investments		0.6			0.6	
Finance lease receivables	1.2				1.2	3
Other receivables	1.5				1.5	2
Current financial assets						
Trade and other receivables	83.6				83.6	
Finance lease receivables	0.9				0.9	
Derivative receivables				0.3	0.3	
Cash and cash equivalents	28.2				28.2	
Total financial assets	115.4	0.6		0.3	116.3	
Non-current financial liabilities						
Borrowings			58.3		58.3	2
Finance lease payables			5.2		5.2	
Other liabilities			0.0		0.0	
Current financial liabilities						
Borrowings			2.6		2.6	
Finance lease payables			0.8		0.8	
Trade and other payables			71.8		71.8	
Derivative liabilities				0.1	0.1	2
Total financial liabilities			138.6	0.1	138.7	

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

EUR million 31 December 2015	Loans and other receivable s	Available- for-sale financial assets	Financial liabilities measured at effective interest method	Derivative s under hedge account ing	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets						
Available-for-sale investments		0.6			0.6	3
Finance lease receivables	2.1				2.1	2
Other receivables	1.8				1.8	
Current financial assets						
Available-for-sale financial assets		5.0			5.0	2
Trade and other receivables	78.8				78.8	
Finance lease receivables						
Derivative receivables				0.0	0.0	
Cash and cash equivalents	49.0				49.0	
Total financial assets	131.7	5.6		0.0	137.3	
Non-current financial liabilities						
Borrowings			61.0		61.0	2
Other liabilities			0.1		0.1	
Current financial liabilities						
Borrowings			34.9		34.9	
Trade and other payables			57.6		57.6	
Derivative liabilities				1.1	1.1	2
Total financial liabilities			153.5	1.1	154.6	

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

CONTINGENT LIABILITIES

EUR million	12/2016	12/2015
Securities for own commitments		
Mortgages on rights of tenancy	0.2	0.4
Company mortgages	-	1.1
Other securities	0.1	0.2
Bank guarantees required for environmental permits	10.9	8.6

Other securities are security deposits.

Operating lease liabilities

EUR million	12/2016	12/2015
Maturity not later than one year	7.3	6.3
Maturity later than one year and not later than five years	11.0	13.1
Maturity later than five years	3.9	1.6
Total	22.2	21.0

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

EUR million	12/2016	12/2015
Nominal values of interest rate swaps		
Maturity not later than one year	31.8	34.1
Maturity later than one year and not later than five years	3.6	4.5
Maturity later than five years	0.0	0.0
Total	35.5	38.6
Fair value	-0.2	-0.4

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

Commodity derivatives

EUR million	12/2016	12/2015
Nominal values of diesel swaps		
Maturity not later than one year	1.2	1.6
Maturity later than one year and not later than five years	0.0	0.0
Total	1.2	1.6
Fair value	0.1	-0.6

Commodity derivative contracts were signed for the hedging of future diesel oil purchases. IAS 39-compliant hedge accounting is applied to these contracts, and the effective change in fair value is recognised in the hedging reserve within equity.

CALCULATION OF KEY FIGURES

Earnings per share:

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

Diluted earnings per share:

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

Cash flows from operating activities/share:

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

EVA:

operating profit - cost calculated on invested capital (average of four quarters)
WACC 2016: 6.56% and 2015: 6.51%

Equity per share:

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

Return on equity, % (ROE):

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

Return on invested capital, % (ROI):

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

Equity ratio, %:

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

Gearing, %:

net interest-bearing liabilities / equity x 100

Net interest-bearing liabilities:

interest-bearing liabilities - liquid assets

Operating profit excluding non-recurring items:

operating profit +/- non-recurring items

Helsinki, 1 February 2017

LASSILA & TIKANOJA PLC
Board of Directors

Pekka Ojanpää
President and CEO

Additional information:

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Lassila & Tikanoja is a service company that is transforming consumer society into an efficient recycling society. In co-operation with our customers, we are reducing waste volumes, extending the useful lives of properties, recovering materials and decreasing the use of raw materials and energy. We help our customers focus on their core business and protect the environment. Together, we create well-being and jobs. With operations in Finland, Sweden and Russia, L&T employs 8,000 persons. Net sales in 2016 amounted to EUR 661.8 million. L&T is listed on Nasdaq Helsinki.

Distribution:

Nasdaq Helsinki

Major media

www.lassila-tikanoja.fi