Lassila & Tikanoja plc
Financial statements
31 January 2018 at 8:00 a.m.

Lassila & Tikanoja plc: Financial Statements 1 January–31 December 2017

- Net sales for the final quarter grew to EUR 207.0 million (168.3), operating profit was EUR 11.4 million (10.5) and earnings per share EUR 0.22 (0.22)
- Full-year net sales increased by 7.6% to EUR 712.1 million (661.8), operating profit was EUR 44.2 million (50.5) and earnings per share EUR 0.88 (1.13)
- Full-year net sales and operating profit in 2018 are expected to increase compared to 2017
- The Board of Directors proposes a dividend of EUR 0.92 per share

CEO PEKKA OJANPÄÄ:

"Lassila & Tikanoja's net sales for 2017 increased from the previous year. The growth was both organic and, in particular, attributable to the L&T FM AB acquisition. Operating profit declined compared to the previous year.The net sales and operating profit of the Industrial Services division increased year-on-year due to strong demand and improved operational efficiency. The net sales of Environmental Services remained on a par with the previous year, but the division's market position improved particularly in the retail and industrial segments. In Facility Services, the operating profit of the cleaning business developed favourably, while the weak profitability of the renovation business and costs related to the deployment of the new ERP system weighed down on operating profit in 2017. The integration of L&T FM AB is underway and progressing as planned. Non-recurring costs related to the acquisition weighed down on the Group's operating profit. In line with our strategy, our focus in 2018 remains on strengthening our market position and improving profitability, particularly by revamping the operating model of Facility Services. The benefits of this renewal will, for the most part, be seen at the division level in 2019."

GROUP NET SALES AND FINANCIAL PERFORMANCE

October–December
Lassila & Tikanoja's net sales for the final quarter increased to EUR 207.0 million (168.3), up 23.0% (1.9) year-on-year. Operating profit totalled EUR 11.4 million (10.5), representing 5.5% (6.2) of net sales. Earnings per share were EUR 0.22 (0.22).

Net sales increased organically and due to the acquisition of L&T FM AB. The Facility Services division's net sales increased by 50.8% year-on-year. Excluding L&T FM AB, the net sales of Facility Services increased by 11.3%.The net sales of Industrial Services grew by 11.6% due to strong demand. The net sales of the Environmental Services division increased by 0.6%. The net sales of the Renewable Energy Sources division declined by 7.5%.

Year 2017
Net sales for 2017 increased by 7.6% to EUR 712.1 million (661.8). Excluding L&T FM AB, the Group's net sales increased by 2.1%. Operating profit totalled EUR 44.2 million (50.5), representing 6.2% (7.6) of net sales. Earnings per share were EUR 0.88 (1.13).

Net sales increased by 10.5% in Industrial Services and by 14.8% in Facility Services, primarily due to the acquisition of L&T FM AB. The net sales of Environmental Services were on a par with the previous year. The net sales of the Renewable Energy Sources division declined by 5.1%. The decrease was attributable to low demand due to the short heating season as well the low energy content of fuels.

Operating profit improved in Industrial Services but declined in the other divisions. Environmental Services' operating profit was reduced by fuel costs being higher than in the previous year and a cost provision related to the closure of landfills. In Facility Services, the operating profit of the cleaning business developed favourably, while the weak profitability of the renovation business and costs related to the deployment of the new ERP system in the property maintenance business had a negative impact on the result. The Group's result was also weighed down by costs related to the acquisition and integration of L&T FM AB.

Financial summary

	10–12/ 2017	10–12/ 2016	Change	1–12/ 2017	1–12/ 2016	Change
Net sales, EUR million	**207.0**	168.3	23.0%	**712.1**	661.8	7.6%
Operating profit, EUR million	**11.4**	10.5	8.8%	**44.2**	50.5	-12.4%
Operating margin, %	**5.5**	6.2		**6.2**	7.6	
Profit before tax, EUR million	**10.1**	10.6	-5.4%	**42.7**	50.1	-14.7%
Earnings per share, EUR	**0.22**	0.22	1.2%	**0.88**	1.13	-22.4%
Dividend/share, EUR				**0.92***	0,92	
Cash flow from operating activities/share, EUR	**0.67**	1.11	-39.5%	**1.61**	1.99	-19.1%
EVA, EUR million	**4.5**	5.8	-22.3%	**21.2**	30.7	-30.9%

* Proposal by the Board of Directors

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

October–December
The Environmental Services division's net sales for the fourth quarter increased by 0.6% to EUR 67.0 million (66.5). Operating profit was on a par with the previous year at EUR 6.5 million (6.5).

Demand was at a good level and the division's market position improved in recycled raw materials as well as the retail and industrial segments.

Year 2017
The Environmental Services division's full-year net sales increased by 0.2% to EUR 265.3 million (264.8). Operating profit was EUR 29.8 million (31.3).

Net sales from municipal contracts decreased, but the division's market position improved in recycled raw materials as well as the retail and industrial segments.

Net sales and profitability were on a par with the previous year. The division's operating profit was reduced by fuel costs being higher than in the previous year as well as an increase of EUR 0.6 million in cost provisions related to the closure of landfills, recognised in the second quarter.

Industrial Services

October–December
The Industrial Services division's net sales for the final quarter increased by 11.6% to EUR 23.9 million (21.4). Operating profit was unchanged from the previous year at EUR 2.6 million (2.6).

Net sales increased year-on-year in all of the division's service lines. Strong demand supported the growth of net sales particularly in environmental construction.

Year 2017
The Industrial Services division's full-year net sales grew by 10.5% to EUR 90.7 million (82.1). Operating profit was EUR 8.6 million (7.8).

The division's net sales increased year-on-year particularly in process cleaning, sewer maintenance and hazardous waste management. The net sales of environmental construction were on a par with the previous year.

Strong demand and the improved efficiency of operations improved the division's result compared to the previous year. Operating profit showed a year-on-year increase particularly in hazardous waste management.

Facility Services

October–December
The Facility Services division's net sales for the final quarter increased by 50.8% to EUR 108.2 million (71.8). Operating profit was EUR 3.2 million (2.6).

Improved demand supported the growth of net sales in renovation services, maintenance of technical systems and cleaning. All of the division's service lines saw an increase in operating profit, with the exception of the property maintenance business.

Year 2017
The Facility Services division's full-year net sales grew by 14.8% to EUR 331.0 million (288.3). Operating profit was EUR 9.2 million (13.5).

The division's net sales increased primarily due to the acquisition of L&T FM AB, but amortisation related to its purchase price allocation and integration costs weighed down on operating profit. The operating profit of the cleaning business grew year-on-year due to strong demand and operational efficiency. In maintenance of technical systems and renovation, operating profit declined compared to the previous year. The operating profit of the property maintenance business was weighed down by costs related to the deployment of a new ERP system in the Facility Services division.

Renewable Energy Sources

October–December
The final quarter net sales of Renewable Energy Sources (L&T Biowatti) decreased by 7.5% to EUR 10.7 million (11.6). Operating profit was EUR 0.2 million (0.7).

Operating profit decreased year-on-year due to the low energy content of fuels and low volume.

Year 2017
The full-year net sales of the Renewable Energy Sources division decreased by 5.1% to EUR 34.9 million (36.8). Operating profit was EUR 0.7 million (1.5).

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 energy content of fuels and increasing delivery costs.

FINANCING

Cash flow from operating activities amounted to EUR 61.8 million (76.4). A total of EUR 10.8 million in working capital was committed (2.7 released).

At the end of the period, interest-bearing liabilities amounted to EUR 165.9 million (66.9).

Net interest-bearing liabilities amounted to EUR 117.9 million (38.7), showing a decrease of EUR 15.3 million from the previous quarter and an increase of EUR 79.2 million from the comparison period.

Net financial expenses in 2017 amounted to EUR 1.4 million (0.4). Net financial expenses were 0.2%

(0.1) of net sales.

The average interest rate on long-term loans (with interest rate hedging) was 1.1% (1.6). Loans totalling EUR 22.6 million will mature in 2018, including the short-term commercial paper currently in use.

The equity ratio was 39.3% (50.4) and the gearing rate was 53.9 (17.3). Liquid assets at the end of the period amounted to EUR 48.1 million (28.2).

Of the EUR 100 million commercial paper programme, EUR 20 million (0.0) was in use at the end of the period. A committed limit totalling EUR 30.0 million was not in use, as was the case in the comparison period.

DISTRIBUTION OF ASSETS

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

CAPITAL EXPENDITURE

Gross capital expenditure in 2017 totalled EUR 110.3 million (41.6), consisting primarily of acquisitions, machine and equipment purchases and investments in information systems. The most significant investment was the acquisition of L&T FM AB. Of the significant ongoing information system projects, the new ERP system for Facility Services was deployed in the property maintenance business in early 2017. System deployment processes for the other service lines will continue in 2018.

PERSONNEL

In 2017, the average number of employees converted into full-time equivalents was 7,875 (7,199). At the end of the period, Lassila & Tikanoja had 8,663 (7,931) full-time and part-time employees. Of these, 7,041 (7,023) worked in Finland and 1,622 (908) in other countries.

PROPOSAL FOR THE DISTRIBUTION OF ASSETS

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amounts to EUR 102,864,459.89, with the operating profit for the period representing EUR 34,195,639.76 of this total. 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 2017. The dividend is paid to shareholders included in the company shareholder register maintained by Euroclear Finland Oy on the record date, 19 March 2018. The Board proposes to the Annual General Meeting that the dividend be paid on 26 March 2018.

No dividend shall be paid on shares held by the company on the record date of 19 March 2018.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 38,398,012, which means the total amount of the dividend would be EUR 35,326,171.04. Earnings per share amounted to EUR 0.88. The proposed dividend, EUR 0.92 per share, is 104.8% of the earnings per share.

L&T's Annual Report, which includes the report by the Board of Directors and the financial statements for 2017, will be published in week 8 at www.lt.fi/annualreport2017.

SHARES AND SHARE CAPITAL

Traded volume and price
The volume of trading on Nasdaq Helsinki in 2017, excluding the shares held by the company in Lassila & Tikanoja plc, was 5,480,149 shares, which is 14.3% (16.9) of the average number of outstanding shares. The value of trading was EUR 101.6 million (110.1). The highest share price was EUR 20.89 and the lowest EUR 17.22. The closing price was EUR 18.06. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 693.5 million (736.9).

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

Share capital and number of shares
The company's registered share capital amounts to EUR 19,399,437 and the number of outstanding shares is 38,398,012. The average number of shares excluding the shares held by the company was 38,394,955.

Shareholders
At the end of the period, the company had 12,208 (10,812) shareholders. Nominee-registered holdings accounted for 19.5% (17.6%) of the total number of shares.

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

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

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

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting, which was held on 16 March 2017, adopted the financial statements and consolidated financial statements for 2016 and released the members of the Board of Directors and the President and CEO from liability.

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

The Annual General Meeting confirmed the number of members of the Board of Directors as six. Heikki Bergholm, Laura Lares, Sakari Lassila, Miikka Maijala and Teemu Kangas-Kärki were re-elected and Laura Tarkka 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 16 March 2017.

BOARD OF DIRECTORS

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

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

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

On 31 March 2017, the company announced that, based on the decision of the Annual General Meeting of Lassila & Tikanoja plc on 16 March 2017, it had transferred 3,896 shares to the members of the Board of Directors as part of the remuneration of the Board.

On 21 April 2017, the company announced that, starting from the interim report for January–March 2017, it will report its results through an income statement categorised by expense type. The stock exchange release presented cumulative quarterly comparison data by expense type for 2016 in accordance with the new income statement scheme. Previously, the company has used an income statement categorised by operation type in its reporting. The change has no impact on the Group’s segment reporting. The presentation method was changed to correspond to the income statement scheme used in the management’s reporting.

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

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

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

On 31 August 2017, the company announced that it had completed the acquisition of Veolia’s facility management business in Sweden.

On 16 November 2017, the company announced a change to its outlook for 2017. According to the new guidance, full-year net sales in 2017 were expected to be above the 2016 level and operating profit was expected to be below the 2016 level.

On 22 November 2017, the company announced changes in its management. Lassila & Tikanoja merged the positions of CFO, Supply Chain Director and Development Director as of 1 January 2018. M.Sc. (Econ.) Tuomas Mäkipeska was named CFO in charge of finances, ICT, development and procurement and Member of the Group Executive Board beginning 1 January 2018. The company announced that CFO and Member of the Group Executive Board Timo Leinonen and Supply Chain

Director and Member of the Group Executive Board Timo Kontinen would leave the company.

On 14 December 2017, the company announced it is changing its segment reporting to report the Maintenance of Technical Systems business as a separate segment as of 1 January 2018. Lassila & Tikanoja's new structure consists of five reporting segments: Environmental Services, Industrial Services, Facility Services, Renewable Energy Sources and Maintenance of Technical Systems. The interim report for the first quarter of 2018 will be prepared in accordance with the new reporting structure.

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

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

The company has begun the deployment of a new ERP system and will continue the deployment process in 2018. 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 2017 Annual Report, which will be published in week 8, and in the Report of the Board of Directors and the consolidated financial statements.

OUTLOOK FOR THE YEAR 2018

Lassila & Tikanoja's net sales and operating profit in 2018 are expected to be above the 2017 levels.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2017

CONSOLIDATED INCOME STATEMENT

EUR million	**10–12/2017**	**10–12/2016**	**1–12/2017**	**1–12/2016**
Net sales	**207.0**	168.3	**712.1**	661.8
Other operating income	**1.3**	1.7	**5.7**	4.8
Change of inventory	**-2.6**	-1.3	**-1.0**	1.1
Materials and services	**-74.1**	-54.6	**-234.9**	-206.3
Employee benefit expenses	**-80.7**	-69.6	**-296.9**	-280.8
Other operating expenses	**-28.5**	-24.1	**-100.3**	-91.4
Depreciation and impairment	**-10.9**	-9.8	**-40.5**	-38.8
Operating profit	**11.4**	10.5	**44.2**	50.5
Financial income and expenses	**-1.3**	0.1	**-1.4**	-0.4
Share of the result of associated companies	**0.0**	0.0	**-0.1**	0.0

Profit before tax	**10.1**	10.6	**42.7**	50.1
Income taxes	**-1.5**	-2.1	**-9.0**	-6.7
Profit for the period	**8.6**	8.5	**33.7**	43.4
Attributable to:				
Equity holders of the company	**8.6**	8.5	**33.7**	43.4
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**	0.22	**0.88**	1.13
Diluted earnings per share, EUR	**0.22**	0.22	**0.88**	1.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	**10–12/2017**	**10–12/2016**	**1–12/2017**	**1–12/2016**
Profit for the period	**8.6**	8.5	**33.7**	43.4
Items not to be recognised through profit or loss				
Items arising from remeasurement of defined benefit plans	**0.1**	0.0	**0.1**	0.0
Items not to be recognised through profit or loss, total	**0.1**	0.0	**0.1**	0.0
Items potentially to be recognised through profit or loss				
Hedging reserve, change in fair value	**-0.1**	0.1	**-0.1**	0.4
Currency translation differences	**-1.3**	0.2	**-2.7**	-0.1
Currency translation differences, non-controlling interest	**0.0**	0.0	**0.0**	0.0
Items potentially to be recognised through profit or loss, total	**-1.4**	0.3	**-2.8**	0.3
Total comprehensive income, after tax	**7.2**	8.8	**30.9**	43.7
Attributable to:				
Equity holders of the company	**7.2**	8.8	**30.9**	43.7
Non-controlling interest	**0.0**	0.0	**0.0**	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	**12/2017**	**12/2016**
ASSETS		

Non-current assets		
Intangible assets		
Goodwill	**150.2**	116.5
Customer contracts arising from acquisitions	**22.6**	5.2
Agreements on prohibition of competition	**0.0**	0.1
Other intangible assets arising from business acquisitions	**0.5**	0.6
Other intangible assets	**22.9**	20.8
	196.3	143.2
Property, plant and equipment		
Land	**5.3**	5.3
Buildings and constructions	**40.3**	40.7
Machinery and equipment	**106.5**	104.8
Other tangible assets	**0.1**	0.1
Prepayments and construction in progress	**2.0**	5.3
	154.1	156.1
Other non-current assets		
Available-for-sale investments	**0.6**	0.6
Finance lease receivables	**0.3**	1.2
Deferred tax assets	**6.5**	5.5
Other receivables	**2.6**	1.7
	10.0	9.0
Total non-current assets	**360.4**	308.3
Current assets		
Inventories	**23.9**	24.9
Trade and other receivables	**137.6**	90.5
Derivative receivables	**0.1**	0.3
Prepayments	**0.5**	0.6
Cash and cash equivalents	**48.1**	28.2
Total current assets	**210.2**	144.5
Total assets	**570.6**	452.8

EQUITY AND LIABILITIES

EUR million	**12/2017**	**12/2016**
Equity		
Equity attributable to equity holders of the parent company		
Share capital	**19.4**	19.4
Other reserves	**-5.9**	-3.1
Invested unrestricted equity reserve	**0.6**	0.4

Retained earnings	**170.7**	162.7
Profit for the period	**33.7**	43.4
	218.5	222.8
Non-controlling interest	**0.2**	0.2
Total equity	**218.7**	223.0
Liabilities		
Non-current liabilities		
Deferred tax liabilities	**29.2**	24.8
Retirement benefit obligations	**1.4**	1.0
Provisions	**5.0**	4.8
Borrowings	**140.9**	63.5
Other liabilities	**0.4**	0.3
	177.0	94.3
Current liabilities		
Borrowings	**25.0**	3.4
Trade and other payables	**147.7**	129.9
Derivative liabilities	**0.2**	0.1
Tax liabilities	**0.1**	0.1
Provisions	**1.9**	2.0
	174.9	135.5
Total liabilities	**351.9**	229.8
Total equity and liabilities	**570.6**	452.8

CONSOLIDATED STATEMENT OF CASH FLOW

EUR million	**1–12/2017**	**1–12/2016**
Cash flow from operating activities		
Profit for the period	**33.7**	43.4
Adjustments		
Income taxes	**9.0**	6.7
Depreciation and impairment	**40.5**	38.8
Financial income and expenses	**1.4**	0.4
Other	**0.7**	-2.1
Net cash generated from operating activities before change in working capital	**85.3**	87.2
Change in working capital		
Change in trade and other receivables	**-14.6**	-2.5
Change in inventories	**1.0**	-1.4
Change in trade and other payables	**2.8**	6.6
Change in working capital	**-10.8**	2.7

Interest paid	**-2.7**	-2.0
Interest received	**0.5**	0.3
Income taxes	**-10.5**	-11.7
Net cash from operating activities	**61.8**	76.4
Cash flow from investing activities		
Acquisition of subsidiaries and businesses, net of cash acquired	**-67.2**	-1.8
Purchases of property, plant and equipment and intangible assets	**-25.5**	-33.9
Proceeds from sale of property, plant and equipment and intangible assets	**1.7**	0.8
Investments in associated companies	**-0.8**	-
Change in other non-current receivables	**-0.3**	0.2
Dividends received	**-**	0.0
Net cash used in investing activities	**-92.1**	-34.6
Cash flow from financing activities		
Change in short-term borrowings	**18.3**	-0.2
Proceeds from long-term borrowings	**69.9**	-
Repayments of long-term borrowings	**-2.6**	-34.8
Dividends paid	**-35.3**	-32.6
Net cash generated from financing activities	**50.3**	-67.6
Net change in liquid assets	**20.0**	-25.9
Liquid assets at beginning of period	**28.2**	54.0
Effect of changes in foreign exchange rates	**-0.1**	0.0
Liquid assets at end of period	**48.1**	28.2

Liquid assets	**12/2017**	**12/2016**
EUR million		
Cash and cash equivalents	**48.1**	28.2
Total	**48.1**	28.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
Equity on 1 Jan. 2017	19.4	-3.0	-0.1	0.4	206.1	222.8	0.2	223.0
Total comprehensive income								
Profit for the period					33.7	33.7	0.0	33.7
Items arising from remeasurement of defined benefit plans					0.1	0.1		0.1
Hedging reserve, change in fair value			-0.1			-0.1		-0.1
Currency translation differences		-2.7				-2.7	0.0	-2.7
Total comprehensive income		-2.7	-0.1		33.7	30.9	0.0	30.9
Transactions with shareholders								
Share-based benefits				0.1	-0.2	0.0		0.0
Dividends paid					-35.3	-35.3		-35.3
Transactions with shareholders, total				0.1	-35.5	-35.4		-35.4
Other changes					0.1	0.1		0.1
Equity on 31 Dec. 2017	**19.4**	**-5.7**	**-0.2**	**0.6**	**204.4**	**218.5**	**0.2**	**218.7**

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 remeasurement 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		-0.1	0.4		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	-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**

KEY FIGURES

	10–12/2017	**10–12/2016**	**1–12/2017**	**1–12/2016**
Earnings per share, EUR	**0.22**	0.22	**0.88**	1.13
Diluted earnings per share, EUR	**0.22**	0.22	**0.88**	1.13
Cash flow from operating activities/share, EUR	**0.67**	1.11	**1.61**	1.99
EVA, EUR million*	**4.5**	5.8	**21.2**	30.7
Gross capital expenditure, EUR million	**14.9**	14.4	**110.3**	41.6
Depreciation, amortisation and impairment, EUR million	**10.9**	9.8	**40.5**	38.8
Equity per share, EUR			**5.69**	5.81
Dividend/share, EUR			**0.92****	0.92
Dividend/earnings, %			**104.8**	81.3
Effective dividend yield, %			**5.1**	4.8
P/E ratio			**20.6**	17.0
Return on equity, % (ROE)			**15.3**	20.0
Return on invested capital, % (ROI)			**13.4**	17.4
Equity ratio, %			**39.3**	50.4
Gearing, %			**53.9**	17.3
Net interest-bearing liabilities, EUR million			**117.9**	38.7
Average number of employees in full-time equivalents			**7,875**	7,199
Total number of full-time and part-time employees at end of period			**8,663**	7,931
Number of outstanding shares adjusted for issues, 1,000 shares				
average during the period			**38,395**	38,375
at end of period			**38,398**	38,378
average during the period, diluted			**38,409**	38,390

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

** Proposal by the Board of Directors 2017

ACCOUNTING POLICIES

This financial statements release is in compliance with the IAS 34 (Interim Financial Reporting) standard.

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

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc dated 31 December 2017.

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

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

Application of IFRS 9 Financial Instruments

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

IFRS 9 replaces the existing guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The impacts of IFRS 9 on equity of the opening balance sheet for January 1, 2018 is -0,4 MEUR.

Application of IFRS 15 Revenue from Contracts with Customers

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

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

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

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

The need for changes in the timing of revenue recognition identified when contracts were reviewed is related to equipment sales (compactors and balers), which represent approximately 0.5% of L&T's net sales.

In accordance with IAS 8, the company will apply the standard retrospectively for each previous reporting period it presents, taking into account the practical expedients allowed by IFRS 15. The impacts of IFRS 15 on equity of the opening balance sheet for January 1, 2018 is -1,3 MEUR.

SEGMENT INFORMATION

Net sales

	10–12/2017			10–12/2016			
EUR million	**External**	**Interdivision**	**Total**	**External**	**Interdivision**	**Total**	**Total net sales, change %**
Environmental Services	**65.8**	**1.1**	**67.0**	65.5	1.1	66.5	0.6
Industrial Services	**23.1**	**0.8**	**23.9**	20.3	1.1	21.4	11.6
Facility Services	**107.5**	**0.8**	**108.2**	71.0	0.8	71.8	50.8
Renewable Energy Sources	**10.7**	**0.0**	**10.7**	11.6	0.0	11.6	-7.5
Eliminations		**-2.7**	**-2.7**		-3.0	-3.0	
Total	**207.0**		**207.0**	168.3		168.3	23.0

	1–12/2017			1–12/2016			
EUR million	**External**	**Interdivision**	**Total**	**External**	**Interdivision**	**Total**	**Total net sales, change %**
Environmental Services	**261.8**	**3.5**	**265.3**	261.2	3.6	264.8	0.2
Industrial Services	**87.4**	**3.3**	**90.7**	78.7	3.4	82.1	10.5
Facility Services	**328.2**	**2.8**	**331.0**	285.3	2.9	288.3	14.8
Renewable Energy Sources	**34.7**	**0.2**	**34.9**	36.6	0.2	36.8	-5.1
Eliminations		**-9.8**	**-9.8**		-10.1	-10.1	
Total	**712.1**		**712.1**	661.8		661.8	7.6

Operating profit

EUR million	**10–12/2017**	**%**	**10–12/2016**	**%**	**1–12/2017**	**%**	**1–12/2016**	**%**
Environmental Services	**6.5**	**9.7**	6.5	9.7	**29.8**	**11.2**	31.3	11.8
Industrial Services	**2.6**	**10.8**	2.6	11.9	**8.6**	**9.5**	7.8	9.5

Facility Services	**3.2**	**3.0**	2.6	3.6	**9.2**	**2.8**	13.5	4.7
Renewable Energy Sources	**0.2**	**2.2**	0.7	6.2	**0.7**	**2.0**	1.5	4.1
Group administration and other	**-1.0**		-1.8		**-4.1**		-3.7	
Total	**11.4**	**5.5**	10.5	6.2	**44.2**	**6.2**	50.5	7.6

OTHER SEGMENT INFORMATION

EUR million	**12/2017**	**12/2016**
Assets		
Environmental Services	**212.0**	215.4
Industrial Services	**74.1**	69.5
Facility Services	**202.2**	97.2
Renewable Energy Sources	**22.7**	23.5
Group administration and other	**2.1**	11.1
Unallocated assets	**57.5**	36.0
L&T total	**570.6**	452.8
Liabilities		
Environmental Services	**47.3**	54.7
Industrial Services	**27.4**	22.4
Facility Services	**68.1**	46.9
Renewable Energy Sources	**7.6**	7.0
Group administration and other	**5.4**	6.6
Unallocated liabilities	**196.2**	92.2
L&T total	**351.9**	229.8

EUR million	**10–12/2017**	**10–12/2016**	**1–12/2017**	**1–12/2016**
Capital expenditure				
Environmental Services	**4.1**	5.1	**21.9**	18.5
Industrial Services	**3.4**	2.8	**9.0**	8.2
Facility Services	**7.3**	6.5	**78.7**	14.5
Renewable Energy Sources	**0.0**	0.1	**0.2**	0.3
Group administration and other	**0.0**	0.0	**0.4**	0.0
L&T total	**14.9**	14.4	**110.3**	41.6
Depreciation and amortisation				
Environmental Services	**4.9**	4.8	**19.3**	19.6
Industrial Services	**2.0**	1.8	**7.3**	6.7
Facility Services	**3.9**	3.2	**13.6**	12.2
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	**10.9**	9.8	**40.5**	38.8

INCOME STATEMENT BY QUARTER

EUR million	10–12/2017	7–9/2017	4–6/2017	1–3/2017	10–12/2016
Net sales					
Environmental Services	**67.0**	68.1	67.4	62.9	66.5
Industrial Services	**23.9**	25.3	23.6	17.9	21.4
Facility Services	**108.2**	79.9	71.4	71.4	71.8
Renewable Energy Sources	**10.7**	4.8	7.3	12.1	11.6
Interdivision net sales	**-2.7**	-2.2	-2.5	-2.3	-3.0
L&T total	**207.0**	175.9	167.2	161.9	168.3
Operating profit					
Environmental Services	**6.5**	9.7	7.7	5.9	6.5
Industrial Services	**2.6**	3.6	2.6	-0.2	2.6
Facility Services	**3.2**	5.1	1.1	-0.3	2.6
Renewable Energy Sources	**0.2**	0.0	0.2	0.3	0.7
Group administration and other	**-1.0**	-0.8	-1.5	-0.6	-1.8
L&T total	**11.4**	17.6	10.1	5.1	10.5
Operating margin					
Environmental Services	**9.7**	14.2	11.5	9.4	9.7
Industrial Services	**10.8**	14.4	10.9	-1.1	11.9
Facility Services	**3.0**	6.4	1.6	-0.4	3.6
Renewable Energy Sources	**2.2**	-0.7	2.9	2.4	6.2
L&T total	**5.5**	10.0	6.0	3.2	6.2
Financial income and expenses, net	**-1.3**	0.5	-0.7	0.1	0.1
Share of the result of associated companies	**0.0**	0.0	0.0	0.0	0.0
Profit before tax	**10.1**	18.0	9.4	5.2	10.6

MATCHING THE EVA RESULT TO OPERATING PROFIT

EUR million	1–12/2017	1–12/2016
Operating profit	**44.2**	50.5
Invested capital (rolling 12-month quarterly average)	**343.2**	300.6
Cost calculated on invested capital	**-23.0**	-19.7
EVA	**21.2**	30.7

BUSINESS ACQUISITIONS

LT FM AB

Fair value

EUR million	**1–12/2017**
Intangible assets	**19.0**
Property, plant and equipment	**0.1**
Investments	**0.0**
Receivables	**32.2**
Cash and cash equivalents	**0.8**
Total assets	**52.1**
Other liabilities	**16.8**
Deferred tax liabilities	**4.2**
Total liabilities	**21.0**
Net assets acquired	**31.2**
Total consideration	**64.9**
Goodwill	**33.7**
Effect on cash flow	
Consideration paid in cash	**-64.9**
Cash and cash equivalents of the acquired company	**0.8**
Cash flow from investing activities	**-64.1**

The acquisition of L&T FM AB was completed on 31 August 2017 and the acquired entity has been included in the consolidated financial statements as of 1 September 2017. The IFRS acquisition price calculations are not yet final.

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

OTHER BUSINESS ACQUISITIONS, COMBINED

Fair value, total

EUR million	**1–12/2017**	1–12/2016
Intangible assets	**0.6**	1.1
Property, plant and equipment	**1.0**	1.8
Investments	**0.0**	0.0
Receivables	**0.3**	1.7
Cash and cash equivalents	**1.0**	2.3
Total assets	**2.9**	6.9
Other liabilities	**0.3**	1.0
Deferred tax liabilities	**0.0**	0.0
Total liabilities	**0.3**	1.0
Net assets acquired	**2.6**	5.9

Total consideration	**4.1**	8.8
Goodwill	**1.5**	2.9
Effect on cash flow		
Consideration paid in cash	**-4.1**	-8.8
Cash and cash equivalents of the acquired company	**1.0**	2.3
Paid in the previous year	**-**	3.6
Unpaid	**0.2**	1.0
Cash flow from investing activities	**-3.0**	-1.8

CHANGES IN INTANGIBLE ASSETS

EUR million	**1–12/2017**	**1–12/2016**
Carrying amount at beginning of period	**143.2**	134.9
Business acquisitions	**53.0**	1.4
Other capital expenditure	**7.1**	9.2
Disposals	**0.0**	0.2
Depreciation and impairment	**-6.6**	-4.8
Transfers between items	**0.0**	2.7
Exchange differences	**-0.3**	-0.4
Carrying amount at end of period	**196.3**	143.2

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	**1–12/2017**	**1–12/2016**
Carrying amount at beginning of period	**156.1**	161.5
Business acquisitions	**1.1**	0.8
Other capital expenditure	**32.5**	30.2
Disposals	**-1.4**	-0.7
Depreciation and impairment	**-33.9**	-34.0
Transfers between items	**0.0**	-2.7
Exchange differences	**-0.3**	1.0
Carrying amount at end of period	**154.1**	156.1

CAPITAL COMMITMENTS

EUR million	**12/2017**	**12/2016**
Intangible assets	**0.2**	0.1
Property, plant and equipment	**1.9**	7.2
Total	**2.1**	7.3

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million 31 December 2017	**Loans and other receivables**	**Available-for-sale financial assets**	**Financial liabilities measured using the effective interest method**	**Derivatives under hedge accounting**	**Carrying amounts by balance sheet item**	**Fair value hierarchy level**
Non-current financial assets						
Available-for-sale investments		0.6			0.6	3
Finance lease receivables	0.3				0.3	2
Other receivables	1.8				1.8	
Current financial assets						
Trade and other receivables	128.7				128.7	
Finance lease receivables	0.6				0.6	
Derivative receivables				0.1	0.1	
Cash and cash equivalents	48.1				48.1	
Total financial assets	179.3	0.6		0.1	180.1	
Non-current financial liabilities						
Borrowings			125.6		125.6	2
Finance lease payables			15.3		15.3	
Current financial liabilities						
Borrowings			22.6		22.6	
Finance lease payables			2.4		2.4	
Trade and other payables			80.1		80.1	
Derivative liabilities				0.2	0.2	2
Total financial liabilities			246.0	0.2	246.3	

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

EUR million 31 December 2016	**Loans and other receivables**	**Available-for-sale financial assets**	**Financial liabilities measured using the effective interest method**	**Derivatives under hedge accounting**	**Carrying amounts by balance sheet item**	**Fair value hierarchy level**
Non-current financial assets						
Available-for-sale investments		0.6			0.6	3
Finance lease receivables	1.2				1.2	2
Other receivables	1.5				1.5	
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.

CONTINGENT LIABILITIES

EUR million	12/2017	12/2016
Securities for own commitments		
Mortgages on rights of tenancy	**0.1**	0.2
Other securities	**0.1**	0.1
Bank guarantees required for environmental permits	**10.6**	10.9

Other securities are security deposits.

Operating lease liabilities

EUR million	12/2017	12/2016
Maturity not later than one year	**10.5**	7.4
Maturity later than one year and not later than five years	**15.1**	11.4
Maturity later than five years	**10.5**	4.0
Total	**36.1**	22.7

Liabilities associated with derivative agreements

Interest rate swaps

EUR million	12/2017	12/2016
Nominal values of interest rate swaps		
Maturity not later than one year	**1.8**	1.8
Maturity later than one year and not later than five years	**0.9**	2.7
Maturity later than five years	**30.0**	0.0
Total	**32.7**	4.5
Fair value	**-0.3**	-0.1

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

Commodity derivatives

EUR million	12/2017	12/2016
Nominal values of diesel swaps		
Maturity not later than one year	**1.2**	1.3
Maturity later than one year and not later than five years	**0.0**	0.0

Total	**1.2**	1.3
Fair value	**0.1**	0.3

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

CALCULATION OF KEY FIGURES

Earnings per share:
profit attributable to equity holders of the parent company / adjusted average basic number of shares

Diluted earnings per share:
profit attributable to equity holders of the parent company / adjusted average diluted number of shares

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

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

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

Return on equity, % (ROE):
(profit for the period / equity (average)) x 100

Return on invested capital, % (ROI):
(profit before tax + financial expenses) / (total equity and liabilities - non-interest-bearing liabilities (average)) x 100

Equity ratio, %:
equity / (total equity and liabilities - advances received) x 100

Gearing, %:
net interest-bearing liabilities / equity x 100

Net interest-bearing liabilities:
interest-bearing liabilities - liquid assets

Operating profit excluding non-recurring items:
operating profit +/- non-recurring items

Helsinki, 31 January 2018

LASSILA & TIKANOJA PLC
Board of Directors

Pekka Ojanpää
President and CEO

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Lassila & Tikanoja is a service company that is putting the circular economy into practice. Together with our customers, we keep materials and properties in productive use for as long as possible and we enhance the use of raw materials and energy. We help our customers maintain the value of their properties and materials while protecting the environment. We achieve this by delivering responsible and sustainable service solutions that make the daily lives of our customers easier. With operations in Finland, Sweden and Russia, L&T employs 8,500 people. Net sales in 2017 amounted to EUR 712.1 million. L&T is listed on Nasdaq Helsinki.

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