WORKING SUSTAINABLY

Lassila & Tikanoja
Financial Statements and
Corporate Governance 2013

Contents

CORPORATE GOVERNANCE

Lassila & Tikanoja plc is a public limited liability company that is registered in Finland and listed on NASDAQ OMX Helsinki Oy. In its decision-making and administration, Lassila & Tikanoja complies with the Finnish Companies Act, other regulations governing listed companies and the Articles of Association of Lassila & Tikanoja plc.

In addition, Lassila & Tikanoja complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Oy and the Corporate Governance recommendations for Finnish listed companies.

CORPORATE GOVERNANCE STATEMENT 2013

Lassila & Tikanoja plc (L&T) complies with the Finnish Corporate Governance Code issued by the Securities Market Association on 15 June 2010. L&T has not deviated from the recommendations of the Code. The Code is available on the website of the Securities Market Association at www.cgfinland.fi.

This statement was prepared in accordance with recommendation 54 of the Corporate Governance Code and is issued separately from the Report of the Board of Directors. L&T's Audit Committee has reviewed this statement. In addition to the Code, L&T's corporate governance complies with the laws and regulations of Finland, its Articles of Association, and the Guidelines for Insiders issued by NASDAQ OMX Helsinki.

The consolidated financial statements and interim reports have been prepared in accordance with the IFRS reporting standards approved for use in the EU, the Securities Market Act, the standards imposed by the Financial Supervisory Authority, and the rules of NASDAQ OMX Helsinki. The Report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Accounting Act and the instructions and statements issued by the Accounting Board.

The Annual General Meeting, the Board of Directors and its two committees, and the President and CEO, assisted by the Group Executive Board, are responsible for company administration and operations.

GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting is the supreme decision-making body of Lassila & Tikanoja plc. The Annual General Meeting decides on the matters stipulated in the Companies Act, such as the acceptance of the financial statements and proposed dividend, the release from liability of members of the Board of Directors and the President and CEO, the election of the members of the Board of Directors and the auditors, and the compensation paid to them.

The Annual General Meeting is held by the end of April. When considered necessary, an Extraordinary General Meeting is convened to handle a specific proposal made to a General Meeting. General Meetings are convened by the Board of Directors.

Each share of Lassila & Tikanoja plc entitles to one vote. According to the Articles of Association, at a General Meeting no shareholder may cast more than one fifth of the total number of votes represented at the meeting.

Shareholders are convened to a General Meeting by a notice published on the company's website. The Board of Directors' proposals and the notice to the meeting are also disclosed in a stock exchange release. In addition, if the Board of Directors so decides, the company may also announce the date and venue of the General Meeting and the address of the company's website in a newspaper during the same timeframe. The prospective director candidates and the proposed auditor are disclosed in the notice or in a separate stock exchange release before the General Meeting.

The notice of the General Meeting and the related documents will be available on the company's website http://www.lassila-tikanoja.fi/en/company/investors/Annual_General_Meeting/ no later than 21 days before the General Meeting.

The members of the Board of Directors, President and CEO, principal auditor and prospective directors attend a General Meeting, unless there are well-founded reasons for their absence.

The minutes of the General Meeting will be available on the company's website within two weeks of the General Meeting.

General Meetings in 2013

The Annual General Meeting was held in Helsinki on 12 March 2013. The meeting was attended by shareholders representing 41.2 per cent of the votes. All Board members, the President and CEO, and the principal auditor attended the meeting.

An Extraordinary General Meeting was held in Helsinki on 18 November 2013. The meeting was attended by shareholders representing 25.2 per cent of the votes. The President and CEO and all members of the Board of Directors, with the exception of Hille Korhonen, attended the meeting.

BOARD OF DIRECTORS

In accordance with the Articles of Association, the Board of Directors of Lassila & Tikanoja plc comprises a minimum of three members and a maximum of seven. The members of the Board of Directors are elected by the Annual General Meeting. The term of a member of the Board of Directors expires at the end of the next Annual General Meeting following his/her election. A person who has attained the age of 70 cannot be elected to the Board of Directors. The Board elects a Chairman and a Vice Chairman from among its members.

The biographical details of the member candidates will be available on the company's website before the General Meeting.

The President and CEO is present at Board meetings to present issues to the Board, and the General Counsel serves as secretary to the Board.

The evaluation of the performance and working methods of the Board is conducted annually as an internal self-evaluation.

The Board of Directors has evaluated the independence of its members in accordance with recommendation 15 of the Corporate Governance Code. All of the directors are independent of both the company and its major shareholders.

Duties of the Board of Directors

The Board of Directors is responsible for the management of the company, the proper arrangement of the company's operations, and the proper arrangement and supervision of the company's accounting and financial management. The Board of Directors decides upon matters that, considering the scope and size of the operations of the company, are of major importance. The Board of Directors is also responsible for the duties specified in the Companies Act and the Articles of Association, and in other regulations.

The duties of the Board are defined in a written charter adopted in 2012, which the Board complies with in addition to the Articles of Association and Finnish laws and regulations.

Duties of the Board of Directors:
- confirming the company's goals
- deciding on the corporate strategy and confirming divisional strategies
- establishing a dividend policy and being responsible for the development of the shareholder value
- deciding on the Group structure and organisation
- ensuring the operation of the management system
- handling and adopting interim reports, consolidated financial statements and annual reports
- confirming the Group's operating plan, budget and investment plan
- deciding on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements as well as financing arrangements and contingent liabilities
- confirming treasury, disclosure and risk management and insurance policies as well as internal control policy
- nominating and dismissing the President and CEO and monitoring and evaluating his work
- deciding on the nomination, remuneration and other financial benefits of the President and CEO's immediate subordinates.

Meeting practice

The Board of Directors convenes as often as its tasks require. It confirms its annual, regular meetings. Meetings held annually prior to the publication of the financial statements and each interim report as well as strategy, budget and other meetings confirmed in the annual programme of the Board are considered regular meetings. In addition to regular meetings, the Board can hold extraordinary meetings, which can be arranged as telephone conferences.

Minutes are prepared of Board meetings, subject to the signature of members of the Board of Directors participating in the meeting as well as the President and CEO of the company and secretary to the Board. These minutes are kept at the company's headquarters.

The President and CEO is responsible for ensuring that the Board is provided with sufficient information for assessing the operations and financial situation of the company.

He also supervises and reports to the Board on the implementation of the Board's decisions.

The Board of Directors in 2013

The Board of Directors comprises the following persons: Mr Heikki Bergholm, Chairman, Mr Eero Hautaniemi, Vice Chairman, Mrs Hille Korhonen, Mr Sakari Lassila and Mr Miikka Maijala. Information on their holdings in the company and their remuneration is provided in the Remuneration Statement in the Annual Report at Remuneration and shareholding of the Board members.

The Board of Directors met 15 times during 2013. The average attendance rate of the members at the meetings was 97.3 per cent.

Key themes in Board work included directing and supporting the implementation of the strategy, monitoring strategic projects, clarifying the business portfolio and directing risk management.

BOARD MEMBER MEETING PARTICIPATION 1 JAN.-31 DEC. 2013

	Board	Audit Committee	Remuneration Committee
Heikki Bergholm	15/15		4/4
Eero Hautaniemi	15/15	6/6	
Hille Korhonen	13/15		4/4
Sakari Lassila	15/15	6/6	
Miikka Maijala	15/15	6/6	

BOARD MEMBERS

Heikki Bergholm
born 1956, M.Sc. (Eng.)

Chairman of the Board since 2011 and member since 2008, Chairman of the Remuneration Committee since 2011 and member since 2010

Work experience:
Suominen Corporation Oyj: President and CEO 2002–2006
The former Lassila & Tikanoja Group: President and CEO 1998–2001, Vice President 1997–1998, President of business units 1986–1997
Lassila & Tikanoja Oy: CFO 1985–1986
Industrialisation Fund of Finland Ltd: Researcher and development manager 1980–1985

Other key positions:
Solidium Oy (2013–), Lakan Betoni Oy (1986–, COB), Maillefer International Oy (2010–), MB Funds Oy (2002–), Forchem Oy (2007–2013), Componenta Corporation (2002–2012, COB), Kemira Oyj (2004–2007), Pohjola Group plc (2003–2005), Sponda plc (1998–2004) and Suominen Corporation Oyj (2001–2011)

Eero Hautaniemi
born 1965, M.Sc. (Econ.)

President and CEO of Oriola-KD Corporation 2006–

Vice Chairman of the Board since 2011 and member since 2007, Chairman of the Audit Committee since 2011 and member since 2009

Work experience:
GE Healthcare Finland Oy: President 2004–2005
GE Healthcare IT: General Manager, Oximetry, Supplies and Accessories business area 2003–2004
Instrumentarium Corporation: positions in financial and business management 1990–2003

Other key positions:
Nurminen Logistics Oyj (2009–2012)

Hille Korhonen
born 1961, Lic. Tech.,

President and CEO of Alko Oy 2013–

Member of the Board since 2009, member of the Remuneration Committee since 2010

Work experience:
Fiskars Corporation: Vice President, Operations (responsible for manufacturing, sourcing and logistics strategies) 2008–2012
Iittala Group: Group Director, Operations 2003–2009
Executive positions within worldwide delivery chain strategies and processes at Nokia Corporation 2000–2003, Nokia Networks 1998–2000 and Nokia Mobile Phones 1996–1997
Outokumpu Copper: positions in developing logistics and marketing 1993–1996

Other key positions:
Nokian Tyres plc (2006–), Mint of Finland Group (2008–2010)

Sakari Lassila
born 1955, M.Sc. (Econ.)

Managing Director and partner of Indcrea Oy and a management board member of Cupori Group Oy 2008–

Member of the Board and Audit Committee since 2011

Work experience:
Carnegie Investment Bank AB, Finland Branch: executive positions 2002–2005
Alfred Berg Finland Oyj: executive positions within investment banking 1994–2002
Citibank Oy: head of corporate bank 1991–1994
Union Bank of Finland: supervisory and executive positions 1983–1991

Other key positions:
Vice Chairman of the Board of the Evald and Hilda Nissi Foundation (member 1987–)

Miikka Maijala
born 1967, M.Sc. (Eng.)

CEO of Clinius Ltd 2006–

Member of the Board and Audit Committee since 2010

Work experience:
GE Healthcare Finland Oy: Business Segment Manager 2004–2006
Instrumentarium Corporation (currently GE Healthcare Finland Oy): Director, Business Development 2000–2004
Instrumentarium Corporation: supervisory and executive positions within sales, marketing and financial management 1992–2000

BOARD COMMITTEES

The Board has an Audit Committee and a Remuneration Committee.

Audit Committee

The Audit Committee consists of at least three members, who are all elected annually by the Board of Directors from among its members for the duration of the Board's term. The members of the Audit Committee shall be independent of the company and at least one member shall be independent of any major shareholders of the company. On an annual basis, the Board of Directors shall likewise select one member as Chairman of the Committee, for the term of the Board. The members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the committee, in particular, sufficient knowledge of bookkeeping, accounting and financial statements practices.

The duties and operating principles of the audit committee are defined in a charter approved by the Board of Directors. The Audit Committee will convene at least four times a year.

The duties of the Audit Committee include:
• monitoring the financial position and financing of the Group
• monitoring the reporting process of financial statements
• supervising the financial reporting process
• monitoring the efficiency of the company's internal control, internal audit and risk management systems
• reviewing the operating principles of the company's internal control
• reviewing the plans and reports of the company's internal audit
• reviewing the company's corporate governance statement, including the description of the main features of internal control and risk management systems pertaining to the financial reporting process
• monitoring the statutory audit of the financial statements and consolidated financial statements
• evaluating the independence of the auditing company
• evaluating the provision of non-audit services to the company by the auditing firm
• preparing the proposal and/or recommendation concerning the auditor of the company
• maintaining contact with the company's auditor and reviewing the reports prepared for the committee by the auditor
• assessment of compliance with laws and provisions.

As from 12 March 2013, the members of the Audit Committee are Eero Hautaniemi, Chairman, and members Sakari Lassila and Miikka Maijala. The Audit Committee met six times in 2013. The attendance rate of the members at the meetings was 100 per cent.

Remuneration Committee

The Remuneration Committee has at least two members, who are elected annually by the Board of Directors from among its members for the duration of the Board's term. In compliance with the Corporate Governance Code for listed companies in Finland, the members must be independent of the company. On an annual basis, the Board of Directors shall likewise select one member as Chairman of the committee, for the term of the Board. The committee will convene at least twice a year.

The duties of the Remuneration Committee include:
• handling, evaluating and making statements on the salary structure of the Group management and personnel as well as remuneration and incentive schemes

• monitoring the functionality of the remuneration systems to ensure that the management's incentive schemes promote the achievement of the company's targets and are based on personal performance
• handling and preparing other questions related to management and personnel remuneration and drafting statements to the Board regarding them
• handling and preparing executive appointment issues for consideration by the Board of Directors.

As from 12 March 2013, the Remuneration Committee comprises Heikki Bergholm, Chairman and Hille Korhonen, member. The Remuneration Committee met four times in 2013. The attendance rate of the members at the meetings was 100 per cent.

CEO AND GROUP EXECUTIVE BOARD

Lassila & Tikanoja plc's President and CEO is appointed by the Board of Directors. The President and CEO is responsible for day-to-day operations in keeping with the instructions of the Board of Directors. He is also responsible for the strategy process. The President and CEO is Pekka Ojanpää.

The Group Executive Board assists the President and CEO in the management of the company. Information on the Group Executive Board members' holdings in the company and their remuneration is provided in the Remuneration Statement in the Annual Report at Remuneration and shareholding of the Group Executive Board members.

BOARD MEMBERS

PEKKA OJANPÄÄ

born 1966, M.Sc. (Econ.)
President and CEO since 2011

Kemira Oyj: President, Municipal & Industrial segment 2008–2011, President, Kemira Specialty business area 2006–2008, Executive Vice President of Procurement & Logistics 2005–2006
Nokia Oyj: Vice President, Electromechanics Supply Line Management 2001–2004, Managing Director of Nokia Hungary 1998–2001, sales and logistics managerial positions in Nokia Mobile Phones 1994–1998

Other key positions:
Ilmarinen Mutual Pension Insurance Company: member of the Supervisory Board (2012–), Kiinteistötyönantajat ry: member of the Board of Directors (2013–)

TIMO LEINONEN

born 1970, M.Sc. (Admin.)
Chief Financial Officer since 23 January 2013

Ixonos Plc: CFO 2008–2012
Suomen Terveystalo Plc: CFO 2006–2008
Tieto-X Plc: CFO 2002–2006, business controller 2000–2002
APT Sijoitus Ltd: Financial Advisor 1999–2000
Uusimaa Regional Tax Office: Tax Auditor 1998–1999

PETRI SALERMO

born 1970, QBA
Vice President, Environmental Services since 2013

Lassila & Tikanoja plc: Business Director, Environmental Services 2009–2012, Sales Director, Environmental Services 2003–2009, Sales Manager, Environmental Services 2001-2003
Europress Oy: Sales Director 1998–2001, sales managerial positions 1995–1998

VILLE RANTALA

born 1971, M.Sc. (Econ.)
Vice President, Industrial Services since 2013 and Vice President, Renewable Energy Sources since 2011

Lassila & Tikanoja plc: CFO 2009–23 January 2013, President and CEO (acting) 13 June–31 October 2011
L&T Biowatti Oy: Managing Director 2011–2012
Suunto Oy: Director, Finance and Business Development 2007–2009
UPM-Kymmene Corporation: Finance Director, Fine and Specialty Papers Division 2006–2007, business controller 2002–2006, controller 2000–2002
Salomon Sport Finland Oy: Finance Manager 1999–2000

PETRI MYLLYNIEMI

born 1964, M.Sc. (Econ.)
Vice President, Facility Services since 7 January 2013

ISS Palvelut Oy: Business Director, Uusimaa region customer accounts 2011–2012, Business Director, Technical Service and Building Management 2005–2011
Are Oy: Executive Vice President and Vice President, Maintenance and Service Business 1999–2005, Service Manager 1995–1999, managerial and planning positions at Onninen-Termo Oy 1989–1994

KIRSI MATERO

born 1968, M.Sc. (Econ.)
HR Director since 2012

Atria plc: Group Vice President, Human Resources 2010–2011
Pfizer Oy: HR Director 2007–2010
Nokia Mobile Phones: Senior Business HR Manager 2004–2007
Nokia Mobile Phones and Nokia Networks: Business HR Manager and Competence Development Manager 1998–2003
Adulta Oy: Program Manager 1996–1998
Shell Oil Products: Product Manager 1994–1995

TUOMAS MÄKIPESKA

born 1978, M.Sc. (Econ.)
Business Development Director since 2012

Deloitte: Management Consultant, Strategy & Operations 2005–2012
Fiskars Corporation: Project Manager 2004–2005
Rieter Automotive Management AG: Market Analyst 2003
Tapiola Group: Finance Assistant 2000–2002

ANTTI TERVO

born 1978, M.Sc. (Econ.)
Chief Procurement Officer since 2012

Siemens, North West Europe: Head of Commodity Management 2009–2012, Work Stream Lead, Procurement & Supply Chain Management 2008–2009
Siemens Oy: Director, Procurement 2005–2009, Procurement Manager 2003–2005, Supply Chain Consultant 2001–2003

AUDITOR AND INTERNAL AUDIT

The statutory audit of the financial statements of Lassila & Tikanoja is carried out by KPMG Oy Ab, Authorised Public Accountants, elected by the Annual General Meeting. The principal auditor is Lasse Holopainen, Authorised Public Accountant.

The auditors and the Board agree on the audit plan annually and discuss the audit's findings. The principal auditor and the auditor manager attend at least one meeting of the Board of Directors annually.

In 2013, the fees paid for statutory auditing to KPMG group totalled EUR 98,000. The fees paid to the auditing company and companies belonging to the same group for non-audit services such as tax, IFRS and due diligence services totalled EUR 61,000.

The company has decided to establish its own internal audit organisation, which will start its work in early 2014. Executive management may invite external experts to conduct internal audit assignments when necessary.

The divisions have their own business controllers, whose duties include monitoring the business operations of the divisions, including foreign units. In addition, the rest of the company's financial organisation and management monitor the finances of foreign units, particularly from the perspective of financial accounting and risk management. The company's external auditor assists with some of these audits.

INSIDER GUIDELINES

Lassila & Tikanoja plc's Board of Directors has taken a decision that the Group observes the Guidelines for Insiders issued by NASDAQ OMX Helsinki. In addition, the Board has issued complementary guidelines that are in some respects more stringent.

The insider register is maintained in the SIRE service of Euroclear Finland Ltd. Insiders with a duty to declare include the members of the Board of Directors, President and CEO, the principal auditor and the Group Executive Board. Persons included in the company-specific permanent insider register based on their position include the General Counsel, Chief Information Officer, Director of Corporate Relations and Responsibility, Communications Manager and persons designated by them, divisional management teams, executive assistants and persons participating in group accounting, persons preparing stock exchange releases, as well as other separately designated persons. Separate project-specific sub-registers are kept for extensive or otherwise significant projects. The General Counsel is the person responsible for insider issues.

Lassila & Tikanoja's insiders are not permitted to engage in trading with company shares during the period between the end of the financial period and the disclosure of the result.

The shareholdings and option holdings of the public insiders are listed on the company's website.

FINANCIAL REPORTING

The financial reporting principles represent an essential element of L&T's Integrated Management System (IMS). The Group's financial reporting process includes both financial accounting and management accounting. The internal control and risk management systems and procedures pertaining to the financial reporting process are explained in more detail below. Their purpose is to ensure that the information disclosed in the financial reports published by the company is essentially correct.

Audit Committee

The Audit Committee supervises and monitors the efficiency of L&T's financial reporting process and internal control systems. The duties and operating principles of the audit committee are defined in a charter approved by the Board of Directors. The Audit Committee has reviewed L&T's internal control policy and the Board of Directors has approved it.

The Audit Committee meets at least four times a year before the publication of interim reports and the financial statements release. In its meetings, the Audit Committee reviews the financial information presented by the Chief Financial Officer, as well as interim reports and financial statements releases. The auditor is also invited to attend the meetings. The Audit Committee is presented in more detail in the Committees section.

L&T's financial reporting process

L&T conducts a significant proportion of its business in Finland. Functions having to do with accounting, sales invoicing, accounts payable and receivable, payments and financing in the financial reporting process in Finland are centralised. Organisation of these functions into different teams allows the separation of various finance-related tasks. To support the consistent process in Finland, L&T also runs a centralised accounting system and common account framework.

L&T's foreign subsidiaries each have independent financial management departments operating in compliance with the accounting principles and reporting instructions issued by the Group's financial management. Foreign subsidiaries submit a monthly reporting package to the Group according to the Group's instructions. Financial controllers supervise operations related to foreign subsidiaries' financial management, their financial reports and financial statements. They visit companies assigned to them on a regular basis and conduct inspections and prepare written inspection reports.

L&T's Group financial management is responsible for preparing and updating the Group accounting policies and instructions, and for preparing reporting schedules. The financial management department consolidates subsidiaries' financial statements into consolidated financial statements, which include notes to the financial statements, and prepares interim reports and financial statement releases, official financial statements and the annual report.

INTERNAL CONTROL

The financial development of the company is monitored monthly by an operational reporting system covering the whole Group. In addition to actual data, the system provides budgets, forecasts and investment reports. L&T's operations and financial reports are monitored and compared against budgets and forecasts at different organisational levels. Group management, divisional management and area management as well as business unit management analyse the results and any nonconformities. Divisional business controllers also analyse the financial reports and prepare reports for management use. The duties of controllers also include supervision of the accuracy of financial reports and analysis of results.

L&T's Group financial management has defined and documented the control objectives and control points associated with external financial reporting in 2009. Control points have been specified both for individual companies and for Group accounting, and they represent a minimum requirement imposed by the Group on internal control of financial reporting. Foreign subsidiaries have been informed of the control points, and the Group's financial management assesses foreign subsidiaries' operations against the specified control points as part of their regular visits.

The company has financing, disclosure and risk management and insurance policies as well as an internal control policy confirmed by the Board of Directors.

Risk management

The risks associated with financial management processes are assessed in the annual risk management process, which is part of L&T's Integrated Management System. Risks identified through risk assessment are prioritised, action plans and schedules are prepared, and persons responsible for implementing the actions are named. Implementation of actions is monitored annually. The risk management process is described in more detail in the next section, Key Risk Management Principles.

KEY RISK MANAGEMENT PRINCIPLES

Risk management aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the 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. The principles for financial risk management are defined in the Group's Financial Policy. The principles for insurance risk management are specified in the Risk Management and Insurance Policy.

Identification, assessment and reporting of risks

The risk management process is defined in L&T's Integrated Management System. As part of the annual strategy process, risks are assessed at the Group and division levels, in units outside Finland as well as within centralised functions defined as being critical. In each responsibility area, the executive management assesses its strategic, financial, operational and accident risk factors. L&T evaluates risks using a risk matrix, thereby also assigning monetary values to risks. Contingency plans are prepared for significant risks. Responsibility for the risk management measures is assigned to the relevant parties. The most significant risks identified and preparations for them are reported to the President and CEO and the Board of Directors.

REMUNERATION STATEMENT

The Finnish Corporate Governance Code requires the disclosure of a remuneration statement. This statement was prepared in accordance with recommendation 47 of the Corporate Governance Code.

REMUNERATION AND SHAREHOLDING OF THE BOARD MEMBERS

The Annual General Meeting determines the emoluments payable to the members of the Board of Directors in advance, for one year at a time.

In 2013, the following annual fees were decided to be paid: Chairman EUR 46,250, Vice Chairman EUR 30,500 and each member EUR 25,750. The fees are paid so that 40% of the annual fee is in Lassila & Tikanoja's shares held by the company or, if this is not feasible, shares acquired from the markets, and 60% in cash. Shares are to be issued to Board members and, where necessary, acquired directly from the markets on behalf of Board members within the next 14 trading days, free from restrictions on trading, from the Annual General Meeting. In addition, meeting fees are paid to the members of the Board of Directors as follows: EUR 1,000 to the Chairman, EUR 700 to the Vice Chairman and EUR 500 to each member for each meeting. Meeting fees are also paid to the Chairmen and members of committees established by the Board of Directors: EUR 700 to the Chairman of a committee and EUR 500 to each member for each meeting.

The members of the Board are not included in the company's share-based incentive schemes and they do not have any pension contracts with the company.

In 2013, the Board of Directors met 15 times, the Audit Committee six times and the Remuneration Committee four times.

Heikki Bergholm is the Chairman of the Board of Directors. The Vice Chairman is Eero Hautaniemi. Eero Hautaniemi is the Chairman of the Audit Committee and the members are Sakari Lassila and Miikka Maijala. Heikki Bergholm is the Chairman of the Remuneration Committee and the member is Hille Korhonen.

In 2013, the fees decided by the Annual General Meeting were paid to the Board of Directors.

REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS 1 JAN.-31 DEC. 2013

	Annual fee, EUR*	Meeting fee, EUR	2013 total, EUR	2012 total, EUR
Heikki Bergholm	46 250	17 800	**64 050**	66 650
Eero Hautaniemi	30 500	14 500	**45 000**	45 200
Hille Korhonen	25 750	8 500	**34 250**	33 750
Sakari Lassila	25 750	10 700	**36 450**	34 250
Miikka Maijala	25 750	10 500	**36 250**	34 250

*40% of the annual fee is paid in Lassila & Tikanoja's shares held by the company or, if this is not feasible, shares acquired from the markets.

SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

	31 Dec. 2013	Percentage of shares and voting power	1 Jan. 2013
Heikki Bergholm	796 247	2,05 %	780 758
Eero Hautaniemi	9 268	0,02 %	8 286
Hille Korhonen	4 314	0,01 %	3 485
Sakari Lassila	9 283	0,02 %	8 454
Miikka Maijala	71 187	0,18 %	70 358
Total	890 299	2,29 %	871 341

REMUNERATION AND SHAREHOLDING OF THE GROUP EXECUTIVE BOARD MEMBERS

The Board of Directors determines the salaries, bonuses and other benefits of the President and CEO and the direct subordinates of the President and CEO. The Board has established a Remuneration Committee. The duties of the committee include among others handling and preparing questions related to management and personnel remuneration and drafting statements to the Board regarding them.

The remuneration of the President and CEO and the other members of the Group Executive Board consists of a fixed monthly salary and benefits, of a compensation scheme and of a share-based incentive programme.

The President and CEO and the other members of the Group Executive Board are included in the share-based incentive programmes directed to the key personnel of the company. The basis for the determination of the reward is decided annually by the Board of Directors. Rewards to be paid for the year 2014 will be based on the Group's EVA result. The maximum share-based payment may equal 5–12 months' salary depending on the responsibilities of the member of the Group Executive Board. The decision on the remuneration is done by the Board of Directors based on the statement drafted by the Remuneration Committee.

The company has also provided a bonus scheme, the criteria of which are determined annually in advance by the Board of Directors. The bonus is based on operating profit excluding non-recurring items and it may equal 3–6 months' salary, at maximum, depending on the responsibilities of the member of the Group Executive Board. The decision on the bonus is done by the Board of Directors based on the statement drafted by the Remuneration Committee.

Separate emoluments are not paid to the President and CEO and other members of the Group Executive Board for the memberships of Boards of Directors of the subsidiaries.

The President and CEO and other members of the Group Executive Board are not covered by any supplementary pension scheme.

Service contract of the President and CEO

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is six months should the company terminate the contract, and six months should the President and CEO terminate the contract. In case the company terminates the contract the President and CEO will be paid compensation amounting to twelve (12) months' salary. The company has taken out statutory pension and accident insurance for the President and CEO.

Remuneration of the President and CEO and other management in 2013

In 2013 the salary of the President and CEO totalled EUR 708,000 which includes EUR 487,000 salaries and benefits and EUR 221,000 in bonuses. The salary and fringe benefits of the President and CEO include EUR 31,000 in share rewards.

The salaries paid to the other members of the Group Executive Board totalled EUR 1,092,000, which includes EUR 1,014,000 in salaries and benefits and EUR 78,000 in bonuses. The salaries and fringe benefits of the Group Executive Board include EUR 43,000 in share rewards. The figures include salaries for the period during which the persons in question were members of the Group Executive Board.

Share-based payments of 10,752 shares will be paid to the President and CEO and a total of 21,706 shares to other members of the Group Executive Board for the year 2013. No options were granted in 2013.

In 2013, EUR 12,000 arising from the pension agreement of President and CEO Jari Sarjo was recognised in the income statement.

SHARES HELD BY THE GROUP EXECUTIVE BOARD

	31 Dec. 2013	1 Jan. 2013
Pekka Ojanpää	12 775	10 230
Timo Leinonen*	200	
Petri Salermo	2 182	1 698
Ville Rantala	15 500	12 175
Petri Myllyniemi**	0	
Kirsi Matero	763	0
Tuomas Mäkipeska	1 284	800
Antti Tervo	984	500
* Member of the Group Executive Board as of 23 January 2013		
** Member of the Group Executive Board as of 7 January 2013		

LONG AND SHORT-TERM INCENTIVE PROGRAMMES

Lassila & Tikanoja has a one-year share-based incentive programme that was initiated in 2014. The one-year share-based incentive programme that started in 2013 ended at the close of the financial year. The company also has a bonus scheme, which is described in greater detail under Remuneration and Shareholdings of the Group Executive Board.

Share-based incentive programme 2014

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 18 December 2013 on a new one-year share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel.

The earnings period began on 1 January 2014 and ends on 31 December 2014. Potential rewards will be paid during the year following the earnings period partly as shares and partly in cash. Rewards to be paid for the year 2014 will be based on the Group's EVA result.

No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment. 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 39,105 Lassila & Tikanoja plc shares may be paid out on the basis of the programme.

The shares to be paid out as potential rewards will be transferred from the shares held by the company, and therefore the incentive programme will have no diluting effect on the share value. The programme covers 10 persons.

Share-based incentive programme 2013

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 17 December 2012 on a one-year share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel.

The earnings period began on 1 January 2013 and ended on 31 December 2013. Potential rewards will be paid during the year following the earnings period partly as shares and partly in cash. Rewards to be paid for the year 2013 will be based on the Group's EVA result.

No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment. 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 53,300 Lassila & Tikanoja plc shares could be paid out on the basis of the programme.

The shares to be paid out as rewards will be transferred from the shares held by the company, and therefore the incentive programme will have no diluting effect on the share value. 10 people were included in the programme.

Under the programme, 35,818 shares were granted for 2013.

REPORT BY THE BOARD OF DIRECTORS

L&T's strategy is based on the desire to transform our consumer society into an efficient recycling society. This means a society where existing materials and buildings are used as efficiently as possible, continued efforts are made to optimise energy consumption, and more jobs and greater wellbeing are created through sustainable growth. This will be achieved by improving customers' material, energy and cost efficiency.

The extensive strategy work carried out in 2012 was updated slightly in spring 2013. The financial objectives set for the strategy period remained unchanged.

GROUP NET SALES AND FINANCIAL PERFORMANCE

Lassila & Tikanoja's net sales for the year 2013 amounted to EUR 668.2 million (2012: 674.0; 2011: 652.1); a decrease of 0.9%. Operating profit was EUR 33.2 million (48.4; 25.6), and operating profit excluding non-recurring items was EUR 51.8 million (47.4; 44.3), representing 7.8% (7.0; 6.8) of net sales. Earnings per share were EUR 0.57 (0.89; 0.44).

Comparable net sales includes EUR 8.0 million worth of net sales generated by L&T Recoil and the divested parts of the eco product business. Comparable operating net sales, excluding non-recurring items, increased by 0.2%.

Factors contributing to the decrease in operating profit included the EUR 1.0 million non-recurring reorganisation costs (EUR 2.9 million), EUR 5.0 million impairment on EcoStream Oy's shares, EUR 7.0 million impairment of goodwill in Swedish business operations, a EUR 5.0 million provision associated with land areas divested in previous financial periods, and costs of EUR 1.2 million recorded for the discontinuation of the sewer repair business. A sales gain of EUR 4.2 million on the divestment of L&T Recoil shares improved the reported operating profit in the comparison period.

INCOME STATEMENT BY QUARTER

EUR 1,000	10-12/ 2013	7-9/ 2013	4-6/ 2013	1-3/ 2013	10-12/ 2012	7-9/ 2012	4-6/ 2012	1-3/ 2012
Net sales								
Environmental Services	**65 695**	65 433	66 597	60 201	64 670	66 388	69 136	65 467
Industrial Services	**20 861**	20 933	20 002	13 730	18 770	18 145	20 158	12 923
Facility Services	**71 706**	71 645	73 395	75 796	74 789	72 708	72 376	79 620
Renewable Energy Sources	**15 819**	7 430	12 991	21 770	18 287	7 977	12 099	17 584
Group administration and other								
Inter-division net sales	**-4 375**	-3 532	-4 103	-3 776	-4 725	-4 002	-4 077	-4 308
L&T Total	**169 705**	161 909	168 882	167 721	171 791	161 216	169 692	171 286
Operating profit								
Environmental Services	**2 921**	11 888	9 059	6 224	6 592	11 019	12 368	4 272
Industrial Services	**1 573**	2 281	1 895	-519	1 161	1 789	2 199	-1 257
Facility Services	**-5 560**	6 745	2 830	429	2 516	7 843	1 025	1 596
Renewable Energy Sources	**590**	-203	94	967	269	-384	-733	787
Group administration and other	**-1 140**	-692	-5 397	-803	-853	-638	-715	-465
L&T Total	**-1 616**	20 019	8 481	6 298	9 685	19 629	14 144	4 933
Operating margin								
Environmental Services	**4,4**	18,2	13,6	10,3	10,2	16,6	17,9	6,5
Industrial Services	**7,5**	10,9	9,5	-3,8	6,2	9,9	10,9	-9,7
Facility Services	**-7,8**	9,4	3,9	0,6	3,4	10,8	1,4	2,0
Renewable Energy Sources	**3,7**	-2,7	0,7	4,4	1,5	-4,8	-6,1	4,5
L&T Total	**-1,0**	12,4	5,0	3,8	5,6	12,2	8,3	2,9
Finance costs, net	**-725**	-1 132	-590	-408	-512	-568	-3 356	-960
Profit before tax	**-2 341**	18 887	7 891	5 890	9 173	19 061	10 788	3 973

NET SALES OF INTERNATIONAL OPERATIONS BY COUNTRY

EUR 1,000	2013	2012	2011
Sweden	**30 856**	35 970	33 740
Latvia	**16 540**	16 664	17 133
Russia	**7 560**	8 076	7 908

DIVISION REVIEWS

Environmental Services

The Environmental Services division’s net sales for 2013 amounted to EUR 257.9 million (EUR 265.7 million), showing a decrease of 2.9%. Operating profit totalled EUR 30.1 million (EUR 34.3 million) and operating profit excluding non-recurring items was EUR 35.1 million (EUR 30.6 million).

Comparable net sales includes EUR 8.0 million worth of net sales generated by L&T Recoil and the divested parts of the eco product business.

Operational efficiency improvement contributed to the increase in operating profit.

Industrial Services

The division’s net sales for 2013 totalled EUR 75.5 million (EUR 70.0 million), showing an increase of 7.9%. Operating profit totalled EUR 5.2 million (EUR 3.9 million) and operating profit excluding non-recurring items was EUR 6.7 million (EUR 4.4 million).

Net sales grew following an increase in demand for process cleaning. Demand for sewer maintenance services and environmental construction was modest at the start of the year, but improved during the second half.

Hazardous waste services enjoyed healthy demand and strong profitability throughout the review period.

Facility Services

The division’s net sales for the year 2013 were down by 2.3% to EUR 292.5 million (EUR 299.5 million). Operating profit totalled EUR 4.4 million (EUR 13.0 million) and operating profit excluding non-recurring items was EUR 11.9 million (EUR 14.7 million).

The division's net sales fell from the comparison period, due to business downsizing in Sweden and reduced demand for property maintenance services in the second half of the year.

Costs incurred from the expansion of technical systems services had a negative effect on profitability, as did the weak profitability of damage repair services.

The Facility Services division implemented efficiency enhancement measures to improve its profitability. The benefits of these measures will materialise during 2014. Profitability improved in the cleaning business, particularly in Sweden.

The entire division is currently engaged in a major restructuring and reorganisation process, the purpose of which is to adapt operations to the changes in market conditions, especially in cleaning and property maintenance.

Renewable Energy Sources

Full-year net sales of Renewable Energy Sources (L&T Biowatti) were up by 3.7% to EUR 58.0 million (EUR 55.9 million). Operating profit amounted to EUR 1.4 million (operating loss EUR 0.1 million), and operating profit excluding non-recurring items was EUR 1.1 million (EUR 0.1 million).

The division’s net sales improved from the comparison period, due to strong demand for wood-based fuels.

In the first half, profitability suffered from the weaker energy content of fuels and higher logistics costs. Meanwhile, net sales growth and the efficiency improvement measures taken improved the operating profit.

NET SALES BY DIVISION

EUR 1,000	2013	2012	Change %
Environmental Services	**257 926**	265 661	-2,9
Industrial Services	**75 526**	69 996	7,9
Facility Services	**292 542**	299 493	-2,3
Renewable Energy Sources	**58 010**	55 947	3,7
Eliminations	**-15 786**	-17 112	
Total	**668 217**	673 985	-0,9

OPERATING PROFIT BY DIVISION

EUR 1,000	2013	%	2012	%	Change %
Environmental Services	**30 092**	**11,7**	34 251	12,9	-12,1
Industrial Services	**5 230**	**6,9**	3 892	5,6	34,4
Facility Services	**4 444**	**1,5**	12 980	4,3	-65,8
Renewable Energy Sources	**1 448**	**2,5**	-61	-0,1	2 473,8
Group administration and other	**-8 032**		-2 671		
Total	**33 182**	**5,0**	48 391	7,2	-31,4

FINANCING AND CAPITAL EXPENDITURE

Cash flows from operating activities amounted to EUR 86.4 million (80.5; 74.5). A total of EUR 7.9 million in working capital was released (EUR 6.4 million released; EUR 3.2 million released).

At the end of the period, interest-bearing liabilities amounted to EUR 122.8 million (96.9; 135.2). In the final quarter, the company took out long-term loans in the amount of EUR 30.0 million to balance the maturity of its interest-bearing liabilities. Guarantees of EUR 16.4 million associated with L&T Recoil to other providers of finance are still in force. In addition, L&T has receivables of EUR 3.3 million from EcoStream Group.

Net interest-bearing liabilities amounted to EUR 64.4 million, showing a decrease of EUR 17.9 million from the beginning of the year and EUR 0.9 million in the final quarter.

Net financial expenses in 2013 amounted to EUR 2.9 million (5.4; 4.6). Net financial expenses were 0.4% (0.8; 0.7) of net sales. The amount of repaid loans and the expiry of high-interest interest rate swaps contributed to the decrease in net financial expenses. Costs in the comparison period included a write-down of EUR 2.0 million on the receivables from a subordinated loan from Recoil Oy.

The average interest rate on long-term loans (with interest-rate hedging) was 1.7% (2.2; 3.1). Long-term loans totalling EUR 22.1 million will mature during the year 2014.

The equity ratio was 43.7% (49.4; 44.5) and the gearing rate 30.4 (35.3; 58.3). Liquid assets at the end of the period amounted to EUR 58.5 million (14.6; 8.1).

Of the EUR 100 million commercial paper programme, EUR 35.0 million (12.0; 17.0) 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.

Capital expenditure

In 2013, gross capital expenditure amounted to EUR 32.7 million (49.4; 70.6) and was mainly earmarked for the acquisition of machinery and equipment.

Loans, liabilities and contingent liabilities to related parties

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

KEY FIGURES FOR FINANCING

	2013	2012	2011
Interest-bearing liabilities, EUR million	**122,8**	96,9	135,2
Net interest-bearing liabilities, EUR million	**64,4**	82,3	127,2
Interest expenses, EUR million	**1,1**	4,8	4,3
Net finance costs, EUR million	**2,9**	5,4	4,6
Net finance costs, % of net sales	**0,4**	0,8	0,7
Net finance costs, % of operating profit	**8,0**	11,1	18,0

Equity ratio, %	**43,7**	49,4	44,5
Gearing, %	**30,4**	35,3	58,3
Cash flows from operating activities, EUR million	**86,4**	80,5	74,5
Change in working capital in the cash flow statement, EUR million	**7,9**	6,4	3,2

INVESTED CAPITAL

EUR 1,000	31 Dec. 2013	31 Dec. 2012	31 Dec. 2011
Non-current assets	**311 021**	336 081	365 832
Inventories and receivables	**126 495**	130 590	120 440
Liquid assets	**58 474**	14 582	8 068
Deferred tax liability	**-25 809**	-31 313	-29 389
Trade and other payables	**-119 954**	-112 880	-105 752
Provisions	**-9 482**	-4 425	-2 500
Other non-interest-bearing liabilities	**-6 444**	-2 756	-3 522
Invested capital	**334 301**	329 879	353 177

CAPITAL EXPENDITURE BY BALANCE SHEET ITEM

EUR million	2013	2012	2011
Real estates	**1,9**	7,4	8,2
Machinery, equipment and other property, plant and equipment	**26,1**	31,8	36,9
Goodwill and other intangible rights arising from business acquisitions	**0,0**	1,3	22,9
Other intangible assets	**2,6**	2,1	2,6
Other non-current assets	**2,0**	6,7	0,1
Total	**32,7**	49,4	70,6

CAPITAL EXPENDITURE BY DIVISION

EUR million	2013	2012
Environmental Services	**15,7**	16,1
Industrial Services	**3,2**	11,3
Facility Services	**11,3**	14,7
Renewable Energy Sources	**0,2**	0,5
Group administration and other	**2,2**	6,8
Total	**32,7**	49,4

CHANGES IN THE GROUP STRUCTURE

In 2013, Lassila & Tikanoja did not acquire business operations or shareholdings. The Group did not divest any of its business operations.

During the financial year, Kiinteistöhuolto Markku Hyttinen Oy and Paraisten Puhtaanapito Oy were dissolved.

On 31 December 2013, Hansalaiset Oy and Kiinteistöpalvelu Hansalaiset Oy were in voluntary liquidation.

STRATEGY IMPLEMENTATION

L&T's current strategy extends until 2016, but is reviewed annually. The extensive strategy work carried out in 2012 was updated slightly in spring 2013. The financial objectives set for the strategy period remained unchanged.

L&T's strategy is based on the desire to transform our consumer society into an efficient recycling society. This means a society where existing materials and buildings are used as efficiently as possible, continued efforts are made to optimise energy consumption, and more jobs and greater wellbeing are created through sustainable growth. This will be achieved by improving customers' material, energy and cost efficiency.

From structural change to a phase of profitable growth

In 2012 and 2013, L&T's strategy had a strong focus on reorganising operations, standardising working methods and ensuring cost efficiency.

The company continued its reorganisation in 2013 by merging Cleaning and Office Support Services and Property Maintenance to form a new division, Facility Services. This increases L&T's effectiveness in offering more extensive service packages to customers and ensuring smooth overall service.

In 2014, the company will continue to keep a close eye on profitability, but will focus above all on profitable growth. L&T primarily seeks organic growth, especially in non-capital intensive service business that generates a steady cash flow. A strong balance sheet also enables investments into future growth. The company's main market area is Finland, where the potential size of the service market is over four billion euros.

FINANCIAL TARGETS

	Target 2016	2013	2012	2011
Organic growth	5 %	**0,2 %**	1,4 %	4,5 %
Return on investment*	20 %	**15,7 %**	14,4 %	7,6 %
Operating profit*	9 %	**6,8 %**	7,0 %	6,8 %
Gearing	30–80 %	**30,4 %**	35,3 %	58,3 %

*Operative

MAIN EVENTS DURING THE REPORTING PERIOD

In a release published on 25 March 2013, the company announced the comparable figures for 2012 based on the new business structure.

In a release published on 9 April 2013, the company announced that as part of EcoStream Oy's capital arrangements, Lassila & Tikanoja plc subscribed for EcoStream Oy shares for a total of EUR 2.0 million on 8 April 2013. The subscription price was EUR 3.00 per share. This subscription was financed through a conversion of Lassila & Tikanoja's remaining sale price receivable from the L&T Recoil Oy divestment, EUR 2.0 million, into EcoStream Oy shares. Consequently, the arrangement had no direct impact on cash flow. Following this arrangement and EcoStream Oy's other capital arrangements, Lassila & Tikanoja's ownership in EcoStream Oy fell to approximately 16.4 per cent.

In connection with the arrangement, Lassila & Tikanoja's Board of Directors decided on a write-down of all shares held by Lassila & Tikanoja plc to EUR 3.00 per share. As a result of this write-down, the company will record an impairment of EUR 5.1 million on EcoStream Oy's shares for the second quarter.

After the write-down, the balance sheet value of the EcoStream shares held by L&T will be approximately EUR 3.6 million.

The impairment will be treated as a non-recurring cost item, with no impact on cash flow.

In a release published on 1 July 2013, the company announced that the consideration of charges relating to L&T's overtime investigation was complete. The police investigation and the consideration of charges were aimed at the overtime work of 25 of L&T's property maintenance employees. On the basis of the consideration of charges, the District Prosecutor for Helsinki has decided to press charges against 21 former and current management staff at Lassila & Tikanoja, including Pekka Ojanpää, President and CEO since 1 November 2011.

In a release published on 23 September 2013, in conjunction with the Capital Markets Day, the company announced that its financial targets for the year 2016 remain unchanged. The theme of the Capital Markets Day was: "L&T moving from re-structuring to profitable growth".

In a release published on 19 December 2013, the company announced that it recognises a total of EUR 7.0 million in impairment of goodwill in its Swedish business operations in the fourth quarter. In the Group, the impairment is allocated to the Facility Services division. The impairment is due to the decrease in yield expectations in Swedish operations, particularly in the Öst-Göta region. After the impairment loss, the amount of goodwill remaining in the Group's balance sheet totals about EUR 3.5 million in relation to Swedish operations.

PERSONNEL

In 2013, the average number of employees converted into full-time equivalents was 8,267 (8,399; 8,513). The total number of full-time and part-time employees at the end of the period was 8,847 (8,962; 9,357). Of them 7,088 (7,035; 7,381) people worked in Finland and 1,759 (1,927; 1,976) people in other countries. The wages and salaries paid in 2013 totalled EUR 222.6 million (224.4; 216.4).

EMPLOYEES BY COUNTRY AT YEAR END

Full-time and part-time, total

	2013	2012	2011
Finland	**7 088**	7 035	7 381
Latvia	**939**	912	895
Sweden	**582**	783	838
Russia	**238**	232	243
Total	**8 847**	8 962	9 357

ENVIRONMENT

As a leading company in the environmental management sector, L&T’s operations are based on the legal and operational requirements set for both its own and its customers’ operating environments. The company’s management of environmental issues is based on the Group’s risk management and environmental policies. In 2012, L&T’s Group Executive Board approved a new environmental policy and the company’s related environmental objectives.

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.

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.

Environmental management and waste processing operations are governed by strict laws and regulations, and operations require a permit. L&T has 63 environmental permits in Finland related to the handling and recycling of waste and biofuels.

Year 2013

Our services reduced carbon dioxide emissions in Finland by approximately 1.5 million tonnes of CO_2 in 2013.

Of all the material flows managed by L&T, 86% could be recycled or utilised. Of the waste processed at L&T's plants, 96% was reused as secondary raw materials or as energy (2012: 86%). Our goal was to develop the material efficiency of our own recycling plants by increasing the recovery rate to 90 per cent by the end of 2016. Development work progressed faster than expected and we already achieved our target level in 2013. The improvement of the recovery rate was largely due to the greater recovery opportunities in environmental construction.

8 per cent of hazardous wastes were transported to other EU countries for reuse.

The most significant negative environmental impacts of our operations are the emissions generated by collection and transport services. The improvement of the recovery rate was largely due to the greater recovery opportunities in environmental construction. Our goal is to reduce our own direct carbon dioxide emissions by five per cent from the 2012 level and volume by 2016. Our direct greenhouse gas emissions in relation to the 2012 volume decreased by 6.4 per cent. That said, total direct emissions were only 0.2 per cent lower than in the previous year as a result of the emissions of the Uusikaupunki landfill, which L&T acquired at the end of 2012. In 2013, we reduced our diesel consumption by 842,000 litres (-5.4%).

No serious environmental damage incidents occurred at L&T in 2013. There were seven minor incidents, which were due to tank leaks and a fire. Immediate action was taken to contain and remedy the damage. Waste treatment caused local complaints about odours, and storms scattered litter into the environment around the Uusikaupunki landfill. We took action immediately.

RESEARCH AND DEVELOPMENT

Research expenditure is recognised as an expense during the period in which it is incurred. Development expenditure is capitalised when the company can demonstrate the technical feasibility and commercial potential of the product under development and when the acquisition cost can be reliably determined. Other development expenditure is recognised as an expense.

The company's current capitalised development expenditure is primarily targeted for software and system projects. Development expenditure of EUR 2.1 million on software projects was capitalised in the balance sheet (1.7; 1.6). Costs of software projects are capitalised starting from the time when the projects move out of the research phase into the development phase and the outcome of the project is an itemisable intangible asset.

For the most part, the goal of product development recognised as an expense in the income statement is to give L&T's service offerings a competitive edge and thereby to help the company achieve its growth targets.

L&T also participated in many research projects in 2013. The objectives of these projects 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.

RISKS AND RISK MANAGEMENT

Risk management aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the 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. The principles for financial risk management are defined in the Group's Financial Policy. The principles for insurance risk management are specified in the Insurance Policy.

Identification, assessment and reporting of risks

The risk management process is defined in L&T's Integrated Management System. As part of the annual strategy process, risks are assessed at the Group and division levels, in units outside Finland as well as within centralised functions defined as being critical. In each responsibility area, the executive management assesses its strategic, financial, operational and accident risk factors. L&T evaluates risks using a risk matrix, thereby also assigning monetary values to risks. Contingency plans are prepared for significant risks. Responsibility for the risk management measures is assigned to the relevant parties. The most significant risks identified and preparations for them are reported to the President and CEO and 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 OPERATIVE 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 service. In 2013, 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 weaken. 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 profitability 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 contracts of sale, strategic and financial analysis of acquisition targets, comprehensive audits of due diligence, and particularly by carrying out an efficient integration programme after the realisation of a deal.

Operations in developing markets

L&T has business operations in countries such as 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. For example, the free pricing of services could be restricted in these countries. L&T endeavours to minimise 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. Seasonal changes in job markets might increase employee turnover, posing challenges to the availability of personnel. 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 efficient use, availability and competence of personnel. We focus on fostering a 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 risks, 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 recycled 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, the company endeavours to minimise the risks of fire damage by carrying out systematic contingency planning, constructing automated extinguishing systems, and training personnel to prepare for emergencies.

Risk of environmental damage

L&T's business includes 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 equipment maintenance plans, 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 Facility Services. As a major employer, L&T is liable for the full pension costs arising from its employee disabilities. L&T's Sirius programme is designed to promote the health of employees and to manage occupational health care services. It aims to minimise sickness-related absences and disability pensions as well as manage their related costs.

CORPORATE GOVERNANCE

Corporate Governance Statement

The Corporate Governance Statement for the financial year 2013 is provided as a separate report.

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 of Shareholders 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 six months if the company terminates his employment.

The Annual General Meeting held on 12 March 2013 confirmed the number of the members of the Board of Directors as five (5). The following Board members were re-elected to the Board until the end of the following AGM: Heikki Bergholm, Eero Hautaniemi, Hille Korhonen, Sakari Lassila and Miikka Maijala. At its constitutive meeting after the Annual General Meeting, the Board elected Heikki Bergholm as Chairman of the Board and Eero Hautaniemi as Vice Chairman. Eero Hautaniemi was elected as the Chairman of the Audit Committee and Sakari Lassila and Miikka Maijala as members of the committee. Heikki Bergholm was elected as the Chairman of the Remuneration Committee and Hille Korhonen as a member of the committee.

KPMG Oy Ab, Authorised Public Accountants, is the auditor of the company, with Lasse Holopainen, Authorised Public Accountant, as principal auditor.

Pekka Ojanpää has served as the President and CEO since 1 November 2011.

Group Executives

On 1 January 2013, Petri Salermo assumed the position of Vice President, Environmental Services and Ville Rantala became Vice President, Industrial Services. Petri Myllyniemi was appointed Vice President, Facility Services as of 7 January 2013. Timo Leinonen was appointed CFO effective 23 January 2013.

On 31 December 2013, the members of the Group Executive Board were Pekka Ojanpää, President and CEO, Petri Salermo, Vice President, Environmental Services, Petri Myllyniemi, Vice President, Facility Services, Ville Rantala, Vice President, Industrial Services, Timo Leinonen, CFO, Kirsi Matero, HR Director, Tuomas Mäkipeska, Business Development Director, and Antti Tervo, Chief Procurement Officer.

SHARES AND SHAREHOLDERS

Share capital and number of shares

There were no changes in Lassila & Tikanoja's share capital and number of shares in 2012 and 2013. The registered share capital of the company is EUR 19,399,437. The number of shares is 38,798,874. In 2013, the average number of shares excluding the shares held by the company totalled 38,703,933. Each share carries one vote. The Articles of Association do not set an upper limit on the share capital and number of shares. 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.

Shareholders

Lassila & Tikanoja plc had 9,320 registered shareholders at the end of 2013 (9,382; 9,365). Nominee-registered shares and shares in direct foreign ownership accounted for 21.7% of the stock (17.2; 13.0).

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 923,987 shares in the company on 31 December 2013. They represent 2.4% of the number of shares and votes.

Trading in shares in 2013

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 2013 was 7,206,872, which is 18.7% (25.8%; 23.0%) of the average number of outstanding shares. The value of trading was EUR 99.5 million (105.1; 108.2). The highest share price was EUR 15.59 and the lowest EUR 11.60. The closing price was EUR 15.23. The market capitalisation excluding the shares held by the company was EUR 589.5 million (450.4; 444.5) at the end of the period.

Own shares

At the beginning of the period, the company held 106,810 of its own shares and at the end of the period 92,247, representing 0.2% of all shares and votes.

Authorisations of the Board of Directors

The Annual General Meeting held on 12 March 2013 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. The Annual General Meeting also decided to authorise the Board of Directors to decide on a share issue and granting special rights entitling to shares.

The Board of Directors is authorised to purchase a maximum of 500,000 company shares, which is 1.3% of the total number of shares. The authorisation is effective for 18 months.

In addition, the Board of Directors is authorised to decide on issuance of new shares or shares possibly held by the company through share issue and/or issuance of option rights or other special rights entitling to shares, as referred to in Chapter 10, Section 1 of the Finnish Companies Act, so that by virtue of the authorisation a maximum total of 500,000 shares may be issued and/or conveyed, representing 1.3% of all shares. The authorisation is effective for 18 months.

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.

BREAKDOWN OF SHAREHOLDING BY SECTOR AT YEAR END

	Number of share-holders	Percentage	Number of shares	Percentage of shares and votes
Non-financial corporations and housing corporations	499	5,4 %	2 775 668	7,2 %
Financial and insurance corporations	56	0,6 %	7 032 172	18,1 %
General Government	24	0,3 %	3 842 033	9,9 %
Non-profit institutions serving households	225	2,4 %	5 084 734	13,1 %
Households	8 475	90,9 %	11 450 596	29,5 %
Foreign shareholders	42	0,5 %	151 555	0,4 %
Own shares			92 247	0,2 %
Shares registered in a nominee's name			8 421 580	21,7 %
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 share-holders	Percentage	Number of shares	Percentage of shares and votes
1-1 000	7 879	84,5 %	2 136 120	5,5 %
1 001-5 000	1 016	10,9 %	2 288 507	5,9 %
5 001-10 000	172	1,8 %	1 282 011	3,3 %
10 001-100 000	203	2,2 %	5 487 085	14,1 %
100 001-500 000	36	0,4 %	7 121 014	18,4 %
over 500 000	14	0,2 %	20 351 354	52,5 %

	9 320	100,0 %	38 666 091	99,7 %
Shares registered in a nominee's name			8 421 580	21,7 %
Shares not transferred to the book-entry securities system			40 536	0,1 %
Own shares			92 247	0,2 %
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	2 181 238	5,6
3	Nordea investment funds	1 800 956	4,6
4	Maijala Juhani	1 529 994	3,9
5	Ilmarinen Mutual Pension Insurance Company	1 362 803	3,5
6	LähiTapiola Group	874 280	2,3
7	Bergholm Heikki	796 247	2,1
8	Maijala Mikko	720 000	1,9
9	Danske Invest funds	623 192	1,6
10	Varma Mutual Pension Insurance Company	600 690	1,6
11	Turjanmaa Kristiina	585 842	1,5
12	The State Pension Fund	562 000	1,5
13	Elo Mutual Pension Insurance Company	414 073	1,1
14	Aktia investment funds	353 280	0,9
15	Säästöpankki investment funds	352 739	0,9
16	Maijala Eeva	345 000	0,9
17	Veritas Pension Insurance Company Ltd	340 000	0,9
18	Oy Chemec Ab	340 000	0,9
19	SEB Gyllenberg investment funds	281 994	0,7
20	Oy Asipex Ab	215 551	0,6
	Total	16 693 463	43,0

PROFIT DISTRIBUTION

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.

In 2013, the Group's earnings per share were EUR 0.57 (0.89; 0.44) and cash flow from operating activities per share amounted to EUR 2.23 (2.08; 1.92). The Board of Directors will propose dividend of EUR 0.50 per share to the Annual General Meeting to be held on 19 March 2014.

A capital repayment of EUR 0.60 per share (2011: 0.55), an additional dividend of EUR 0.35 per share, and an additional capital prepayment of EUR 0.15 per share were paid for 2012.

NEAR-TERM UNCERTAINTIES

Economic uncertainty may cause major changes in the Environmental Services division's secondary raw material markets and in the demand for Industrial Services.

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

L&T's total risks in the EcoStream Group amount to EUR 23.3 million, and if the risks materialised, there would be an impact on cash flow of approximately EUR 16.4 million. The EUR 16.4 million guarantee given by L&T to other financiers on L&T Recoil Oy's bank loans is still in effect. Furthermore, L&T has outstanding receivables from the EcoStream Group totalling EUR 3.3 million, and holds EcoStream Oy shares worth EUR 3.6 million.

OUTLOOK FOR 2014

Full-year net sales in 2014 are expected to remain at the 2013 level. Operating profit, excluding non-recurring items, is expected to remain at the 2013 level or improve slightly.

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.

KEY FIGURES

KEY FIGURES ON FINANCIAL PERFORMANCE

	2013	2012	2011	2010	2009
Net sales, EUR million	**668,2**	674,0	652,1	598,2	582,3
Operating profit, EUR million	**33,2**	48,4	25,6	40,2	50,3
% of net sales	**5,0**	7,2	3,9	6,7	8,6
Profit before tax, EUR million	**30,3**	43,0	21,0	36,0	45,0
% of net sales	**4,5**	6,4	3,2	6,0	7,7
Profit for the period, EUR million	**22,2**	34,5	17,0	26,2	33,1
% of net sales	**3,3**	5,1	2,6	4,4	5,7
Profit for the period attributable to the equity holders of the parent company, EUR million	**22,2**	34,5	17,0	26,2	33,1
% of net sales	**3,3**	5,1	2,6	4,4	5,7
EVA, EUR million	**12,4**	24,1	-2,2	10,1	16,5
Cash flow from operating activities, EUR million	**86,4**	80,5	74,5	63,8	66,2
Balance sheet total, EUR million	**496,0**	481,3	494,3	483,7	496,4
Return on equity, % (ROE)	**10,0**	15,3	7,7	11,9	15,7
Return on invested capital, % (ROI)	**10,6**	14,4	7,6	11,6	14,5
Equity ratio, %	**43,7**	49,4	44,5	46,5	44,1
Gearing, %	**30,4**	35,3	58,3	50,3	53,5
Net interest-bearing liabilities, EUR million	**64,4**	82,3	127,2	112,3	116,3
Capital expenditure, EUR million	**32,7**	49,4	70,6	39,3	44,9
% of net sales	**4,9**	7,3	10,8	6,6	7,7
Average number of employees in full-time equivalentes	**8 267**	8 399	8 513	7 835	8 113
Total number of full-time and part-time employees at year end	**8 847**	8 962	9 357	8 732	8 743

KEY FIGURES ON SHARES

	2013	2012	2011	2010	2009
Earnings per share (EPS), EUR	**0,57**	0,89	0,44	0,68	0,85

Earnings per share (EPS), diluted, EUR	**0,57**	0,89	0,44	0,68	0,85
Equity per share, EUR	**5,46**	6,01	5,63	5,75	5,60
Dividend per share, €	**0,50***	0,35	0,00	0,55	0,55
Payout ratio, %	**87,2***	39,3	0,00	81,4	64,4
Capital repayment per share, EUR	**0,00***	0,75	0,55	0,00	0,0
Payout ratio, %	**0,0***	84,2	125,6	0,0	0,0
Effective dividend yield, %	**3,3***	6,4	0,0	3,7	3,4
Effective capital repayment yield, %	**0,0***	5,2	4,8	0,0	0,0
P/E ratio, %	**26,6**	13,1	26,2	21,8	18,7
Cash flow from operating activities per share, EUR	**2,23**	2,08	1,92	1,65	1,71
Share price adjusted for issues:					
lowest, EUR	**11,60**	8,59	9,49	12,85	9,16
highest, EUR	**15,59**	12,15	15,18	16,20	17,19
average, EUR	**13,81**	10,55	12,13	14,36	12,61
closing, EUR	**15,23**	11,64	11,49	14,73	15,99
Market capitalization, EUR million	**589,5**	450,4	444,5	570,6	619,9
Number of shares adjusted for issue:					
average during the year	**38 703 933**	38 688 373	38 721 908	38 748 649	38 780 589
at year end	**38 706 627**	38 692 064	38 685 569	38 738 116	38 768 874
average during the year, diluted	**38 720 630**	38 701 004	38 762 194	38 772 906	38 784 285
Adjusted number of shares traded during the year	**7 206 872**	9 967 494	8 965 140	7 816 454	10 089 598
As a percentage of the average	**18,7**	25,8	23,2	20,2	26,0
Volume of shares traded, EUR 1,000	**99 506**	105 121	108 740	112 270	127 213
* Proposal by the Board of Directors					

CALCULATION OF THE KEY FIGURES

Key figures on shares			
Earnings per share (EPS)	=	profit attributable to equity holders of the parent company	
		adjusted average basic number of shares	
Earnings per share (EPS), diluted	=	profit attributable to equity holders of the parent company	
		adjusted average diluted number of shares	
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	
Payout ratio, % *	=	dividend per share	x 100
		earnings per share	
Effective dividend yield, % *	=	dividend per share	x 100
		closing price of the financial period	
P/E ratio, %	=	closing price of the financial period	
		earnings per share	
Cash flow from operating activities per share	=	cash flows from operating activities as in the cash flow statement	
		adjusted average basic number of shares	
Market capitalization	=	basic number of shares at the balance sheet date x closing price of the financial period	
* The calculations are also applied with capital repayment.			

Key figures on financial performance			
EVA	=	operating profit - cost calculated on invested capital (average of four quarters) before taxes	
		The cost of invested capital is calculated using the Group's weighted average cost of capital (WACC).	
		WACC 2013: 6,52 %	
		WACC 2012: 7,10 %	
		WACC 2011: 7,70 %	
		WACC 2010: 8,70 %	
		WACC 2009: 9,40 %	
Return on equity, % (ROE)	=	profit for the period	x 100
		equity (average)	
Return on invested capital, % (ROI)	=	profit before tax + finance costs	x 100
		Balance sheet total - non-interest-bearing liabilities (average)	

Equity ratio, %	=	equity	x 100
		balance sheet total - advances received	

Gearing, %	=	net interest-bearing liabilities	x 100
		equity	

Net interest-bearing liabilities	=	Interest-bearing liabilities - cash and cash equivalents

FINANCIAL STATEMENTS

Lassila & Tikanoja's financial statements have been prepared in accordance with the provisions of the Finnish Accounting Act, the Finnish Companies Act and the Finnish Securities Market Act.

CONSOLIDATED INCOME STATEMENT

1 January - 31 December EUR 1000	2013	%	2012	%	Note
Net sales	**668 217**	100,0	673 985	100,0	1
Cost of sales	**-597 288**	-89,4	-602 581	-89,4	
Gross profit	**70 929**	10,6	71 404	10,6	
Other operating income	**4 280**	0,6	7 708	1,1	6
Sales and marketing expenses	**-14 503**	-2,2	-16 745	-2,5	
Administrative expenses	**-12 985**	-1,9	-12 090	-1,8	
Other operating expenses	**-2 512**	-0,4	-1 584	-0,2	6
Impairment, property, plant and equipment	**-5 027**	-0,8	-302	0,0	16 14
Impairment, goodwill and other intangible assets	**-7 000**	-1,0	0	0,0	13
Operating profit	**33 182**	5,0	48 391	7,2	
Financial income	**529**	0,1	860	0,1	8
Financial costs	**-3 385**	-0,5	-6 256	-0,9	8
Profit before tax	**30 327**	4,5	42 995	6,4	
Income taxes	**-8 144**	-1,2	-8 543	-1,3	9
Profit for the period	**22 183**	3,3	34 452	5,1	
Attributable to:					
Equity holders of the company	**22 185**		34 459		
Non-controlling interest	**-3**		-7		
Earnings per share attributable to equity holders of the parent company:					
Basic earnings per share, EUR	**0,57**		0,89		10
Diluted earnings per share, EUR	**0,57**		0,89		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January - 31 December EUR 1000	2013	2012	Note
Profit for the period	**22 183**	34 452	
Items not to be recognised through profit or loss			
Items arising from remeasurement of defined benefit plans	**67**	-189	25
Items not to be recognised through profit or loss, total	**67**	-189	
Items potentially to be recognised through profit or loss			
Hedging reserve, change in fair value	**-368**	1 098	
Revaluation reserve			
Current available-for-sale investments			
Gains in the period	**-2**	2	
Current available-for-sale investments	**-2**	2	
Currency translation differences	**-427**	627	
Currency translation differences of non-controlling interest	**-31**	10	
Items potentially to be recognised through profit or loss, total	**-828**	1 737	
Total comprehensive income, after tax	**21 422**	36 000	
Attributable to:			
Equity holders of the company	**21 456**	35 997	
Non-controlling interest	**-34**	3	

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 BALANCE SHEET

31 December EUR 1,000	2013	%	2012	%	Note	
ASSETS						
Non-current assets						
Intangible assets						12
Goodwill	**112 818**		120 189			13
Customer contracts arising from acquisitions	**5 071**		7 880			
Agreements on prohibition of competition	**397**		1 810			
Other intangible assets arising from acquisitions	**36**		57			
Other intangible assets	**7 993**		8 494			
	126 315	25,5	138 430	28,8		
Property, plant and equipment						14
Land	**3 750**		3 844			
Buildings and constructions	**49 744**		52 393			
Machinery and equipment	**115 797**		121 179			
Other	**85**		86			
Prepayments and construction in progress	**2 157**		2 657			
	171 533	34,6	180 159	37,4		
Other non-current assets						
Available-for-sale investments	**4 251**		7 284		16	30
Finance lease receivables	**3 685**		3 608		17	30
Deferred tax assets	**2 847**		3 845		9	18
Other receivables	**2 389**		2 755			30
	13 174	2,7	17 492	3,6		
Total non-current assets	**311 021**	62,7	336 081	69,7		
Current assets						
Inventories	**26 097**		24 884			19
Trade and other receivables	**99 979**		103 925		20	30
Derivative receivables	**84**		1 290		30	31
Prepayments	**335**		491			
Available-for-sale investments	**0**		2 499		21	30
Cash and cash equivalents	**58 474**		12 083		22	30

Total current assets	**184 969**	37,3	145 172	30,3
Total assets	**495 990**	100,0	481 253	100,0

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

31 December EUR 1,000	2013	%	2012	%	Note
EQUITY AND LIABILITIES					
Equity					
Equity attributable to equity holders of the company					23
Share capital	**19 399**		19 399		
Other reserves	**-1 539**		-743		
Unrestricted equity reserve	**297**		29 381		
Retained earnings	**170 876**		150 233		
Profit for the period	**22 185**		34 459		
	211 218		232 729		
Non-controlling interests	**240**		274		
Total equity	**211 458**	42,6	233 003	48,4	
Liabilities					
Non-current liabilities					
Deferred tax liabilities	**25 809**		31 313		9 18
Retirement benefit obligations	**777**		672		25
Provisions	**6 085**		4 304		26
Borrowings	**65 852**		57 961		27 30
Other liabilities	**500**		942		28 30
	99 023	20,0	95 192	19,8	
Current liabilities					
Borrowings	**56 991**		38 915		27 30
Trade and other payables	**119 954**		112 880		29 30
Derivative liabilities	**501**		1 129		30 31
Current tax liabilities	**4 666**		14		
Provisions	**3 397**		120		26
	185 509	37,4	153 058	31,8	
Total liabilities	**284 532**	57,4	248 250	51,6	
Total equity and liabilities	**495 990**	100,0	481 253	100,0	

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

CONSOLIDATED CASH FLOW STATEMENT

EUR 1000	2013	2012	Note
Cash flows from operating activities			
Profit for the period	**22 183**	34 452	
Adjustments	**68 790**	55 002	33
Net cash generated from operating activities before change in working capital	**90 973**	89 454	
Change in working capital			
Change in trade and other receivables	**2 800**	-10 574	
Change in inventories	**-1 204**	-121	
Change in trade and other payables	**6 261**	17 096	
Change in working capital	**7 857**	6 401	
Interest paid	**-3 647**	-5 070	
Interest received	**534**	830	
Income tax paid	**-9 271**	-11 127	
Net cash generated from operating activities	**86 446**	80 488	
Cash flows from investing activities			
Acquisitions of subsidiaries and businesses, net of cash acquired	**0**	-2 498	2
Proceeds from sale of subsidiaries and businesses, net of sold cash	**0**	7 820	33
Purchases of property, plant and equipment and intangible assets	**-28 062**	-40 659	
Proceeds from sale of property, plant and equipment and intangible assets	**1 206**	2 826	
Change in other non-current receivables	**367**	560	
Dividends received	**1**	1	
Net cash used in investing activities	**-26 488**	-31 950	
Cash flows from financing activities			
Proceeds from issuance of shares			
Changes in short-term borrowings	**22 899**	-5 781	
Proceeds from long-term borrowings	**30 000**	10 200	
Repayments of long-term borrowings	**-26 249**	-25 254	
Capital repayments paid	**-42 521**	-21 254	
Net cash generated from financing activities	**-15 871**	-42 089	

Net change in liquid assets	**44 087**	6 449	
Liquid assets at beginning of period	**14 582**	8 069	
Effect of changes in foreign exchange rates	**-195**	64	
Liquid assets at end of period	**58 474**	14 582	22
The notes are an integral part of these consolidated financial statements			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Share capital	Currency translation differences	Revaluation reserve	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity	Note
Equity at 1 January 2012	19 399	-1 412	0	-1 057	50 658	150 085	217 673	271	217 944	
Amendment in IAS19						93	93		93	
Equity at 1 January 2012, adjusted	19 399	-1 412	0	-1 057	50 658	150 178	217 766	271	218 037	
Comprehensive income										
Profit for the period						34 459	34 459	-7	34 452	
Items arising from remeasurement of defined benefit plans						-189	-189		-189	
Hedging reserve, change in fair value				1 098			1 098		1 098	
Current available-for-sale financial assets			2				2		2	
Currency translation differences		627					627	10	637	
Total comprehensive income		627	2	1 098		34 270	35 997	3	36 000	
Transactions with equity holders of the company										
Expense recognition of share-based benefits						125	125		125	24
Capital repayment					-21 277	22	-21 255		-21 255	
Total transactions with equity holders of the company					-21 277	147	-21 130		-21 130	
Other changes						96	96		96	
Equity at 31 December 2012	19 399	-785	2	41	29 381	184 692	232 729	274	233 003	

EUR 1,000	Share capital	Currency translation differences	Revaluation reserve	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity	Note
Equity at 1 January 2013	19 399	-785	2	41	29 381	184 692	232 729	274	233 003	
Amendment in IAS19						-189	-189		-189	
Equity at 1 January 2013, adjusted	19 399	-785	2	41	29 381	184 503	232 540	274	232 814	
Comprehensive income										
Profit for the period						22 185	22 185	-3	22 183	
Items arising from remeasurement of defined benefit plans						67	67		67	

Hedging reserve, change in fair value				-368			-368		-368	
Current available-for-sale financial assets			-2				-2		-2	
Currency translation differences		-427					-427	-31	-458	
Total comprehensive income		-427	-2	-368		22 252	21 456	-34	21 422	
Transactions with equity holders of the company										
Expense recognition of share-based benefits					-57	444	387		387	24
Dividend payment						-13 547	-13 547		-13 547	
Dividend returned						22	22		22	
Capital repayment					-29 027		-29 027		-29 027	
Total transactions with equity holders of the company					29 084	-13 081	-42 165		-42 165	
Other changes						-613	-613		-613	
Equity at 31 December 2013	19 399	-1 212	0	-327	297	193 061	211 218	240	211 458	

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

The Lassila & Tikanoja Group specialises in environmental management and property and plant support services. The Group has business operations in Finland, Sweden, Latvia and Russia.

The Group's parent company is Lassila & Tikanoja plc, Business ID 168014-0. Lassila & Tikanoja plc is a Finnish public limited liability company domiciled in Helsinki. The registered address of the Company is Sentnerikuja 1, 00440 Helsinki.

Lassila & Tikanoja plc is listed on the 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 Sentnerikuja 1, 00440 Helsinki, Finland.

These consolidated financial statements have been approved for issue by the Board of Directors of Lassila & Tikanoja plc on 4 February 2014. Under the Finnish Limited Liability Companies Act, the shareholders may accept or reject the financial statements at the general meeting of shareholders held after their publication. The meeting also has the power to make a decision to amend the financial statements.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), with application of the IFRS and IAS standards as well as IFRIC and SIC interpretations in effect on 31 December 2013. 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) 1606/2002. The notes to the consolidated financial statements also comply with the Finnish accounting and community legislation supplementing the IFRS regulations.

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.

Figures in these financial statements are presented in thousands of euros.

The preparation of financial statements in accordance with IFRS requires the management to make certain estimates and decisions based on its discretion. Information on decisions based on management discretion which the management has used in the application of the Group's accounting policies and which have the most material impact on data presented in the financial statements, as well as the key assumptions regarding the future and affecting management judgments is given in section "Critical judgments in applying the Group's accounting policies".

APPLICATION OF NEW OR AMENDED IFRS STANDARDS

As of 1 January 2013, the Group has applied the following new and amended standards and interpretations in preparing these consolidated financial statements:

• The Group adopted the revised IAS 19 Employee Benefits standard on 1 January 2013, one of the impacts of which was the elimination of the so-called corridor approach previously applied by the company. Actuarial gains and losses can no longer be recognised over the expected remaining working lives of the persons participating in the plan where they exceed the greater of the following: 10% of the pension benefit obligations or 10% of the fair value of the plan assets. According to the revised standard, actuarial gains and losses must be recognised immediately in the statement of comprehensive income for the period in which they arise. Data for the comparison period 2012 has been adjusted to reflect the revised standard. These changes do not have a material impact on the consolidated financial statements.

• IAS 1 Presentation of Financial Statements amendment Presentation of Items of Other Comprehensive Income. The biggest change is the requirement to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently when certain conditions are met. The amendment affected the presentation of the Group's other comprehensive income items.

• IFRS 13 Fair value measurement. The standard combines the requirement to determine fair value and to disclose related information in the financial statements; it also includes a definition of fair value. The use of fair value is not extended, but the standard offers guidelines for value definition when another standard requires or permits fair value measurements. IFRS 13 has, to some extent, extended the scope of the notes to the financial statements.

• IFRS 7 Financial instruments: Disclosures Amendment Offsetting Financial Assets and Financial Liabilities The amendment includes more detailed disclosure requirements regarding fiinancial instruments presented in net amount in the statement of financial position The amendment does not have a material impact on the consolidated financial statements.

• Annual Improvements to IFRSs 2009-2011, May 2012. The Annual Improvements project provides a streamlined process for dealing efficiently with a collection of narrow scope, non-urgent amendments to IFRSs once a year. Amendments included in a project usually deal with five standards. The impacts of the amendments vary by standard, but they have no material impact on the consolidated financial statements.

ACCOUNTING POLICIES

Consolidation

Subsidiaries

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 a company so as to obtain benefits from its activities. The subsidiaries are fully consolidated from the date on which control is transferred to the Group 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 measured at fair value on the date of acquisition and classified as a liability or as equity.

Additional sale price classified as a liability is measured at fair value on the closing day of each reporting period, and the resulting gains or losses are recognised through profit or loss. Additional sale price classified as equity will not be re-measured. Any non-controlling interests in the acquired entity are recognised either at fair value or at the proportionate share of non-controlling interests in the acquired entity's net identifiable assets. The principle applied in measurement is specified separately for each acquisition.

Comprehensive income is attributed to the parent company's shareholders and non-controlling interests, even if this would result in the non-controlling interest being negative. Equity attributable to non-controlling interests is presented as a separate item in the statement of financial position, as an equity component. Changes in the parent company's holdings in the subsidiary and not resulting in loss of controlling interest are presented as equity transactions.

In an acquisition achieved in stages, the previous holdings are measured at fair value and the resulting gains or losses are recognised through profit or loss. If the Group loses its controlling interest in the subsidiary, its remaining holdings are measured at fair value on the date when control ceases, and the difference is recognised through profit or loss.

All intra-Group transactions, receivables, liabilities and unrealised gains, as well as distribution of profits within the Group, are eliminated in the consolidated financial statements. Unrealised losses are not eliminated if the losses are attributable to impairment. The distribution of profit or loss for the period between equity holders of the parent company and the non-controlling interest is presented in a separate income statement and the statement of comprehensive income, 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.

Associates

Associates are companies over which the Group has significant influence. The Group has significant influence when it holds more than 20% of the voting rights or otherwise has significant influence but a non-controlling interest. The equity method has been used in the consolidation of associates.

Joint ventures

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. On 31 December 2013, the Group had no ownership interests in joint ventures.

Foreign currency translation

Figures indicating the performance and financial position of the Group entities are specified in the currency of the economic operating environment in which the entity primarily operates (functional currency). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Transactions in foreign currencies

Any transactions in foreign currencies have been recognised in the functional currency using the exchange rate in effect on the transaction date. In practice, it is customary to use a rate that is close enough to the transaction day rate. 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 rate in effect on the transaction date. L&T has 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 items 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 financial income and costs.

The income statements of the Group entities whose functional currency is not the euro are translated into euros at average exchange rates for the period, and the statements of financial position at the exchange rates in effect on the balance sheet date. The difference in exchange rates applicable to the translation of profit in the income statement and statement of comprehensive income 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 difference reserve.

Goodwill and fair value adjustments to the carrying amounts of 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 euros at the closing rate.

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 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 estimated to be either 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 depreciation period for computer software and software licences is five years.

Depreciation will cease when an intangible asset is classified as held for sale (or included in a disposal group held for sale) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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. Borrowing costs immediately arising from the acquisition, construction or manufacture of property, plant and equipment that meet the conditions are capitalised as part of the asset's acquisition cost.

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

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

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, which involves depreciation 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. When a tangible asset is classified as held for sales in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations, depreciation will no longer be recorded. 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 tangible and intangible 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 the 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.

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 for 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 for goodwill is not reversed.

Goodwill is tested for impairment annually or whenever there is any indication of impairment. Recoverable amount calculations based both on values in use and on the 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, at the end of the financial period, it is clear that the projects will be completed and the software will be introduced. Intangible assets under construction are, however, tested for impairment as part of the cash generating unit to which they belong.

Leases

The Group as a lessee

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 term of the lease 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 owned by the company. Liabilities arising from the leases are recorded under loans. Each lease payment is apportioned between financial cost and loan repayment. Financial costs are allocated to each period of the leasing term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The Group as a lessor

The Environmental Services division leases out equipment, such as waste compactors, to customers under long-term leases that transfer the material risks and rewards associated with ownership to the lessee. Such leases are classified as finance leases, and net investment in them is recognised as a trade receivable upon commencement of the lease term. Each lease payment is apportioned between financial income and repayment of trade receivables. Financial 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.

Leases of assets and premises that do not transfer the material risks and rewards associated with ownership to the lessee are classified as operating leases. The lease payments are recognised on a straight-line basis over the term of the lease 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 owned by the company.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) and assets and liabilities associated with discontinued operations are classified as held for sale if the amount corresponding to their carrying amount will be principally recovered through their sale instead of continued use. An asset is considered to meet the conditions specified for an asset to be classified as held for sale when the asset (or disposal group) is immediately available for sale in its present condition under standard and conventional terms, when management is committed to a plan to sell, and the sale is expected within one year of the classification.

Immediately before the initial classification of the asset or disposal group as held for sale, the assets and liabilities will be measured in accordance with applicable IFRSs. After classification as held for sale, non-current assets (or disposal groups) are measured at the lower of the carrying amount and fair value, less selling costs. Depreciation of these assets will be discontinued upon classification. If the asset does not meet the classification conditions, the classification is cancelled and the asset is measured at pre-classification balance sheet value less depreciation and impairment, or the recoverable amount, whichever is lower. Non-current assets, or the assets and liabilities of a disposal group, classified as held for sale must be presented separately in the statement of financial position. Similarly, any liabilities of disposal groups must be presented separately from other liabilities. The profit or loss of discontinued operations must be presented in a separate line in the income statement. Comparison data shown in the income statement is adjusted for operations classified as discontinued during the most recent financial period presented. The profit or loss of discontinued operations must be shown in a separate line, including comparison data. There were no discontinued operations in the financial periods 2013 and 2012.

Inventories

Inventories are measured 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 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.

Financial assets and liabilities

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. This classification is performed 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 all material risks and rewards of the ownership of the asset have been transferred outside L&T.

Borrowings and other 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 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.

In the financial statements, available-for-sale investments, except for equity investments, are measured at fair value at the market prices in effect on the balance sheet date. Changes in fair values are recognised under other comprehensive income and presented, considering tax effects, in the revaluation reserve within equity. Accumulated changes in fair values are recognised as reclassification adjustments resulting from recognition through profit or loss instead of equity when the investment is sold, matures, or when its fair value has been impaired to the extent that an impairment loss must be recognised. All unlisted shares are measured at cost or at cost less impairment loss, if any. The markets for these shares are inactive and their fair value cannot be measured reliably. An impairment loss is recognised when the fair value of the investment is materially or extendedly lower than its acquisition cost.

Available-for-sale investments are included in non-current assets, if management intends not to dispose of the investments within 12 months of the balance sheet date. All purchases and sales of available-for-sale investments are recognised on the settlement date.

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 on the settlement date at fair value, on the basis of the consideration received, including transaction costs directly attributable to the acquisition or issue. These financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

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

Derivative instruments and hedge accounting

As specified in its financial policy, L&T uses derivative instruments to reduce the financing risks associated with interest rate, commodity and exchange rate fluctuations. L&T's derivative instruments include interest rate swaps to hedge the cash flow of variable-rate borrowings against interest rate risk, commodity swaps made to balance price fluctuations in future diesel purchases, and currency forward contracts 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 on each balance sheet date. The fair values are based on market quotations on the balance sheet date. Any gains and losses arising from measurement at fair value are accounted for in the manner determined by the purpose of the derivative instrument.

All interest rate, commodity 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 recorded 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 to all interest rate and currency 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 materialises. If the hedged cash flow is no longer expected to materialise, the gain or loss incurred on the hedging instrument is recognised in the income statement immediately. The ineffective portion of hedging relationship is also recognised immediately in the income statement.

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 instruments and changes in the fair values of these items were recognised in the income statement as financial 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 recorded in the statement of financial position 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 and other short-term liquid investments. Their maturity is no longer than three months from the acquisition date. 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 on 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 shall be reversed through profit or loss.

Borrowing costs

Borrowing costs are recognised as expenses in the period in which they arise.

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 borrowing have been included in the historical cost of the liability and recognised as an interest expense during the expected life of the liability applying the effective interest method.

Equity

Ordinary shares are presented as share capital. Any expenses arising from the issue or acquisition of treasury shares are presented as a valuation allowance within equity. If the Group repurchases any equity instruments, the acquisition cost of such instruments is deducted from equity.

Provisions

A provision is recognised when the Group 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, the item 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.

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.

Revenue on goods sold is recognised after the material risks and rewards associated with the ownership of the goods have been transferred to the buyer, and the amount of the revenue can be reliably measured.

For the calculation of net sales, sales revenue is adjusted with indirect taxes and discounts.

Interest income is recognised using the effective interest method. The Group's dividend income is minor and 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.

Gross profit

Gross profit is the net sum of net sales less the cost of goods sold.

Operating profit

Operating profit is the net sum of gross profit plus other operating income less the costs of sales, marketing, administration and business, and the impairment of intangible and tangible assets.

Long-term projects

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 review in relation to the estimated total contract costs. If the incurred costs and recognised profits exceed the project 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 project 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 for the period in which they are incurred, and revenue is recognised only up to the amount of recoverable contract costs incurred. If it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as 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 amount of costs incurred.

The Group had no long-term projects in progress during the period ended on 31 December 2013 or in the previous period.

Research and development

Research expenditure is recognised as an expense during the period in which it is incurred. The gains from new service concepts can only be verified at such a late stage that the revenue recognition criteria are not considered fulfilled before the service delivery. Computer software development costs recognised as an asset in the statement of financial position are described in more detail in chapter Goodwill and other intangible assets.

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 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 economic life of a depreciable asset, by way of a reduced depreciation charge.

Employee benefits

Pension 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. The Group is responsible for some of these defined benefit pension plans, while others 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 an AAA credit rating. The pension plan assets measured at fair value on the balance sheet date are deducted from the present value of the pension obligation to be recognised in the balance sheet. The net liabilities (or assets) associated with a defined benefit pension plan are recorded in the balance sheet.

Service costs for the period (pension costs) and the net interest on the net liabilities associated with a defined benefit plan are recognised through profit or loss and presented under employee benefit expenses. Items (such as actuarial gains and losses and return on funded defined benefit plan assets) arising from the redefinition of the net liabilities (or assets) associated with a defined benefit plan are recognised in other comprehensive income in the period in which they arise.

Past service costs are recognised as expenses through profit or loss at the earlier of the following: when the plan is rearranged or downsized, or a when the entity recognises the related rearrangement expenses or benefits related to the termination of employment.

Share-based payment

On 14 December 2011, Lassila & Tikanoja's Board of Directors decided on a share-based incentive programme with a duration of one year. Rewards will be based on the EVA result of Lassila & Tikanoja Group, excluding L&T Recoil. On the basis of this programme, no more than 65,520 Lassila & Tikanoja plc's shares may be acquired from the stock markets and transferred to personnel. At the beginning, 22 people were included in the programme.

On 17 December 2012, Lassila & Tikanoja plc's Board of Directors decided on a new share-based incentive programme with a duration of one year. The earnings period began on 1 January 2013 and ends on 31 December 2013. Any rewards paid for 2013 will be based on the Group's EVA result. Potential rewards will be paid partly in shares and partly in cash. The programme permits the transfer of a maximum of 53,300 Lassila & Tikanoja plc shares. 10 people were included in the programme.

Non-recurring items

Non-recurring items refer to one-off income or expenses arising in the context of a single or infrequent event. The Group records as non-recurring items the profit and loss arising from the divestment or discontinuation of business operations or assets, profit and loss arising from business reorganisation, and goodwill and asset impairment losses. The matching principle is applied in the recognition of non-recurring items in the income statement in a specific income or expense group. Non-recurring items are discussed in more detail in the Report of the Board of Directors.

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 current tax rates 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; revaluation of derivative instruments and measurement at fair value in business combinations.

Critical judgments in applying the Group's accounting policies

The Group's management makes judgements 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.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the carrying amounts on 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 on 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 management judgements. Though the assumptions used are appropriate according to the management's judgement, 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.

New or amended IFRS standards and interpretations to be applied in future financial periods

The Group has not yet applied the following new or revised standards and interpretations published by IASB. The Group will adopt them as of their effective date or, if the effective date is not the first day of the financial year, as of the beginning of the financial period following the effective date.

*= The provisions had not been approved for application in the EU by 31 December 2013

• IFRS 10 Consolidated Financial Statements and any subsequent amendments (to be applied in the EU in financial periods beginning on 1 January 2014 or later). In line with the existing principles, IFRS 10 defines the principle of control, and establishes control as the basis for consolidation. The standard also provides additional instructions on how to define control in complex cases. The new standard is not expected to have a material impact on the consolidated financial statements.

• IFRS 11 Joint Arrangements and any subsequent amendments (to be applied in the EU in financial periods beginning on 1 January 2014 or later). IFRS 11 focuses more on the rights and obligations arising from accounting by entities that jointly control an arrangement than on the legal form of the arrangement. There are two types of joint arrangements: joint operations and joint ventures. Joint ventures must be accounted for using the equity method, and the previously used proportionate consolidation method is no longer permitted. The new standard is not expected to have a material impact on the consolidated financial statements.

• IFRS 12 Disclosure of Interests in Other Entities and any subsequent amendments (to be applied in the EU in financial periods beginning on 1 January 2014 or later). IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The new standard extends the scope of Group disclosures about its interests in other entities. The new standard is not expected to have a material impact on the consolidated financial statements.

• IAS 27 Separate Financial Statements (as amended in 2011) and any subsequent amendments (to be applied in the EU in financial periods beginning on 1 January 2014 or later). The amended standard contains the requirements on separate financial statements under IFRS after the sections regarding control were moved to the new IFRS 10. The amended standard does not have an impact on the consolidated financial statements.

• IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (to be applied in the EU in financial periods beginning on 1 January 2014 or later). Following the issue of IFRS 11, the amended standard contains requirements on the accounting of associates and joint venture using the equity method. The amended standard is not expected to have a material impact on the consolidated financial statements.

• Amendments to IAS 32: Financial Instruments: Presentation (to be applied in financial periods beginning on 1 January 2014 or later) The amendments provide more detailed information on the regulations affecting the presentation of net financial assets and liabilities in the balance sheet, and offer instructions on their application. The amendments are not expected to have a material impact on the consolidated financial statements.

• Amendments to IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (to be applied in financial periods beginning on 1 January 2014 or later). The standard requires further disclosures in notes on recoverable amounts when such amounts have been determined on the basis of fair value less costs of disposal. The amended standard is not expected to have a material impact on the consolidated financial statements.

• Amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (to be applied in financial periods beginning on 1 January 2014 or later). A special rule has been added to IAS 39 based on which hedging is not deemed to end in circumstances where the counterparty of a hedging instrument is replaced due to changes in the instrument's clearing procedure. These amendments are not expected to have a material impact on the consolidated financial statements.

• IFRIC 21 Levies* (to be applied in financial periods beginning on 1 January 2014 or later) The interpretation provides more details on the accounting for levies. A liability arising from the payment of a levy must be recognised when the obligating event specified in legislation occurs. Income taxes, fines or other penalties, and payments falling within the scope of application of other IFRS standards remain outside the scope of application of IFRIC 21. The interpretation is not expected to have a material impact on the consolidated financial statements.

• Amendments to IAS 19 Employee Benefits - Defined Benefit Plans - Employee Contributions* (to be applied in financial periods beginning on 1 July 2014 or later): The amendments clarify accounting in situations where a defined-benefit plan requires contributions from employees or third parties. The amendmends do not have an impact on the consolidated financial statements.

• Annual Improvements to IFRSs, collections of amendments 2011-2013* and 2010-2012*, December 2013) (to be applied in financial periods beginning on 1 July 2014 or later). The Annual Improvements project provides a streamlined process for dealing efficiently with a collection of narrow scope, non-urgent amendments to IFRSs once a year. The amendments included in the project affect four (2011-2013) and seven (2010-2012) standards. The impacts of the amendments vary by standard, but are not material.

• IFRS 9 Financial Instruments* as amended (entry into force has been postponed (previously 1 January 2015), effective date to be announced later): The project, which was to be implemented in three stages, was originally intended to replace the current IAS 39: Financial Instruments: Recognition and Measurement. First-stage amendments (published in November 2009) had to do with the classification and measurement of financial assets. Financial assets are divided into two main groups depending on their measurement: those measured at amortised cost and those measured at fair value. Classification depends on the entity's business model and contractual cash flow characteristics. The amendments published in October 2010 deal with the classification and measurement of financial liabilities; these IAS 39 provisions were included in the new standards largely unchanged. Amendments concerning general hedge accounting were puboished in 2013. The incomplete part of IFRS 9 deals with the impairment of financial assets. In addition, the IASB proposes certain changes to the financial asset classification and measurement principles. The section regarding macro hedge accounting has been separated from IFRS 9 into a project of its own. Since the IFRS 9 project is still in progress, the Group is unable to present an estimate of the impacts of the standard on the consolidated financial statements.

1. SEGMENT REPORTING

As from 1 January 2013, the Group's business operations and reporting segments were reorganised to support the changes in core business functions and operational focuses. The reporting segments in 2013 were: Environmental Services, Industrial Services, Facility Services and Renewable Energy Sources. The comparison figures have been adjusted to correspond to the new segment structure.

Transactions between segments are based on market prices. 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 inter-est 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.

The Group's operating segments during the financial year:

Environmental Services division consists of the waste management and recycling business

Industrial Services division covers solutions for industrial material flows and their utilisation, industrial process cleaning solutions, collection and disposal of hazardous waste and sewer system maintenance and repair solutions.

Facility Services division provides services for cleaning, office support, property maintenance, maintenance of technical systems and damage repair.

Renewable Energy Sources (L&T Biowatti) will no longer be included in L&T's core business portfolio. Profitability improvement is the key priority in this segment.

2013

EUR 1,000	Environ-mental Services	Industrial Services	Facility Services	Renew-able Energy Sources	Group adminis-tration and other	Elimi-nations	Group
Net sales							
External net sales	254 119	72 141	287 842	54 115			668 217
Inter-division net sales	3 807	3 385	4 700	3 894		-15 786	0
Total net sales	257 926	75 526	292 542	58 010		-15 786	668 217

Operating profit	30 092	5 230	4 444	1 448	-8 032		33 182
Operating margin, %	11,7	6,9	1,5	2,5			5,0
Financial income and expenses							-2 856
Profit before tax							30 327
Income taxes							-8 144
Profit for the period							22 183
Assets							
Assets	214 465	69 954	103 358	29 417	7 481		424 676
Unallocated assets							71 314
Total assets							495 990
Liabilities							
Liabilities	51 810	21 506	49 646	5 463	2 091		130 516
Unallocated liabilities							154 016
Total liabilities							284 532
Capital expenditure	15 702	3 163	11 295	265	2 244		32 668
Depreciation and amortisation	21 883	6 638	13 169	273	14		41 976
Impairment			7 000		5 027		12 027

2012

EUR 1,000	Environmental Services	Industrial Services	Facility Services	Renewable Energy Sources	Group administration and other	Eliminations	Group
Net sales							
External net sales	259 791	66 863	295 451	51 880			673 985
Inter-division net sales	5 870	3 133	4 042	4 067		-17 112	0
Total net sales	265 661	69 996	299 493	55 947		-17 112	673 985
Operating profit	34 251	3 892	12 980	-61	-2 671		48 391
Operating margin, %	12,9	5,6	4,3	-0,1			7,2
Financial income and expenses							-5 396
Profit before tax							42 995
Income taxes							-8 543
Profit for the period							34 452
Assets							
Assets	228 457	81 573	105 718	30 179	9 853		455 780
Unallocated assets							25 473
Total assets							481 253

Liabilities						
Liabilities	42 381	18 687	50 073	6 094	1 378	118 613
Unallocated liabilities						129 637
Total liabilities						248 250
Capital expenditure	16 149	11 272	14 727	486	6 751	49 385
Depreciation and amortisation	24 690	7 084	11 276	281	9	43 340
Impairment	302					302

Reconciliation of reportable segments' assets to total assets

EUR 1,000	2013	2012
Segment assets for reportable segments	**417 194**	445 927
Other segments' assets	**7 481**	9 853
	424 676	455 780
Unallocated assets		
Liquid assets	**58 474**	14 582
Receivables of interest rate and foreign currency derivatives	**6 012**	4 325
Accrued interest receivables and other finance income	**0**	0
Tax assets	**6 828**	6 566
Total	**71 314**	25 473
Total assets	**495 990**	481 253

Reconciliation of reportable segments' liabilities to total liabilities

EUR 1,000	2013	2012
Segment liabilities for reportable segments	**128 425**	117 234
Other segments' liabilities	**2 091**	1 379
	130 516	118 613
Unallocated liabilities		
Liabilities of interest rate and foreign currency derivatives	**85 346**	81 275
Accrued interest and other financing liabilities	**38 196**	17 035
Tax liabilities	**30 475**	31 327
Total	**154 016**	129 637
Total liabilities	**284 532**	248 250

1.2. GEOGRAPHICAL SEGMENTS

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

EUR 1,000	2013	2012
Net sales		
Finland	**599 233**	587 765
Other countries	**68 983**	86 220
Total	**668 217**	673 985
Assets		
Finland	**385 700**	411 898
Other countries	**38 975**	43 882
Unallocated assets	**71 314**	25 473
Total	**495 990**	481 253
Capital expenditure		
Finland	**30 072**	46 624
Other countries	**2 596**	2 761
Total	**32 668**	49 385

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. Tangible assets 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 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.

There were no business acquisitions in 2013.

The consolidated net sales for the year 2012 would have been EUR 674.1 million and the consolidated profit for the period EUR 34.5 million if all the acquisitions had occurred on 1 January 2012. 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 1.9 million in 2012.

2012

Business combinations in aggregate

EUR 1,000

Consideration	Fair values used in consolidation
Cash	2 690

Equity instruments	0
Contingent consideration	0
Total consideration transferred	2 690
Indemnification asset	0
Fair value of equity interest held before the acquisition	0
Total consideration	2 690
Acquisition-related costs (included in the administrative expenses in the consolidated financial statements)	6
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	2 438
Customer contracts	618
Agreements on prohibition of competition	151
Other intangible assets arising from business acquisitions	0
Other intangible assets	0
Non-current available-for-sale financial assets	0
Inventories	2
Trade and other receivables	87
Deferred tax receivables	96
Cash and cash equivalents	154
Total assets	3 546
Deferred tax liabilities	0
Non-current interest-bearing liabilities	44
Trade and other payables	54
Retirement benefit obligations	0
Contingent liability	1 098
Total liabilities	1 196
Total identifiable net assets	2 350
Non-controlling interest	0
Goodwill	340
Total	2 690

Acquisitions by Property Maintenance:
1 January 2012, the property maintenance operations of IK Kiinteistöpalvelu Oy.

1 February 2012, the business of Jyvässeudun Talonmiehet Oy and Kiinteistöhuolto Markku Hyttinen Oy.

Acquisitions by Environmental Services:
1 May 2012, the waste management business of Sita Finland Oy in Oulu.
11 October 2012 the business of material utilisation area of Munaistenmetsä, Uusikaupunki

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 net sales, the largest acquisition was the business of Jyvässeudun Talonmiehet Oy (EUR 858 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 percent of the shares by the beginning of the year 2012. The acquisition price for the 70 percent 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 percent was recognised as interest-bearing non-current liability. The final price of the 30 percent portion will be determined based on the future earnings of L&T Biowatti. According to the agreement the final 30 percent of the acquisition price for Renewable Energy Sources (L&T Biowatti) was paid in January 2012.

3. DISPOSALS OF BUSINESSES

No subsidiaries or business operations were divested in 2013.

In June 2012 Lassila & Tikanoja plc sold its holding in joint venture L&T Recoil Oy to the co-owner, EcoStream Oy. The selling price totalled EUR 16.7 million and was comprised of EUR 10 million paid in cash and 19.9% of EcoStream's share capital. The gain on sale was EUR 4.2 million. The gain on sale is shown in other operating income and is treated as on non-recurring item. L&T Recoil was a part of Environmental Services division. L&T still continues as one of the raw material suppliers of the plant in Hamina.

EUR 1,000	L&T Recoil Oy
Property, plant and equipment and intangible assets	31 329
Inventories	3 188
Trade and other receivables	5 516
Cash and cash equivalents	185
Financial liabilities	-18 088
Trade and other payables	-9 608
Net assets	12 522
Total selling price	16 702
Received in cash	8 004
Selling price receivables	1 996
EcoStream shares	6 702

On the balance sheet date of 31 December 2012, Lassila & Tikanoja had EUR 2.0 million in selling price receivables from EcoStream, which were converted into EcoStream Oy shares during the 2013 financial year. In addition, at the end of 2012, Lassila & Tikanoja had EUR 2.9 million in trade receivables for oil deliveries that were converted into loan receivables during the 2013 financial year.

Lassila & Tikanoja plc has given a guarantee for a share of 50 per cent of L&T Recoil Oy's financial liabilities. The guarantee is valid no later than the maturity date of the liabilities on 31 August 2014. The financial liabilities of L&T Recoil totalled EUR 32.8 million on 31 December 2013 (2012: EUR 32.8 million).

In December 2012 the selling of eco-products to Kekkilä Oy was completed. The selling price totalled EUR 1.1 million. The gain on sale of EUR 0.2 million was not substantial. This component of entity does not meet the criteria of presenting discontinued operations specified in IFRS 5.31-32.

4. EMPLOYEE BENEFIT EXPENSES

EUR 1,000	2013	2012
Wages and salaries	**222 605**	224 412
Pension costs		
Defined contribution plans	**42 979**	43 444
Defined benefit plans	**22**	36
Share-based payment	**782**	188
Other personnel expenses	**12 194**	13 217
Total	**278 582**	281 297
Defined benefit plan costs by function		
Cost of sales	**6**	8
Sales and marketing	**4**	6
Administration	**12**	22
Total	**22**	36

Details on 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

	2013	2012
Salaried employees	**1 307**	1 364
Non-salaried employees	**6 960**	7 035
Total	**8 267**	8 399
Finland	**6 353**	6 378
Other countries	**1 914**	2 021
Total	**8 267**	8 399

5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and amortisation by function

EUR 1,000	Intangible assets	Property, plant and equipment	Total
2013			
Depreciation and amortisation			
On procurements and manufacture	6 768	34 690	41 457
On sales and marketing	1	269	270
On administration	191	58	248
Total depreciation and amortisation	6 959	35 016	41 976
Impairment	12 027		12 027
Impairment by assets is shown in Notes 12 and 16			
2012			
Depreciation and amortisation			
On procurements and manufacture	7 739	34 972	42 711
On sales and marketing	5	260	265
On administration	279	85	364
Total depreciation and amortisation	8 023	35 317	43 340
Impairment		302	302

6. OTHER OPERATING INCOME AND EXPENSES

EUR 1,000	2013	2012
Other operating income		
Gains on sales of property, plant and equipment	**1 315**	1 046
Gain on sale of businesses	**0**	4 444
Lease income	**0**	52
Reversals of impairment losses on trade receivables	**0**	125
Reimbursements and government grants	**471**	200
Income from commodity derivatives	**44**	421
Other	**2 450**	1 420
Total	**4 280**	7 708
Other operating expenses		
Losses on disposals and scrapping of property, plant and epuipment	**106**	435
Impairment losses on trade receivables	**1 170**	1 010
Other	**-1 237**	139
Total	**2 512**	1 584

7. RESEARCH AND DEVELOPMENT EXPENSES

EUR 1.9 million (EUR 1.7 million) research and development expenses arising from centralised development projects are included in the income statement.

8. FINANCE INCOME AND COSTS

EUR 1,000	2013	2012
Financial income		
Dividend income on available-for-sale investments	**1**	1
Interest income on available-for-sale investments and other receivables	**7**	23
Interest income on loans and other receivables	**518**	649
Revaluations on financial assets at fair value through profit or loss (excl. derivative swaps under hedge accounting)	**0**	144
Sales profit on available-for-sale investments	**3**	0
Foreign exchange gains	**0**	43
Total financial income	**529**	860
Financial expenses		
Impairment loss on interest receivables on the capital loans granted to L&T Recoil	**0**	-1 960
Interest expenses on borrowings measured at amortised cost	**-939**	-2 747
Losses on non-hedging interest rate swaps, transferred from equity	**-924**	-978
Other financial expenses	**-321**	-571
Losses on foreign exchange	**-1201**	0
Total financial expenses	**-3 385**	-6 256

9. INCOME TAXES

INCOME TAX IN THE INCOME STATEMENT

EUR 1,000	2013	2012
Income tax for the period	**-10 424**	-8 471
Income tax for previous periods	**-2 240**	18
Change in deferred tax	**4 520**	-90
Total	**-8 144**	-8 543

The differences between income tax expense recognised in the income statement and income tax calculated at the statutory tax rate of 24.5% in Finland, are as follows:

EUR 1,000	2013	2012
Profit before tax	**30 327**	42 995
Income tax at Finnish tax rate 24,5 %	**-7 430**	-10 534
Difference between tax rate in Finland and in other countries	**4**	-671
Expenses not deductible for tax purposes	**-1 358**	-167
Goodwill impairment	**-1 715**	0
Tax exempt income	**22**	214
Income tax for previous periods	**-2 240**	-18
Change in deferred tax liabilities (amortisation on dissolution losses)	**-149**	276
Effect of change in Finnish tax rate, deferred tax	**5 044**	0
Tax effect of divestment of holding in L&T Recoil Oy	**0**	3 110
Other items	**-322**	-753
Total	**-8 144**	-8 543

TAX EFFECTS OF COMPONENTS OF OTHER COMPREHENSIVE INCOME

	2013			2012		
EUR 1,000	Before tax	Tax expense/ benefit	After tax	Before tax	Tax expense/ benefit	After tax
Hedging reserve, change in fair value	-458	91	-368	1 454	-356	1 098
Revaluation reserve						
Current available-for-sale investments	-3	1	-2	2	0	2
Currency translation differences	-427	0	-427	694	-67	627

Currency translation differences non-controlling interest	-31		-31	10		10
Components of other comprehensive income	-919	92	-828	2 160	-423	1 737

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the parent 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.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to asume conversion of all dilutative potential ordinary shares.

EUR 1,000	2013	2012
Profit attributable to equity holders of the company	**22 185**	34 459
Adjusted weighted average number of ordinary shares outstanding during the year, 1,000 shares	**38 704**	38 688
Effect of share options, 1,000 shares	**0,57**	0,89
Dilutive effect of the share-based incentive programme, 1,000 shares	**17**	13
Adjusted average number of shares during the period, diluted, 1,000 shares	**38 721**	38 701
Earnings per share, diluted, EUR	**0,57**	0,89

11. DIVIDEND PER SHARE

At the Annual General Meeting on 19 March 2014, the Board of Directors will propose that a dividend of EUR 0.50 per share be paid for the 2013 financial year.

On the basis of a decision taken by the Annual General Meeting, the company paid a capital repayment of EUR 0.60 per share for 2012. On the basis of a decision taken by an Extraordinary General Meeting, a further capital repayment of EUR 0.15 per share and a dividend of EUR 0.30 per share were paid.

12. INTANGIBLE ASSETS

2013

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	Prepayments	Total
Acquisition cost, 1 Jan. 2013	128 283	24 105	23 863	9 452	5 219	13 383	14 467	1 151	219 923
Additions					30	260	188	2 119	2 597
Business acquisitions	0	0	0						0
Disposals						-27	0	0	-27
Transfers between items					386		2 128	-2 843	-329
Exchange differences	-481	-133	-42	-11		-49	-10	-1	-727
Acquisition cost, 31 Dec. 2013	127 802	23 973	23 821	9 441	5 635	13 567	16 773	425	221 437
Accumulated amortisation and impairment at 1 Jan. 2013	-8 094	-16 225	-22 053	-9 395	-2 859	-11 674	-11 193		-81 493
Accumulated amortisation on disposals and transfers						27			27
Amortisation charge		-2 786	-1 409	-21	-775	-506	-1 462		-6 959
Impairment	-7 000								-7 000
Exchange differences	110	110	38	11		25	10		303
Accumulated amortisation and impairment at 31 Dec. 2013	-14 984	-18 901	-23 425	-9 405	-3 634	-12 128	-12 645		-95 123
Book value, 31 Dec. 2013	112 818	5 071	397	36	2 001	1 440	4 128	425	126 315

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

On the closing date, the Group had no commitments based on agreements for the acquisition of intangible assets (2012: commitments amounting to EUR 109 thousand).

2012

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	Prepayments	Total
Acquisition cost, 1 Jan. 2012	127 474	23 332	23 662	9 439	4 098	13 823	15 109	713	217 650
Additions					377	220	99	1 626	2 322
Business acquisitions	340	619	151						1 110
Disposals	-66					-765	-1 115	-11	-1 957

Transfers between items					744	75	362	-1 181	0
Exchange differences	535	154	50	13		30	12	4	798
Acquisition cost, 31 Dec. 2012	128 283	24 105	23 863	9 452	5 219	13 383	14 467	1 151	219 923
Accumulated amortisation and impairment at 1 Jan. 2012	-7 965	-12 741	-20 500	-9 361	-2 201	-10 857	-9 536		-73 161
Accumulated amortisation on disposals and transfers									0
Amortisation charge		-3 373	-1 518	-21	-658	-807	-1 646		-8 023
Impairment									0
Exchange differences	-129	-111	-35	-13		-10	-11		-309
Accumulated amortisation and impairment at 31 Dec. 2012	-8 094	-16 225	-22 053	-9 395	-2 859	-11 674	-11 193		-81 493
Book value, 31 Dec. 2012	120 189	7 880	1 810	57	2 360	1 709	3 274	1 151	138 430

13. GOODWILL IMPAIRMENT TESTS

Goodwill allocation

L&T's business operations and reporting segments were reorganised as from 1 January 2013 to support the changes in core business functions and operational focuses. L&T's reporting segments are Environmental Services, Industrial Services, Facility Services and Renewable Energy Sources (L&T Biowatti). The reorganisation also affected the allocation of goodwill. L&T has identified six separate cash-generating units to which goodwill can be allocated, as shown in the table below.

Comparison information is presented in accordance with the structure in force in 2012.

Allocation of book values of goodwill:

EUR 1,000	2013	2012
Environmental Services, Finland	**65 313**	N/A
Industrial Services	**18 927**	N/A
Facility Services	**5 548**	5 526
Cleaning, Finland*	**13 922**	13 904
Latvia	**5 619**	5 673
Sweden	**3 235**	10 730
Environmental Services, excl. environmental products and L&T Recoil	**N/A**	84 302
Total	**112 564**	120 135
Units for which the amount of goodwill allocated is not significant in proportion to the balance sheet value of the Group	**254**	54
Total	**112 818**	120 189

*2012: referred to as Cleaning and Office Support Services

Impairment tests

In impairment tests, recoverable amounts are estimated on the basis of an asset's value in use. 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 four-year period. The management bases its estimates on actual development and views on the growth outlook for the industry (general market development and unit profitability, pricing, municipalisation decisions, personnel costs and raw material costs). Approved investment decisions are taken into account in the growth estimates.

Cash flows extending beyond the four-year forecast period are calculated using the so-called terminal value method. The growth rates used in the calculations are based on the management's estimates of long-term growth in cash flow.

Long-term growth rates used in the value-in-use calculations of cash-generating

units

%	2013	2012
Environmental Services, Finland	**3,0**	N/A
Industrial Services	**3,0**	N/A
Facility Services	**3,0**	3,0
Cleaning, Finland*	**3,0**	3,0
Latvia	**3,0**	3,0
Sweden	**2,0**	3,0
Environmental Services, excl. environmental products and L&T Recoil	**N/A**	3,0

*2012: referred to as Cleaning and Office Support Services

The discount rates used in calculations are based on the Group's weighted average cost of capital before tax (WACC). Factors in WACC are risk-free income, market risk premium, division-specific beta, cost of capital as well as the ratio between equity and liabilities. A discount rate has been defined for each cash-generating unit. The differences in the discount rates are due to, for instance, the different risks the units face in their business operations and the geographical location of the units.

Discount rates used in the calculations

%	2013	2012
Environmental Services, Finland	**7,2**	N/A
Industrial Services	**8,1**	N/A
Facility Services	**10,0**	10,5
Cleaning, Finland*	**9,6**	10,3
Latvia	**10,6**	11,3
Sweden	**9,8**	9,4
Environmental Services, excl. environmental products and L&T Recoil	**N/A**	7,4

*2012: referred to as Cleaning and Office Support Services

EUR 7.0 million in goodwill impairment was recognised in the financial year (2012: MEUR 0.0). The impairment was fully allocated to business operations in Sweden and was due to lower return expectations, particularly in the Öst-Göta region.

No other instances of impairment were identified during impairment testing.

Sensitivity analyses of impairment testing

Values in use exceeding book values are classified as follows: 0%, 1-10%, 11-25%, 25-50% and over 50%. The company has estimated that no somewhat probable change in the key assumptions could cause the book value of a cash-generating unit to exceed its value in use in any unit in which the book value has been exceeded by over 50%.

Goodwill in Sweden was retested at the end of the year after the recognition of EUR 7.0 million in impairment. A sensitivity analysis was carried out on the basis of the new calculation.

Value in use in relation to book value

	2013
Environmental Services, Finland	Over 50%
Industrial Services	Over 50%
Facility Services	Over 50%
Cleaning, Finland	Over 50%
Latvia	1-10%
Sweden	25-50%

Future EBITDA percentages have been set conservatively. Their values are based on actual development. The EBITDA percentages used in the calculation of terminal values are a significant factor in the calculation of value in use.

EBITDA percentages used in the calculation of terminal values

%	2013
Latvia	10,0
Sweden	3,5

A sensitivity analysis of each cash-generating unit was performed, during which the key calculation assumptions were tested. In the sensitivity analysis, a key assumption was tested by changing the threshold values at which the value in use would equal the book value.

Key assumptions tested in the sensitivity analyses and their threshold values

	2013	
%	Discount rate	EBITDA percentage used in the calculation of terminal value
Latvia	11,3	9,5
Sweden	14,6	2,7

Sensitivity analysis of impairment testing 2012

The sensitivity analysis for 2012 presented as comparison information was based on the current reporting structure of the cash-generating units.

Key assumptions	Share of goodwill	Required change	Required change in the most critical CGU
2012			
Residual EBITDA percentage	91 %	≥ -50 %	-36 %
WACC (before tax)	91 %	≥ 99 %	65 %

In 60% of the cash-generating units and 91% of the consolidated goodwill (33% and 82%), 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 60% of the cash-generating units and 91% of the consolidated goodwill (33% and 82%), 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, L&T Latvia, the discount rate would have to increase by 65% (-31%) and the residual EBITDA percentage would have to decrease by 36% (36%) to make the value in use equal to the book value. Recognition of impairment loss would require even greater changes in the critical variables.

14. PROPERTY, PLANT AND EQUIPMENT

2013

EUR 1,000	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan. 2013	4 337	104 660	351 311	175	2 657	463 140
Additions	0	1 926	22 724		3 415	28 065
Business acquisitions		0	0			0
Disposals	-76	-72	-2 047			-2 195
Transfers between items	24	1 494	2 679		-3 869	329
Exchange differences	-43	-370	-835	-2	-46	-1 295
Acquisition cost, 31 Dec. 2013	4 243	107 638	373 832	173	2 157	488 044
Accumulated depreciation at 1 Jan. 2013	-493	-52 267	-230 132	-89	0	-282 981
Accumulated depreciation on disposals and transfers			942			942
Depreciation for the period		-5 714	-29 302			-35 016
Impairment		0	0			0
Exchange differences		86	459	0		544
Accumulated depreciation at 31 Dec. 2013	-493	-57 895	-258 034	-89	0	-316 511
Net book value at 31 Dec. 2013	3 750	49 744	115 797	85	2 157	171 533

Contractual commitments related to property, plant and equipment totalled EUR 4,043 thousand (2012: EUR 1,953 thousand).

2012

EUR 1,000	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan. 2012	5 082	124 403	320 743	174	4 616	455 018
Additions	20	2 608	28 562		5 620	36 810
Business acquisitions		382	2 056			2 438

Disposals	-323	-29 336	-1 884			-31 543
Transfers between items	-460	6 485	1 559		-7 584	0
Exchange differences	18	118	275	1	5	417
Acquisition cost, 31 Dec. 2012	4 337	104 660	351 311	175	2 657	463 140
Accumulated depreciation at 1 Jan. 2012	-493	-46 186	-200 728	-89	0	-247 496
Accumulated depreciation on disposals and transfers			285			285
Depreciation for the period		-6 047	-29 270			-35 317
Impairment		-17	-285			-302
Exchange differences		-17	-134			-151
Accumulated depreciation at 31 Dec. 2012	-493	-52 267	-230 132	-89	0	-282 981
Net book value at 31 Dec. 2012	3 844	52 393	121 179	86	2 657	180 159

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

EUR 1,000	**Buildings and constructions**	**Machinery and equipment**	**Total**
Acquisition cost, 1 Jan. 2012	3 350	1 019	4 369
Disposals	-2 861		-2 861
Transfers between items			0
Exchange differences			0
Acquisition cost, 31 Dec. 2012	489	1 019	1 508
Accumulated depreciation at 1 Jan. 2012	-406	-1 019	-1 425
Accumulated depreciation on disposals and transfers	-83		-83
Exchange differences			0
Accumulated depreciation at 31 Dec. 2012	-489	-1 019	-1 508
Net book value at 31 Dec. 2012	0	0	0

15. GROUP COMPANIES

	Group holding of shares and votes, %
Group's parent company	
Lassila & Tikanoja plc	
Finnish subsidiaries	
L&T Relations Oy, Helsinki	100
L&T Toimi Oy, Helsinki	100
L&T Kierrätys Oy, Tampere	100
L&T Biowatti Oy, Helsinki	100
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100
L&T Hankinta Ky, Helsinki	100
Hansalaiset Oy, in voluntary liquidation, Helsinki	100
Kiinteistöpalvelu Hansalaiset Oy, in voluntary liquidation, Helsinki	100
Foreign subsidiaries	
Lassila & Tikanoja Service AB, Stockholm, Sweden	100
L&T Östgöta AB, Norrköping, Sweden	100
Lassila & Tikanoja Services OÜ, Tallinn, Estonia	100
L&T Ecoinvest LLC, Dubna, Russia	100
L&T LLC, Dubna, Russia	100
The Russian-Finnish Company Ecosystem LLC, Dubna, Russia	90
SIA L&T, Riga, Latvia	100
Associated companies	
Suomen Keräystuote Oy	40
Joint ventures	
Until 24 June 2012, the Group had a 50 per cent holding in the joint venture L&T Recoil Oy, Helsinki.	

Joint venture income and expenses included in the consolidated income statement:

EUR 1,000	2013	2012
Income	**0**	4 961
Expenses	**0**	-5 343
Profit/loss for the period	**0**	-382

Changes in the Group during the financial year	
Paraisten Puhtaanapito Oy	Dissolved
Kiinteistöhuolto Markku Hyttinen Oy	Dissolved
Suomen Keräystuote Oy	New associated company
L&T Kierrätys Oy	Renamed from Suomen Keräystuote Oy

16. NON-CURRENT AVAILABLE-FOR-SALE INVESTMENTS

EUR 1,000	2013	2012
Carrying amount at 1 Jan.	**7 284**	605
Additions	**2 005**	6 705
Impairment	**-5 027**	0
Disposals	**-11**	-26
Carrying amount at 31 Dec.	**4 251**	7 284

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

The impairment concerns the revaluation of Ecostream Oy's shares. On 31 December 2013, the book value of the shares was about EUR 3.6 million.

17. FINANCE LEASE RECEIVABLES

EUR 1,000	2013	2012
Maturity of minimum lease payments		
Not later than one year	**1 750**	1 923
Later than one year and not later than five years	**3 708**	3 771
Later than five years	**388**	309
Gross investment in finance lease agreements	**5 846**	6 003
Maturity of present value of minimum lease payments		
Not later than one year	**1 706**	1 867
Later than one year and not later than five years	**3 426**	3 350
Later than five years	**259**	258
Total present value of minimum lease payments	**5 391**	5 475
Unearned finance income	**455**	528
Gross investment in finance lease agreements	**5 846**	6 003

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.

18. CHANGE IN DEFERRED INCOME TAX ASSETS AND LIABILITIES DURING THE PERIOD

2013

EUR 1,000	At 1 January 2013	Recognised in income statement	Recognised in equity	Exchange differences	Acquired/ sold businesses	At 31 December 2013
Deferred tax assets						
Pension benefits	165	-34				131
Provisions	748	862				1 611
Fair value adjustments	4	-26	162			140
Revenue recognition	12	-7				5
Deferred depreciation	1 237	-393				843
Losses of subsidiaries	1 320	-1 320		0	0	0
Other tax deductible temporary differences	1 793	-415			0	1 378
Total	5 279	-1 332	162	0	0	4 109
Deferred tax liabilities						
Depreciation differences and dissolution losses	-32 136	5 595	0	10	0	-26 534
Finance leasing agreements	-483	99			0	-383
Share-based benefits	-12	37				25
Foreign subsidiaries	-117	122			-184	-179
Total	-32 748	5 852	0	10	-184	-27 071
Net deferred tax liability	-27 469	4 520	162	10	-184	-22 962

2012

EUR 1,000	At 1 January 2012	Recognised in income statement	Recognised in equity	Exchange differences	Acquired/ sold businesses	At 31 December 2012
Deferred tax assets						
Pension benefits	154	11				165
Provisions	559	189				748
Fair value adjustments	429	48			-473	4
Revenue recognition	36	-24				12
Deferred depreciation	1 533	-296				1 237
Losses of joint ventures	3 751	321			-4 072	0

Losses of subsidiaries	855	458		7	0	1 320
Translation differences	-33	-98	98		33	0
Other tax deductible temporary differences	1 635	84			74	1 793
Total	8 919	693	98	7	-4 438	5 279
Deferred tax liabilities						
Depreciation differences and dissolution losses	-31 197	-1 003	0	0	64	-32 136
Financial lease agreements	-489	-3			9	-483
Share-based benefits	-24	12				-12
Foreign subsidiaries	-275	203			-45	-117
Total	-31 985	-791	0	0	28	-32 748
Net deferred tax liability	-23 066	-98	98	7	-4 410	-27 469
Deferred taxes in the statement of financial position				-91		

EUR 1,000	2013	2012
Deferred tax assets	**2 847**	3 845
Deferred tax liabilities	**-25 809**	-31 313
Net deferred tax liabilities	**-22 962**	-27 469

Deferred tax is recognised in the statement of financial position 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.

Other tax deductible temporary differences include a deferred tax asset related to revenue recognition of amortisation on dissolution losses, which amounts to EUR 1,343 thousand (2012: EUR 1,793 thousand).

19. INVENTORIES

EUR 1,000	2013	2012
Raw materials and consumables	**19 710**	18 033
Unfinished goods	**0**	0
Finished goods	**4 525**	5 074
Other inventories	**1 862**	1 777
Total	**26 097**	24 884

Cost of inventory recognised as an expense under cost of sales in the income statement, totalled EUR 24,502 thousand (2012: EUR 25,986 thousand).

EUR 0.6 million (2012: EUR 1.0 million) 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	2013	2012
Trade receivables	**84 544**	89 772
Current finance lease receivables	**1 706**	1 867
Loan receivables	**3 709**	446
Accruals	**5 810**	6 857
Tax receivables	**3 980**	2 721
Other receivables	**229**	2 262
Total	**99 979**	103 925
Accruals include the following:		
Interest	**0**	9
Employees' health care compensation	**1 531**	3 174
Statutory pension insurances	**1 683**	286
Insurances	**52**	603
Grants received	**259**	255
Indirect tax	**171**	196
Other	**2 116**	2 334
Total	**5 810**	6 857

The receivables are not collaterised. Trade receivables include EUR 3.3 million in receivables from the Ecostream Group. 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	2013	2012
Certificates of deposit	**0**	2 499
Total	**0**	2 499
At 1 Jan.	**2 499**	2 299
Additions/disposals	**-2 497**	198
Changes in fair values transferred into equity	**-2**	2
At 31 Dec	**0**	2 499

Gains of EUR 7 thousand (2012: EUR 23 thousand) were transferred from the equity to the income statement in 2013.

Available-for-sale investments 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	2013	2012
Cash on hand and in banks	**58 474**	12 083
Total	**58 474**	12 083

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	2013	2012
Cash	**58 474**	12 083
Certificates of deposit	**0**	2 499
Total	**58 474**	14 582

23. EQUITY

SHARE CAPITAL AND SHARE PREMIUM FUND

EUR 1,000	Number of outstanding shares, 1,000 shares	Share capital	Invested non-restricted equity reserve	Own shares	Total
At 1 Jan. 2013	38 692	19 399	29 381	-1 399	47 381
28 February 2013 Disposal of the company's own shares	10			199	199
22 March 2013 Capital repayment			-23 221		-23 221
25 March 2013 Disposal of the company's own shares	5			100	100
28 November 2013 Capital repayment			-5 806		-5 806
Recognition of share-based benefits as expenses			-57		-57
At 31 Dec. 2013	38 707	19 399	297	-1 100	18 596

EUR 1,000	Number of outstanding shares, 1,000 shares	Share capital	Invested non-restricted equity reserve	Own shares	Total
At 1 Jan. 2012	38 685	19 399	50 658	-1 399	68 658
At 26 Mar. Capital repayment			-21 255		-21 255
At 1 May. Unpaid capital repayment			-22		-22
At 26 Jul. Gratuitous transfer of the company's own shares	7				
At 31 Dec. 2012	38 692	19 399	29 381	-1 399	47 381

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 2013 the company held 92,247 of its own shares (106,810).

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	2013	2012
Equity in the consolidated statement of financial position	**211 458**	233 003
Statement of financial position total	**495 990**	481 253
Current advances received	**-11 288**	-9 016
Non-current advances received	**-302**	-279
Total	**484 400**	471 958
Equity ratio, %	**43,7 %**	49,4 %

24. SHARE-BASED PAYMENT

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 will covered taxes arising from the reward. No reward was be 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 2010, 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 share-based incentive programme. Rewards were 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 could be granted.

Under the programme, a total of 9,605 Lassila&Tikanoja Plc's shares were granted in 2013. The company acquired the shares from the markets. The programme covered 22 persons.

Share-based incentive programme 2013

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 17 December 2012 on a new share-based incentive programme. Potential rewards will be based on the EVA result of Lassila & Tikanoja group. In other respects the conditions are equal with the 2009–2011 and 2012 programmes.

Based on the programme a maximum of 53,300 shares of the company can be granted. The shares to be paid out as potential rewards will be transferred from the shares held by the company.

Under the programme, an estimated total of 39,975 Lassila&Tikanoja Plc's shares will be granted in 2014. The company will acquire the shares from the marets. The programme covered 10 persons.

SHARE-BASED INCENTIVE PROGRAMMES 2009-2011, 2012 AND 2013

Instrument	Share-based incentive programme			
Share-based incentive programme	**2010**	**2011**	**2012**	**2013**
Grant date	9.2.2010	3.1.2011	2.1.2012	**17.12.2012**
Start of earnings period	1.1.2010	1.1.2011	1.1.2012	**1.1.2013**
End of earnings period	31.12.2010	31.12.2011	31.12.2012	**31.12.2013**
Average share price at grant date	15,26	14,99	11,60	**11,62**
Estimated realisation on closing date, shares	0	0	9 605	**39 975**
Obligation to hold shares, years	2	2	2	**2**
Release date of shares	31.3.2013	31.3.2014	31.3.2015	**31.3.2016**
Number of persons included	25	23	22	**10**

Expenses arising from share-based incentive programme, EUR 1,000	2013	2012
Share component	**173**	125
Cash component	**609**	63
Total	**782**	188

25. RETIREMENT BENEFIT OBLIGATIONS

L&T operates some minor defined benefit plans concerning 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	2013	2012
Amounts recognised in the statement of financial position:		
Present value of funded obligations	**574**	765
Fair value of plan assets	**-438**	-796
	136	-31
Present value of unfunded obligations	**641**	703
Closing net liability	**777**	672
Changes in present value of obligation		
Opening defined benefit obligation	**1 468**	1 106
Current service cost	**95**	55
Interest cost	**68**	60
Actuarial gain (-) and loss (+) on obligation	**-27**	295
Benefits paid	**-24**	-48
Closing value of obligation	**1 581**	1 468
Changes in fair value of plan assets		
Opening fair value of plan assets	**796**	696
Interest income	**10**	22
Employers' contributions	**0**	0
Actuarial gain (+) and loss (-)	**40**	106
Benefits paid	**-43**	-28
Closing fair value of plan assets	**803**	796
Movements in the liability recognised in the statement of financial position		
Opening liability	**672**	410
Expense recognised in the income statement	**153**	93
Actuarial gain (-) and loss (+)	**-67**	189
Contributions paid	**19**	-20
Closing liability	**777**	672
Amounts recognised in the income statement:		
Current service cost	**95**	55
Interest cost	**68**	60

Interest income	**-10**	-22
Actuarial gain (-) and loss (+)	**-67**	189
Total	**86**	282
The Group estimates that it will contribute EUR 12 thousand to defined benefit plans in 2014.		

EUR 1,000	2013	2012
Present value of obligation	**1 215**	1 468
Fair value of plan assets	**-438**	-796
Deficit	**777**	672

Principal actuarial assumptions used		
Discount rate	**3,0 %**	3,0 %
Expected rate of return on plan assets	**2,1 %**	2,1 %
Expected rate of salary increase	**4,5 %**	4,5 %
Expected rate of inflation	**2,0 %**	2,0 %

Defined contribution maturity of the obligation

EUR 1,000	2013
Maturity of less than one year	**44**
1-5 years	**361**
5-10 years	**465**
10-15 years	**330**
15-20 years	**355**
20-25 years	**237**
25-30 years	**169**
over 30 years	**187**
Total	**2 148**

26. PROVISIONS

EUR 1,000	Environmental provisions	Other provisions	Total
Provisions at 1 January 2013	4 360	64	4 424
Additional provisions	5 022	277	5 299
Used during the year	-248	-64	-312
Reversal of unused provisions	0	0	0
Effect of discounting	70	0	70
Provisions at 31 December 2013	9 205	277	9 482

EUR 1,000	2013
Non-current provisions	6 085
Current provisions	3 397
Total	9 482

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 straightline 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 recognized 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 same principle has been applied to the treatment of the site restoration provision for the Muinaistenmetsä final disposal site as for the Kotka site. In connection with the business transaction concluded with the City of Uusikaupunki, the post-closure environmental monitoring obligation of the old, closed-down landfill was also transferred to L&T. The obligation only covers sampling and analysis, not the remediation of any contaminated soil. Future expenditure has been measured at the price level of the time of calculation adjusted by an annual inflation rate of 2 %.

The Group has also made provisions in the statement of financial position for the potential cleaning costs of disposed sites.

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 primarily related to restructuring and compensation claims in legal proceedings.

27. BORROWINGS

EUR 1,000	2013 Carrying amount	2012 Carrying amount
Non-current		
Bank borrowings and loans from pension institutions	**65 852**	57 961
Total	**65 852**	57 961
Current		
Repayments of long-term borrowings	**22 104**	26 924
Short-term borrowings	**34 888**	11 991
Acquisition price liabilities	**0**	100
Total	**56 991**	39 015

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.

28. OTHER NON-CURRENT LIABILITIES

EUR 1,000	2013	2012
Advances received	**302**	279
Other liabilities	**197**	662
Total	**500**	942

29. TRADE AND OTHER CURRENT PAYABLES

EUR 1,000	2013	2012
Advances received	**11 288**	9 016
Trade payables	**32 556**	28 494
Other liabilities	**21 420**	20 779
Accrued expenses and deferred income	**54 690**	54 591
Total	**119 954**	112 880
Accrued expenses and deferred income		
Liabilities related to personnel expenses	**53 282**	50 374
Waste charges	**405**	449
Interest liabilities	**197**	305
Other accrued expenses	**806**	3 463
Total	**54 690**	54 591

The fair values of trade payables and other current payables equal their book values.

30. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2013

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
Non-current financial assets								
Available-for-sale investments			4 251			4 251	4 251	3
Finance lease receivables		3 685				3 685	3 865	2
Other receivables		2 388				2 388	2 388	
Current financial assets								
Trade and other receivables		90 188				90 188	90 188	
Derivative receivables					84	84	84	2
Cash and cash equivalents		58 474				58 474	58 474	
Total financial assets		154 735	4 251		84	159 070	159 250	
Non-current financial liabilities								
Borrowings				65 852		65 852	65 950	2
Other liabilities				198		198	198	
Current financial liabilities								
Borrowings				56 991		56 991		
Trade and other payables				57 373		57 373		
Derivative liabilities					501	501	501	2
Total financial liabilities				180 415	501	180 916	66 650	

2012

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
Non-current financial assets								

Available-for-sale investments			7 284			7 284	7 284	3
Finance lease receivables		3 608				3 608	3 946	2
Other receivables		2 755				2 755	2 755	
Current financial assets								
Trade and other receivables		94 346				94 346	94 346	
Derivative receivables	4				1286	1 290	1 290	2
Available-for-sale financial assets			2 499			2 499	2 499	2
Cash and cash equivalents		12 083				12 083	12 083	
Total financial assets		112 792	9 783		1 286	123 865	124 203	
Non-current financial liabilities								
Borrowings				57 961		57 961	58 310	
Other liabilities				662		662	662	
Current financial liabilities								
Borrowings				38 915		38 915		
Trade and other payables				35 710		35 710		
Derivative liabilities					1 129	1 129	1 129	2
Total financial liabilities				133 247	1 129	134 376	60 101	

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 derivatives consisting of interest rate swaps 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 FORWARDS

EUR 1,000	2013 Nominal value	Fair value	2012 Nominal value	Fair value
Not later than one year	**0**	**0**	775	4

Changes in fair values of currency forwards have been recognised in finance income and costs.

CROSS CURRENCY INTEREST RATE SWAPS

EUR 1,000	2013 Nominal value	Fair value	2012 Nominal value	Fair value
Maturity of cross currency interest rate swaps under hedge accounting				
Not later than one year	**7 200**		12 800	
Later than one year and not later than five years	**9 467**		16 667	
Total	**16 667**	**79**	29 467	1 150

Swaps are used to hedge foreign currency-denominated loans and changes in their fair value are disclosed in the statement of comprehensive income.

The value of foreign currency-denominated loans was about EUR 0.1 million negative on the closing date (2012: about EUR 1.2 million negative).

INTEREST RATE SWAPS

EUR 1,000	2013 Nominal value	Fair value	2012 Nominal value	Fair value
Maturity of interest rate swaps under hedge accounting				
Not later than one year	**14 018**		14 229	
Later than one year and not later than five years	**16 739**		28 940	
Later than five years	**909**		2 727	
Total	**31 666**	**-428**	45 896	-1 129

The interest rate 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. The fair values of the swap contracts are based on the market data at the balance sheet date.

The fixed interest rates of the interest rate swaps at 31 December 2013 varied between 1.59% and 3.30% (2012: 1.24% and 4.22%). The floating interest rate was 1-, 3- or 6-month Euribor.

COMMODITY DERIVATIVES

Metric tonnes	2013 Nominal value	Fair value	2012 Nominal value	Fair value
Maturity of diesel swaps under hedge accounting				
Not later than one year	**9 735**		5 136	
Later than one year and not later than five years	**825**		660	
Total	**10 560**	**-73**	5 796	136

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 prices at the balance sheet date.

32. OPERATING LEASES

EUR 1,000	2013	2012
Maturity of minimum lease payments of non-cancellable operating leases		
Not later than one year	**4 996**	5 556
Later than one year and not later than five years	**6 137**	8 377
Later than five years	**2 232**	2 274
Total minimum lease payments	**13 365**	16 206

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.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	2013	2012
Adjustments to cash flows from operating activities		
Taxes	**8 144**	8 543
Depreciation, amortisation and impairment	**54 003**	43 642
Finance income and costs	**2 856**	5 395
Profit/loss on sales of equipment	**-1 206**	-5 067
Provisions	**5 215**	2 427
Other	**-222**	62
Total	**68 790**	55 002
Effect of subsidiaries and businesses disposed of on the Group's financial position		
Property, plant and equipment	**0**	29 953
Goodwill and other intangible assets	**0**	1 376
Total assets and liabilities	**0**	31 329
Received in cash	**0**	8 004
Cash and cash equivalents	**0**	-184
Net cash flow arising from disposals	**0**	7 820

In 2012, the joint venture L&T Recoil was disposed of.

34. RELATED-PARTY TRANSACTIONS

The related parties of the Lassila & Tikanoja Group are the senior management, associated companies, joint ventures and the L&T sickness fund.

TRANSACTIONS AND BALANCES WITH JOINT VENTURES

Until 24 June 2012, the Group had a 50 per cent holding in the joint venture L&T Recoil Oy, Helsinki.

EUR 1,000	2013	2012
Sales	**0**	939
Other operating income	**0**	24
Interest income	**0**	391

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

The contributions paid by the parent company to the L&T sickness fund during the financial year amounted to EUR 786 thousand (2012: EUR 780 thousand).

EMPLOYEE BENEFITS OF TOP MANAGEMENT

EUR 1,000	2013	2012
Salaries and other short-term employee benefits	**1 941**	1 517
Post-employment benefits	**12**	56
Share-based payment	**709**	121
Total	**2 662**	1 694

Top management consists of the members of the Board of Directors, President and CEO and the Group Executive Board. An expense of EUR 709 thousand (EUR 121 thousand) 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	2013	2012
Heikki Bergholm, Chairman	**64**	63
Eero Hautaniemi, Vice Chairman	**45**	43
Hille Korhonen	**34**	33
Miikka Maijala	**36**	34
Sakari Lassila	**36**	34

On 25 March 2013, 4,958 shares were transferred to the members of the Board of Directors as part of the remuneration of the Board (26 July 2012: 6,495 shares).

In 2013, the remuneration paid to the President and CEO totalled EUR 677 thousand (2012: 396), consisting of salaries and benefits of EUR 456 thousand (2012: 396) and a bonus of EUR 221 thousand (2012: 0). In addition, the President and CEO was paid rewards amounting to EUR 31 thousand on the basis of the achievement of the targets of the share-based incentive programme in 2012.

The remuneration paid to the other members of the Group Executive Board totalled EUR 1,049 thousand (2012: 913), which includes salaries and benefits of EUR 971 thousand (2012: 886) and bonuses of EUR 78 thousand (2012: 27). In addition, the other members of the Group Executive Board were paid rewards amounting to EUR 43 thousand on the basis of the achievement of the targets of the share-based incentive programme in 2012. The figures include salaries for the period during which the persons in question were on the Group Executive Board.

The members of the Board of Directors have no pension contracts with the company. In 2013, EUR 12 thousand (56 thousand) arising from the pension agreement of the President and CEO, Jari Sarjo (President and CEO until 13 June 2011) was recognised in the income statement.

The members of the Board are not included in the share-based incentive programmes.

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

35. AUDITING COSTS

EUR 1,000	**KPMG**	**Other companies**	**Total**
2013			
Auditing	98	5	103
Other assignments in accordance with the auditing act	2		2
Tax consulting services	22	0	22
Other services	37	4	41
Total	159	9	168

EUR 1,000	**KPMG**	**Other companies**	**Total**
2012			
Auditing	82	80	162
Other assignments in accordance with the auditing act	3		3
Tax consulting services		9	9
Other services	60	25	85
Total	145	114	259

36. CONTINGENT LIABILITIES

EUR 1,000	2013	2012
Collaterals for own commitments		
Mortgages on rights of tenancy	**102**	186
Company mortgages	**565**	583
Other securities	**163**	178
Bank guarantees required for environmental permits	**9 511**	6 483

Lassila & Tikanoja plc has given a guarantee for a share of 50 percent of L&T Recoil Oy's financial liabilities. The guarantee is valid no later than the maturity date of the liabilities on 31 August 2014. The financial liabilities of L&T Recoil totalled EUR 32.8 million on 31 December 2013.

37. FINANCIAL RISK MANAGEMENT

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

The Group's financing and liquidity management are handled centrally by the Group's financial management, which is managed by the CFO. Transactions related to financial risk management are carried out by the Group's financial 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 comparable 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 2013 resulted in translation differences of EUR -427 thousand in equity (EUR 694 thousand). Net investments by currency are presented in the table below.

TRANSLATION EXPOSURE OF NET INVESTMENTS

EUR 1,000	2013	2012
SEK	**7 880**	16 411
LVL	**7 363**	5 723
RUB	**8 585**	8 489
Total	**23 828**	30 623

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 thus 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 price risk

The fluctuations of the world market price of crude oil are reflected in the price of fuel used in production equipment 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 service prices with a delay. The diesel price risk has been partly hedged with commodity derivatives. Hedge accounting under IAS 39 has been applied to these derivatives.

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.

Interest rate risk

L&T's interest rate risk is primarily related 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, over 50% of the cash flow associated with variable-rate borrowings is hedged against interest rate risk with interest rate swaps.

At 31 December 2013, 40% (2012: 68%) of the company's borrowings were either fixed interest rate borrowings or hedged with interest rate swaps. Variable-rate borrowings accounted for 60% (32%). 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 in accordance with IAS 39 is applied to all contracts. Most of L&T's net sales are generated by long-term service agreements. Due to good cash flow predictability, L&T's treasury policy specifies that the company shall seek to minimise the amount of interest-bearing assets in proportion to the current short-term financing requirements, and to invest 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 consisting of companies, industrial plants, office and business properties, institutional property owners, housing corporations, public sector organisations 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 are managed centrally by the financial management function. The foreign subsidiaries manage the collection of their trade receivables locally. 90% of net sales originated from Finland in 2013. The total book value of financial assets at 31 December 2013 represents best the Group's maximum exposure to credit risk at the balance sheet date in case the counterparties are not able to fulfil their commitments related to the financial instruments.

ANALYSIS OF TRADE RECEIVABLES BY AGE

EUR 1,000	2013	2012
Trade receivables	**73 845**	76 001
Trade receivables past due 1-90 days	**9 225**	10 959
Trade receivables past due 91-180 days	**657**	1 082
Trade receivables past due 181-365 days	**425**	766
Trade receivables past due over 365 days	**392**	964
Total	**84 544**	89 772

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.

MATURITY OF LONG-TERM BORROWINGS

31.12.2013

EUR 1,000	2014	2015	2016	2017	2018	2019 and later	Total
Bank borrowings and loans from pension institutions	22 104	24 796	34 863	2 596	2 595	909	87 863
Total	22 104	24 796	34 863	2 596	2 595	909	87 863

31.12.2012

EUR 1,000	2013	2014	2015	2016	2017	2018 and later	Total
Bank borrowings and loans from pension institutions	26 861	22 139	24 831	4 883	2 596	3 574	84 885
Total	26 861	22 139	24 831	4 883	2 596	3 574	84 885

The average duration of long-term borrowings at 31 December 2013 was 2.2 years (2012: 1.9 years) and the weighted average of effective interest rates, accounting for interest rate hedging, was 1.67% (2012: 2.2%).

The loan agreements include equity ratio and interest cover covenants and other normal terms which restrict giving collateral to other financiers and the discontinuation or disposal of present business. The breaching of the terms would entitle the borrowers to call in the loans immediately. The terms of the loans in Lassila & Tikanoja plc's name were not close to being breached during 2013 and 2012.

CREDIT RISK RELATED TO FINANCIAL ASSETS

EUR 1,000	2013 carrying amount	2012 carrying amount
Non-current available-for-sale investments	**4 251**	7 283
Non-current finance lease receivables	**3 685**	3 608
Other non-current receivables	**2 389**	2 755
Trade and other current receivables	**84 544**	89 772
Derivative receivables	**84**	1 290
Current available-for-sale investments	**0**	2 499
Cash and cash equivalents	**58 474**	12 083

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 that 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 two 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 committed credit limits (totalling EUR 30 million) and a commercial paper programme (EUR 100 million). At 31 December 2013, the Group's liquid assets and investments amounted to EUR 58.5 million (2012: EUR 14.6 million). EUR 35 million of the commercial paper programme was in use (2012: EUR 12 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

31.12.2013

EUR 1,000	Carrying amount	Contractual cash flows	2014	2015	2016	2017	2018	2019 and later
Bank borrowings and loans from pension institutions	87 863	90 055	23 028	25 458	35 323	2 690	2 642	914
Acquisition price liabilities								
Commercial paper liabilities	34 888	35 000	35 000					
Derivative liabilities	501	501	501					
Trade and other payables	53 976	53 976	53 976					
Guarantee liabilities*	0	16 400	16 400					
Total	177 228	195 932	128 905	25 458	35 323	2 690	2 642	914

* The Group has guarantee commitments for L&T Recoil Oy financial loans. More information is provided in Notes 3 and 36 and in the Report of the Board of Directors under "Near-term uncertainties".

31.12.2012

EUR 1,000	Carrying amount	Contractual cash flows	2013	2014	2015	2016	2017	2018 and later
Bank borrowings and loans from pension institutions	84 885	87 208	27 935	22 740	25 176	5 037	2 692	3 627
Acquisition price liabilities	100	100	100					
Commercial paper liabilities	11 991	12 000	12 000					

Derivative liabilities	1 128	1 128	1 128					
Trade and other payables	49 274	49 274	49 274					
Guarantee liabilities	0	16 400	16 400					
Total	147 378	166 110	106 837	22 740	25 176	5 037	2 692	3 627

BREAKDOWN OF BORROWINGS

EUR 1,000	In use at 31 December 2013	Undrawn at 31 December 2013	Total	In use at 31 December 2012	Undrawn at 31 December 2012	Total
Bank borrowings and loans from pension institutions	**87 863**		**87 863**	84 885		84 885
Finance lease liabilities						
Committed credit facility maturing in 2014	**0**	**30 000**	**30 000**		30 000	30 000
Non-committed credit facilities		**8 000**	**8 000**		8 000	8 000
Commercial paper programme	**35 000**	**65 000**	**100 000**	12 000	88 000	100 000
Acquisition price liabilities			**0**	100		100
Total	**122 863**	**103 000**	**225 863**	96 985	126 000	222 985

Sensitivity to 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 2013 (31 December 2012), 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 a rise of +0.5 percentage point and a decrease of -0.2 percentage point.
- The change in diesel oil price is assumed to be +/-10 percentage points.
- The exposure underlying the calculation includes interest-bearing financial liabilities.

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

SENSITIVITY ANALYSIS IN ACCORDANCE WITH IFRS 7 OF MARKET RISK ARISING FROM FINANCIAL INSTRUMENTS

EUR million	2013		2012	
	Profit after tax	Equity	Profit after tax	Equity
+ 0.5% change in market interest rates	**-0,3**	**0,3**	-0,1	0,3
- 0.2% change in market interest rates	**0,1**	**-0,3**	0,1	-0,3
+ 10% change in diesel oil CIF CARGO NWE price*)		**0,4**		0,3
- 10% change in diesel oil CIF CARGO NWE price*)		**-0,4**		-0,3
*) price level in euros				

38. DISPUTES AND LITIGATIONS

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. The prosecutor of the Helsinki District Court demanded the company to pay at least EUR 100,000 in corporate fines for an alleged breach of overtime regulations in 2009-2012. In addition, Lassila & Tikanoja plc is involved in minor disputes concerning the Group's business operations; the outcomes of these disputes will not have a 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 that might have affected the preparation of the financial statements.

PARENT COMPANY INCOME STATEMENT

EUR 1,000	2013	2012	Note
Net sales	**523 097**	522 570	1
Cost of goods sold	**-460 638**	-459 005	
Gross profit	**62 459**	63 565	
Sales and marketing expenses	**-12 146**	-13 571	
Administration expenses	**-10 514**	-8 965	3
Other operating income	**4 084**	2 891	5
Other operating expenses	**-6 961**	-9 669	5
Operating profit before goodwill amortisation	**36 923**	34 251	2 4
Goodwill amortisation	**-1 914**	-2 662	
Operating profit	**35 009**	31 589	
Financial income and expenses	**8 734**	-1 919	6
Profit before extraordinary items	**43 743**	29 670	
Extraordinary items	**-23 662**	1 670	7
Profit before appropriations and income taxes	**20 081**	31 340	
Appropriations			
Increase/decrease in accumulated depreciation	**1 644**	703	
Income tax	**-7 514**	-7 959	8
Profit for the period	**14 211**	24 083	

PARENT COMPANY BALANCE SHEET

EUR 1,000	2013	2012	Note
ASSETS			
Fixed assets			
Intangible assets			9
Intangible rights	**972**	1 103	
Goodwill	**2 449**	4 363	
Other capitalised expenditure	**5 199**	4 850	
Advance payments and construction in progress	**898**	1 623	
	9 517	11 939	
Tangible assets			10
Land	**2 870**	2 945	
Buildings and constructions	**40 756**	41 943	
Machinery and equipment	**110 312**	115 330	
Other tangible assets	**47**	47	
Advance payments and construction in progress	**1 771**	1 925	
	155 755	162 190	
Financial assets			11
Shares in Group companies	**24 811**	24 811	
Shares in joint ventures	**1**		
Capital loan receivables from others	**115**	115	
Other shares and holdings	**4 103**	7 141	
	29 030	32 067	
Total fixed assets	**194 303**	206 196	
Current assets			
Inventories			
Raw materials and consumables	**789**	1 120	
Finished products/goods	**1 513**	1 730	
Other inventories	**1 803**	1 716	
	4 105	4 566	
Non-current receivables			

Loan receivables	**2 083**	2 407	
Current receivables			12
Receivables from Group companies	**41 784**	61 601	
Trade receivables	**71 141**	73 280	
Other receivables	**3 697**	2 522	
Prepaid expenses and accrued income	**7 803**	7 054	
	124 426	144 457	
Cash and cash equivalents	**51 634**	9 947	
Total current assets	**182 247**	161 378	
Total assets	**376 550**	367 573	

EUR 1,000	2013	2012	Note
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			13
Share capital	**19 399**	19 399	
Fair value reserve	**-64**	95	
Invested non-restricted equity reserve	**394**	29 478	
Retained earnings	**71 769**	60 912	
Profit for the period	**14 211**	24 083	
Total shareholders' equity	**105 709**	133 968	
Accumulated appropriations			
Depreciation difference	**34 618**	36 262	
Obligatory provisions			14
Non-current	**4 687**	2 716	
Current	**3 397**	120	
	8 084	2 836	
Liabilities			15
Non-current			
Loans from financial institutions	**62 648**	53 274	
Pension institution loans	**3 111**	4 589	
Accrued income	**302**	279	
	66 062	58 142	
Current			
Commercial paper liabilities	**34 888**	11 991	

Loans from financial institutions	**22 104**	26 497
Advances received	**8 699**	8 041
Trade payables	**29 151**	22 975
Liabilities to Group companies	**2 427**	4 649
Other liabilities	**18 725**	18 247
Accruals and deferred expenses	**46 007**	43 967
Accruals and deferred expenses on commodity derivatives	**73**	0
Tax liabilities	**3**	0
	162 076	136 366
Total liabilities	**228 138**	194 508
Total shareholders' equity and liabilities	**376 550**	367 573

STATEMENT OF CASH FLOWS

EUR 1,000	2013	2012
Operations		
Operating profit	**35 009**	31 589
Adjustments:		
Depreciation and amortisation	**37 000**	18 724
Gains and losses on sales	**-352**	8 237
Other adjustments	**5 375**	493
Cash flow before change in working capital	**77 031**	59 043
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	**625**	-6 820
Increase/decrease in inventories	**462**	427
Increase/decrease in current non-interest-bearing liabilities	**6 439**	10 439
Cash flow from operations before financial income/expenses and tax	**84 557**	63 088
Interest expenses and other financial expenses	**-2 158**	-4 681
Interest income from operations	**785**	3 847
Direct taxes paid	**-8 625**	-11 066
Cash flow from operating activities	**74 559**	51 189
Investments		
Investments in Group companies	**0**	-1 556
Proceeds from sale of Group companies, net of sold cash	**0**	7 820
Investments in tangible and intangible assets	**-26 226**	-26 164
Proceeds from sale of tangible and intangible assets	**1 080**	1 957
Granted capital loans	**3 381**	17
Dividends received from investments	**10 111**	585
Cash flow from investing activities	**-11 654**	-17 341
Financing		
Proceeds from share issue		
Group contribution paid	**0**	-30
Group contribution received	**0**	1 690
Proceeds from/repayments of short-term borrowings	**22 897**	-4 030

Proceeds from/repayments of current liabilities to Group companies	**-5 344**	8 356
Proceeds from long-term loans	**30 000**	10 200
Repayments of long-term loans	**-26 249**	-22 374
Capital repayment and other distribution of profit paid	**-42 521**	-21 255
Cash flow from financing activities	**-21 217**	-27 443
Changes in cash and cash equivalents	**41 687**	6 404
Cash and cash equivalents at 1 January	**9 947**	3 543
Cash and cash equivalents at 31 December	**51 634**	9 947
Cash and cash equivalents at 31 December		
Cash and cash equivalents	**51 540**	7 337
Available-for-sale non-current financial assets	**0**	2 496
Overdraft facilities	**94**	114
	51 634	9 947

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. As the Kerava landfill is about to be filled up, it will be fully depreciated using the straight-line method.

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 recorded 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

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 swap agreements 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 agreements 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	2013	%	2012	%
Net sales by division				
Environmental Services	**217 028**	**41,5**	218 669	41,8
Industrial Services	**70 704**	**13,5**	65 916	12,6
Facility Services	**235 365**	**45,0**	237 985	45,6
Total	**523 097**	**100,0**	522 570	100,0
Net sales by market				
Finland	**511 561**	**97,8**	510 325	97,7
Other countries	**11 536**	**2,2**	12 245	2,3
Total	**523 097**	**100,0**	522 570	100,0

2. NOTES ON PERSONNEL AND MEMBERS OF ADMINISTRATIVE BODIES

	2013	2012
Average personnel		
Salaried employees	**1 025**	1 014
Non-salaried employees	**4 941**	4 865
Total	**5 966**	5 879

EUR 1,000	2013	2012
Personnel expenses		
Salaries and bonuses	**186 392**	180 890
Pension expenditure	**32 514**	30 956
Other salary-related expenses	**11 523**	12 277
Total	**230 429**	224 123
Personnel services invoiced from the Group	**-283**	-233
	230 146	223 890

Salaries, bonuses and pension benefits of the management are described in the Note 34 Related-party transactions of the consolidated financial statements.

3. AUDITOR'S FEES

EUR 1,000	2013	2012
Auditing	**67**	73
Other assignments in accordance with the auditing act	**2**	3
Tax consulting services	**19**	6
Other services	**37**	51
Total	**125**	133

4. DEPRECIATION AND AMORTISATION

EUR 1,000	2013	2012
Depreciation and amortisation by function		
Procurement and manufacture	**34 642**	15 744
Sales and marketing	**219**	84
Administration	**225**	234
Goodwill	**1 914**	2 662
Total	**37 000**	18 724

Depreciation and amortisation are itemised under intangible and tangible assets.

5. OTHER OPERATING INCOME AND EXPENSES

EUR 1,000	2013	2012
Other operating income		
From Group companies		
Compensation for administration costs	**827**	552
From others		
Merger profit	**182**	51
Profit on sale of real estates	**3**	160
Profit on sale of shares	**257**	1
Profit on sale of other fixed assets	**470**	205
Government grants	**0**	182
Recovery of bad debt	**128**	106
Change in values commodity derivatives	**98**	399
Annual discounts	**481**	621
Other operating income	**1 638**	614
Total	**4 084**	2 891
Other operating expenses		
To others		
Losses on sale of fixed assets	**86**	244
Impairment of EcoStream Oy shares	**5 027**	0
Impairment of subordinated loans to L&T Recoil	**0**	8 447
Bad debt	**785**	799
Change in value of commodity derivatives	**59**	0
Other	**1 004**	179
Total	**6 961**	9 669

6. FINANCIAL INCOME AND COSTS

EUR 1,000	2013	2012
Dividend income	**10 001**	448
Other interest and financial income	**897**	3 972
Other interest and financial costs	**-2 164**	-6 339
Total financial income and costs	**8 734**	-1 919
Financial income and costs include:		
Dividend income		
from Group companies	**10 000**	447
from others	**1**	1
Interest income		
from Group companies	**556**	3 181
from joint ventures	**0**	391
from others	**229**	262
Interest costs		
to Group companies	**191**	1 154
to others	**1 757**	4 919

7. EXTRAORDINARY ITEMS

EUR 1,000	2013	2012
Extraordinary income		
Group contribution received	**1 638**	1 670
Extraordinary expenses		
Group contribution paid	**-25 300**	0
Total extraordinary income and expenses	**-23 662**	1 670

8. INCOME TAXES

EUR 1,000	2013	2012
Inxome taxes on operations for the financial year	**5 475**	7 952
Income taxes for previous periods	**2 039**	7
Total	**7 514**	7 959
Deferred tax liabilities/receivables		
From depreciation differences	**-6 924**	-8 884
From other matching differences	**1 640**	704
Total	**-5 284**	-8 180

9. INTANGIBLE ASSETS

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments and construction in progress	Total
2013					
Cost at 1 January	9 472	119 498	14 701	1 623	145 294
Additions	225		208	1 921	2 354
Disposals	-308		-4		-312
Transfers between items			2 317	-2 646	-329
Cost at 31 December	9 389	119 498	17 222	898	147 007
Accumulated depreciation at 1 January	-8 369	-115 135	-9 851		-133 355
Accumulated depreciation on disposals and transfers	308		4		312
Depreciation during the period	-357	-1 914	-2 176		-4 447
Accumulated depreciation at 31 December	-8 418	-117 049	-12 023		-137 490
Total book value	972	2 449	5 199	898	9 518
2012					
Cost at 1 January	1 428	119 619	1 280		122 327
Additions	8 343	241	13 197	2 253	24 034
Disposals	-299	-362	-406		-1 067
Transfers between items			630	-630	0
Cost at 31 December	9 472	119 498	14 701	1 623	145 294
Accumulated depreciation at 1 January	-881	-112 835	-589		-114 305
Accumulated depreciation on disposals and transfers	-7 257	362	-8 500		-15 395
Depreciation during the period	-231	-2 662	-762		-3 655
Accumulated depreciation at 31 December	-8 369	-115 135	-9 851		-133 355
Total book value	1 103	4 363	4 850	1 623	11 939

10. TANGIBLE ASSETS

EUR 1,000	Land	Buildings	Machinery and equipment	Other	Advance payments and construction in progress	Total
2013						
Cost at 1 January	2 945	78 223	304 258	132	1 925	387 483
Additions		1 851	23 154		1 617	26 622
Disposals	-75	-192	-9 166	-83		-9 516
Transfers between items		1 463	637		-1 771	329
Cost at 31 December	2 870	81 345	318 883	49	1 771	404 918
Accumulated depreciation at 1 January		-36 280	-188 928	-85		-225 293
Accumulated depreciation on disposals and transfers		149	8 452	83		8 684
Depreciation during the period		-4 458	-28 095			-32 553
Accumulated depreciation at 31 December		-40 589	-208 571	-2		-249 162
Total book value	2 870	40 756	110 312	47	1 771	155 755
2012						
Cost at 1 January	3 287	68 535	31 971	132	3 596	107 521
Additions	19	3 945	280 358		4 599	288 921
Disposals	-322	-386	-8 251			-8 959
Transfers between items	-39	6 129	180		-6 270	0
Cost at 31 December	2 945	78 223	304 258	132	1 925	387 483
Accumulated depreciation at 1 January		-31 058	-26 636	-85		-57 779
Accumulated depreciation on disposals and transfers		-1 273	-151 173			-152 446
Depreciation during the period		-3 949	-11 119			-15 068
Accumulated depreciation at 31 December		-36 280	-188 928	-85		-225 293
Total book value	2 945	41 943	115 330	47	1 925	162 190

11. INVESTMENTS

EUR 1,000	Shares in Group companies	Holdings in joint ventures	Holdings in associated companies	Capital loan receivables*	Other shares and holdings	Total
2013						
Cost at 1 January	24 811	0	0	115	7 141	32 067
Additions	0		1		2 000	2 001
Transfers between items	0	0		0	-5 038	-5 038
Cost at 31 December	24 811	0	1	115	4 103	29 030
Total book value	24 811	0	1	115	4 103	29 030
* Capital loan receivables include:						
Capital loan receivables						
From joint ventures	0					
From others	115					
	115					
2012						
Cost at 1 January	48 579	4	0	24 511	447	73 541
Additions	236				6 704	6 940
Transfers between items	-24 004	-4		-24 396	-10	-48 414
Cost at 31 December	24 811	0	0	115	7 141	32 067
Total book value	24 811	0	0	115	7 141	32 067
* Capital loan receivables include:						
Capital loan receivables						
From joint ventures	0					
From others	115					
	115					

	Holding of shares and votes, %
Group companies	
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100,0
L&T Biowatti Oy, Helsinki	100,0
L&T Relations Oy, Helsinki	100,0
L&T Toimi Oy, Helsinki	100,0
L&T Kierrätys Oy, Helsinki	100,0
Associated companies	
Suomen Keräystuote Oy	40,0

12. RECEIVABLES

EUR 1,000	2013	2012
From Group companies		
Loan receivables	**40 012**	60 509
Trade receivables	**1 772**	1 092
Total	**41 784**	61 601
From joint ventures		
Loan receivables		
Trade receivables		
Total		
Prepaid expenses and accrued income		
Interests	**0**	1
Employees' health care compensation	**1 465**	2 868
Statutory personnel insurance	**1 403**	80
Insurance refunds	**3**	528
Derivative financial instrument receivables	**4**	141
Tax receivables	**3 578**	2 468
Other	**1 350**	968
Total	**7 803**	7 054

13. EQUITY

EUR 1,000	2013	2012
Share capital at 1 January / 31 December	**19 399**	19 399
Fair value reserve 31 December	**-64**	95
Invested non-restricted equity reserve 31 December	**29 478**	50 755
Capital repayment	**-29 084**	-21 277
Invested non-restricted equity reserve 31 December	**394**	29 478
Retained earnings at 1 January	**84 996**	60 891
Dividend	**-13 547**	0
Out-dated dividend	**22**	22
Purchase of own shares	**299**	0
Retained earnings at 31 December	**71 769**	60 913
Profit for the period	**14 211**	24 083
Shareholders' equity at 31 December	**105 709**	133 968
Distributable assets		
Retained earnings	**71 769**	60 913
Profit for the period	**14 211**	24 083
Invested non-restricted equity reserve	**394**	29 478
Total distributable assets	**86 374**	114 474

14. OBLIGATORY PROVISIONS

EUR 1,000	2013	2012
Environmental provision	**7 192**	2 143
Pension liabilities	**590**	579
Restructuring provisions	**237**	64
Screened construction waste	**26**	50
Expert fee provision	**40**	0
Total	**8 084**	2 836

Environmental provisions concern the site restoration costs of landfills.

15. LIABILITIES

REPAYMENTS OF NON-CURRENT LIABILITIES IN COMING YEARS

EUR 1,000	2014*	2015	2016	2017	2018	2019 and later
Loans from financial institutions	22 104	24 796	34 863	2 596	2 596	909
* In the balance sheet under current liabilities						

EUR 1,000	2013	2012
Liabilities to Group companies		
Trade payables	**344**	388
Other liabilities	**2 083**	4 261
Total	**2 427**	4 649
Accruals and deferred expenses		
Personnel expenses	**42 006**	39 238
Interests	**190**	305
Waste charges	**405**	449
Other matched expenses	**3 406**	3 975
Total	**46 007**	43 967

16. COLLATERAL, CONTINGENT LIABILITIES AND OTHER LIABILITIES

EUR 1,000	2013	2012
For own commitments		
Mortgages on rights of tenancy	**102**	186
Other securities	**163**	149
Liabilities related to leasing and leases		
Falling due next year	**4 996**	4 769
Falling due in subsequent years	**8 369**	8 808
Total	**13 365**	13 577
For Group companies		
Guarantees	**9 249**	7 051
For joint ventures		
Guarantees		
Bank guarantees required for environmental permits	**9 511**	6 483

Off balance sheet liabilities

Lassila & Tikanoja plc has given a guarantee for a share of 50 percent of L&T Recoil Oy's financial liabilities. The guarantee is valid no later than the maturity date of the liabilities on 31 August 2014. The financial liabilities of L&T Recoil totaled EUR 32.8 million on 31 December 2013.

17. DERIVATIVE FINANCIAL INSTRUMENTS

EUR 1,000	2013	2012
Interest rate swap		
Nominal value	**31 666**	45 896
Fair value	**-428**	-1 129
Cross currency interest rate swaps		
Nominal value	**16 667**	29 467
Fair value	**79**	1 150

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

Metric tonnes	2013	2012
Commodity derivatives		
Nominal value	**10 560**	5 796
Fair value	**-73**	136

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

EUR 1,000	2013	2012
Currency derivatives		
Nominal value	**0**	775
Fair value	**0**	4

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

PROPOSAL FOR THE DISTRIBUTION OF PROFIT

Proposal by the Board of Directors for the use of the profit shown on the balance sheet

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amount to EUR 86,373,918.28 with the operating profit for the period representing EUR 14,210,767.64. 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 0.50 per share be paid on the basis of the balance sheet to be adopted for the financial year 2013.

The dividend will be paid to a shareholder who is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for dividend payment, 24 March 2014. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 31 March 2014.

No dividend shall be paid on share held by the company on the record date of dividend payment, 24 March 2014.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 38,706,627, which means

the total amount of the dividend would be EUR 19,353,313.50
To be retained and carried forward EUR 67,020,604.78
Total EUR 86,373,918.28

Signatures to the Report of the Board of Directors and the Financial Statements for the year 2013:

Helsinki on 4 February 2014

Heikki Bergholm

Eero Hautaniemi

Hille Korhonen

Sakari Lassila

Miikka Maijala

Pekka Ojanpää
President and CEO

THE AUDITOR'S NOTE

We have today submitted our report on the audit conducted by us.

Helsinki, 11 February 2014

KPMG OY Ab
Authorised Public Accountants

Lasse Holopainen
APA

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

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 December 31, 2013. 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 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 is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 11 February 2014

KPMG OY AB

LASSE HOLOPAINEN
Authorized Public Accountant

INFORMATION FOR INVESTORS

Lassila & Tikanoja plc's shares are quoted on the mid-cap list of NASDAQ OMX Helsinki Ltd in the Industrials sector. The listing date is 1 October 2001. The trading code is LAT1V and the ISIN code is FI0009010854.

For additional information on the company's shares and shareholders, see the Report of the Board of Directors.

Analyses of the company

The financial performance of Lassila & Tikanoja plc is monitored and assessed by at least the brokerage firms listed below:

Carnegie
Danske
Evli Bank
Nordea
Pohjola Bank
SEB Enskilda

Lassila & Tikanoja plc is not responsible for any estimates made in these analyses. The contact details of the analysts are available on the company's website.

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FINANCIAL INFORMATION IN 2014

In 2014, Lassila & Tikanoja plc will publish interim reports as follows:

Interim report for January–March: 25 April 2014 at 2 pm.
Interim report for January–June: 6 August 2014 at 8 am.
Interim report for January–September: 23 October 2014 at 8 am.

Dissemination of financial information

Lassila & Tikanoja plc's Annual Report, financial statements and interim reports are published in Finnish and English. The Annual Report is only published online. Printed annual brochures and financial statements will only be mailed to those on the company's mailing list. You can join the mailing list on the company's Internet site. You can also sign up to receive email notifications of bulletins.

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.

LASSILA & TIKANOJA'S 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 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 in a timely, clear and sufficiently comprehensive manner. All market participants are provided with the same information simultaneously, and both positive and negative issues are reported. All information is published in Finnish and in English. Periodical reports are produced in a continuous, consistent format in terms of both figures and written assessments.

Regular disclosure requirements

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

Continuous disclosure requirements

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

Examples of information that could be material include: 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 decisions made by authorities, and significant information regarding a joint venture.

Information leaks

In the event that confidential material information leaks out, the company will issue a release on the matter without undue delay.

Forward-looking statements and guidance

Forecasts and forward-looking statements are disclosed in the financial statement release and interim reports. L&T only releases full-year profit forecasts. L&T does not comment on analyst estimates or market rumours.

Communication practices in different situations

L&T releases a profit warning without undue delay 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 the matter 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's website immediately after disclosure.

Responsibilities and designated spokespersons

L&T's President and CEO and the Chief Financial Officer are responsible for communications with investors, shareholders and analysts.

Questions from capital market participants to the Board of Directors will be forwarded to the chairman of the Board. As necessary, the chairman will either answer these questions or forward them to the President and CEO.

Other people may not issue any financial disclosures concerning the company. Contact information is available in the Investor Relations section on the company's website.

Communications with the equity markets are coordinated by the IR function under the CFO's supervision. Other company representatives may participate in IR functions on a case-by-case basis.

Procedures in investor and analyst meetings

When annual and interim results are published, L&T holds conferences for analysts and investors. Investors are also met at analyst and investor meetings and in the road shows organised by banking companies. Analysts and investors are also invited to visit the company.

Any discussions at these meetings are based on information that has been previously published or is generally available in the markets. The purpose of such discussions is to provide background information on L&T and its business environment.

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.

ANNUAL GENERAL MEETING AND DIVIDEND PAYMENT

Annual General Meeting

The Annual General Meeting of Lassila & Tikanoja plc will be held in Helsinki on Wednesday, 19 March 2014 at 4 pm at Valkea talo. Address: Ilkantie 4, Haaga, 00400 Helsinki. Each shareholder who is registered on Friday, 7 March 2014 in the company's shareholder register, which is 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 company's shareholder register.

Registration

A shareholder who wants to participate in the Annual General Meeting shall register for the meeting no later than Friday, 14 March 2014 at 4 pm by giving a prior notice of participation. Such notice can be given:

a) via the company's website www.lassila-tikanoja.com/investors
b) by telephone at +358 20 770 6876 on weekdays from 9.00 am – 4.00 pm, or
c) by regular mail to Lassila & Tikanoja plc, Taru Enrot, P.O. Box 28, 00441 Helsinki, Finland.

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

Holders of nominee-registered shares

A holder of nominee-registered shares has the right to participate in the Annual General Meeting on the basis of shares that would entitle him or her to be entered in the shareholder register maintained by Euroclear Finland Ltd on 7 March 2014. To have the right to participate, the holder of nominee-registered shares must also be temporarily entered in the company's shareholder register maintained by Euroclear Finland Ltd with these shares by no later than 10 am on 14 March 2014.

A holder of nominee-registered shares is advised to promptly request his or her custodian bank to provide the necessary information concerning registration in the shareholder register, the issuing of proxy documents and registration for the Annual General Meeting.

Payment of dividend

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid on the basis of the balance sheet adopted for the 2013 financial year. The dividends will be paid to shareholders included in the company's shareholder register maintained by Euroclear Finland Ltd on the record date, 24 March 2014. The Board proposes to the Annual General Meeting that the dividend be paid on 31 March 2014.

Annual General Meeting 19 March 2014
Ex-date of dividend 20 March 2014
Record date of payment 21 March 2014
Dividend payment 31 March 2014