

CIRCULAR ECONOMY

– A FANCY WORD FOR DOING
EVERYTHING SMARTER.



Contents

Corporate Governance	3
Corporate Governance Statement 2015	3
Remuneration Statement	16
Report by the Board of Directors	21
Financial statements	38
Consolidated income statement	38
Consolidated statement of comprehensive income	39
Consolidated statement of financial position	40
Consolidated statement of cash flows	42
Consolidated statement of changes in equity	43
Notes to the consolidated financial statements	44
Parent company income statement	91
Parent company balance sheet	92
Statement of cash flows	94
Notes to the financial statements of the parent company	95
Proposal for the distribution of profit	106
Auditor's report	108

CORPORATE GOVERNANCE 2015

Corporate governance

Lassila & Tikanoja plc is a public limited liability company that is registered in Finland and listed on Nasdaq 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 Helsinki Oy and the Corporate Governance recommendations for Finnish listed companies.

Corporate Governance Statement 2015

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.

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 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 deal with a specific proposal made to a General Meeting. General Meetings are convened by the Board of Directors.

Each share of Lassila & Tikanoja plc entitles the holder 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 the 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 Meeting in 2015

The Annual General Meeting was held in Helsinki on 18 March 2015. The meeting was attended by shareholders representing 43.7 per cent of the votes. All Board members, the President and CEO, and the principal auditor 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 members of the Board of 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 are of major importance, in view

of the scope and size of the operations of the company. 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 2015, 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 2015

The Board of Directors comprises the following persons: Mr Heikki Bergholm, Chairman, Mr Eero Hautaniemi, Vice Chairman, Ms Laura Lares, 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 in the section Remuneration and shareholding of the Board members.

The Board of Directors met nine times in 2015. The average attendance rate of the members at the meetings was 100 per cent.

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

Meeting attendance of Board members 1 Jan.–31 Dec. 2015

	Board of Directors	Audit Committee	Personnel Committee
Heikki Bergholm	9/9		4/4
Eero Hautaniemi	9/9	5/5	
Hille Korhonen*	2/2		1/1
Laura Lares	9/9	5/5	
Sakari Lassila	9/9	5/5	
Miikka Maijala	9/9		4/4

The Board of Directors met twice before 18 March 2015 and seven times thereafter. The Audit Committee met once before 18 March 2015 and four times thereafter. The Personnel Committee met once before 18 March 2015 and three times thereafter.

* Member of the Board until 18 March 2015

Board members

Heikki Bergholm

born 1956, M.Sc. (Eng.)

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

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 (2010–2014), Seniorirahasto Oy (2010–), Finnish Foundation for Cardiovascular Research (2013–), Yrjö-Koskinen Family Association (2013–), Duckies Kindergarten (2012–), Institutum Romanum Finlandiae (2011–), Etua Oy (2008–), Association for the Foundation for Economic Education (2005–), Henna and Pertti Niemistö Ars Fennica Art Foundation (2005–), Tehokkaan Tuotannon Tutkimussäätiö (2003–), MB Funds (2002–), Spa Hotel Ikaalinen Holding Oy (2010–2014), Forchem Oy (2007–2013), Componenta (2003–2012, COB), L&T Recoil Ltd (2010–2012, COB), Helsinki Bourse Club (2003–2010), Kemira Oyj (2004–2007), Pohjola-Yhtymä Oyj (2003–2005), Sponda Oyj (1998–2004) and Suominen Corporation (2006–2011)

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, independent member

Key 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:

Finnish Commerce Federation (2014–), Ecostream Oy (2012–2013), L&T Recoil Oy (2010–2012), Nurminen Logistics Oyj (2009–2012)

Laura Lares

born 1966, Ph.D in Technology

Managing Director of Woimistamo Oy 2012–

Member of the Board and the Audit Committee since 2014, independent member

Key work experience:

Kalevala Koru Oy & Lapponia Jewelry Oy: Managing Director 2007–2012

UPM Kymmene Corporation: Director of Wood Products Division, Director of Business Development & Human Resources 2004–2006

Membership on other Boards:

Lappeenranta University of Technology (2009–), Woikoski Oy (2012–), Aalef Oy (2013–), Kr-tiimi Oy (2013–), Kinkaronkka Oy (2014–)

Sakari Lassila

born 1955, M.Sc. (Econ.)

Managing Director and partner of Indcrea Oy

Member of the Board and the Audit Committee since 2011, independent member

Key work experience:

Cupori Group Oy: member of the Management Board (2008–2014), Managing Director of Cupori AB (2012–2014)

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

Membership on other Boards:

Evald and Hilda Nissi Foundation, Vice Chairman of the Board (member 1987–), Aplagon Oy, Chairman of the Board (2009–)

Miikka Maijala

born 1967, M.Sc. (Eng.)

CEO of Clinius Ltd 2006–

Member of the Board since 2010, member of the Audit Committee 2010–2014, member of the Personnel Committee since 2014, independent member

Work experience:

GE Healthcare Finland Oy: Business Segment Manager 2004–2006

Instrumentarium Corporation (now GE Healthcare Finland Oy): Director, Business Development 2000–2004

Instrumentarium Corporation: supervisory and executive positions within sales, marketing and financial management 1992–2000

Committees

The Board has an Audit Committee and a Personnel 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 of 18 March 2015, the members of the Audit Committee are Eero Hautaniemi, Chairman, and members Laura Lares and Sakari Lassila. The Audit Committee met five times in 2015. The attendance rate of the members at the meetings was 100 per cent.

Personnel Committee

The Personnel 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 Personnel 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 of 18 March 2015, the Personnel Committee comprises Heikki Bergholm, Chairman and Hille Korhonen and Miikka Maijala as members. The Personnel Committee met four times in 2015. 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 in the section Remuneration and shareholding of the Group Executive Board members.

Group Executive Board members

Pekka Ojanpää

born 1966, M.Sc. (Econ.)

President and CEO since 2011 and Vice President, Facility Services since 1 December 2015

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: Supervisory Board member (2012–), Kiinteistöyönantajat ry: Board member (2013–), Technopolis Oy: Board member (2014–)

Timo Leinonen

born 1970, M.Sc. (Admin.)

CFO since 2013

Ixonos Plc: CFO 2008–2012

Suomen Terveystalo Oyj: CFO 2006–2008

Tieto-X Plc: CFO 2002–2006, business controller 2000–2002

APT Sijoitus Oy: 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, managerial positions in sales 1995–1998

Antti Tervo

born 1978, M.Sc. (Econ.)

Vice President, Industrial Services since 2015

Lassila & Tikanoja plc: Chief Officer responsible for procurement and supply chain, 2012–2014

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

Kirsi Matero

born 1968, M.Sc. (Econ.)

HR Director since 2012

Atria Oyj: 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: Programme Manager 1996–1998

Shell Oil Products: Product Manager 1994–1995

Tuomas Mäkipeska

born 1978, M.Sc. (Econ.)

Development Director since 2012 and Vice President, Renewable Energy Sources since 2015

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

Tutu Wegelius-Lehtonen

born 1970, Lic. Tech.

Chief Procurement Officer since 16 February 2015

Hartwall Oy: Operations and Supply Chain Director 2014

Rexel Finland Oy: Director of Marketing and Business Development 2011–2014

YIT: managerial positions in procurement and logistics 2004–2008 and in YIT's Building Services and Building and Industrial Services divisions 2009–2011

Ensto: Director, Production and Logistics 1998–2004

Jorma Mikkonen

born 1963, Master of Laws

Director, Corporate Relations and Responsibility since 2012

Lassila & Tikanoja plc: Vice President, Environmental Services 2009–2012, Vice President, Industrial Services 2000–2009

Säkkiväline Oy: Administrative Director 1999–2000, Corporate Lawyer 1992–1999

Helsinki Finnish Saving Bank: Corporate Lawyer 1991–1992

Auditor

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 2015, the fees paid for statutory auditing to KPMG group totalled EUR 70,115. 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 59,982.

Internal audit

The task of the company’s own internal audit organisation is to support the company and its senior management in the achievement of goals by providing a systematic approach to assessing and developing the effectiveness of the organisation’s internal control, risk management and governance system. In its operations, the internal audit complies with generally accepted international professional standards concerning internal audit and ethical principles, as well as the operating guidelines confirmed by L&T’s Board of Directors.

The internal audit operates under the supervision of the Audit Committee of L&T’s Board of Directors and the company’s President and CEO. It may also utilise external experts in internal audit assignments when necessary.

Insider guidelines

Lassila & Tikanoja plc’s Board of Directors has decided that the Group shall observe the Guidelines for Insiders issued by Nasdaq 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, the 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, Internal Auditor, Chief Information Officer, 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 in 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 Board of Directors' 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 related to 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.

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 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 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 critical. In each responsibility area, the executive management assesses its strategic, financial, operational and damage-related 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

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 2015, 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 2015, the Board of Directors met nine times, the Audit Committee five times and the Personnel 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 Laura Lares and Sakari Lassila. Heikki Bergholm is the Chairman of the Personnel Committee and Miikka Majjala is an ordinary member.

In 2015, 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.
2015**

	Annual fee, EUR*	Meeting fees, EUR	2015 total, EUR	2014 total, EUR
Heikki Bergholm	46,250	11,800	58,050	62,050
Eero Hautaniemi	30,500	9,800	40,300	41,700
Hille Korhonen*	-	1,500	1,500	34,250
Laura Lares	25,750	7,000	32,750	32,750
Sakari Lassila	25,750	7,000	32,750	34,750
Miikka Maijala	25,750	6,500	32,250	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.

* Member of the Board until 18 March
2015

Shares held by the members of the Board of Directors

	31.12.2015	Percentage of shares and votes	1.1.2015
Heikki Bergholm	825,885	2.13%	824,800
Eero Hautaniemi	12,335	0.03%	11,620
Laura Lares	1,323	0.00%	719
Sakari Lassila	10,606	0.03%	10,002
Miikka Maijala	72,510	0.19%	71,906
Total	922,659	2.38%	81,908

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 Personnel Committee. The duties of the committee include 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, a compensation scheme and 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 2015 will be based on the Group's EVA result. The maximum share-based payment may equal 4–12 months' salary depending on the responsibilities of the member of the Group Executive Board. The decision on the remuneration is made by the Board of Directors based on the statement drafted by the Personnel 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 remuneration is made by the Board of Directors based on the statement drafted by the Personnel 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 the event that 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 2015

In 2015, the salary of the President and CEO totalled EUR 786,000, which includes EUR 677,000 in salaries and benefits and EUR 109,000 in bonuses. The salary and fringe benefits of the President and CEO include EUR 247,000 in share rewards.

The salaries paid to the other members of the Group Executive Board totalled EUR 1,686,000, which includes EUR 1,535,000 in salaries and benefits and EUR 151,000 in bonuses. The salaries and fringe benefits of the Group Executive Board include EUR 316,000 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 5,032 shares will be paid to the President and CEO and a total of 7,292 shares to other members of the Group Executive Board for the year 2015.

In 2015, EUR 8,000 arising from the pension agreement of Jari Sarjo, who served as the President and CEO until 13 June 2011, was recognised in the income statement.

Shares held by the Group Executive Board

	31 Dec.	
	2015	1 Jan. 2015
Pekka Ojanpää	30,492	23,527
Timo Leinonen	4,424	2,821
Petri Salermo	8,726	6,550
Antti Tervo	3,650	2,664
Kirsi Matero	4,370	3,384
Tuomas Mäkipeska	3,950	2,964
Tutu Wegelius-Lehtonen*	0	-
Jorma Mikkonen**	5,529	-

*) Member of the Group Executive Board
from 16 February 2015

***) Member of the Group Executive Board
from 1 June 2015

Long and short-term incentive programmes

Lassila & Tikanoja has a one-year share-based incentive programme that was initiated in 2016. The one-year share-based incentive programme that started in 2015 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 2016

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 16 December 2015 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 2016 and will end on 31 December 2016. 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 2016 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 must 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 of 34,200 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 2015

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 17 December 2014 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 2015 and ended on 31 December 2015. Rewards will be paid during the year following the earnings period. The rewards will be paid partly as shares and partly in cash. The rewards to be paid for 2015 are 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 must 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 of 37,560 Lassila & Tikanoja plc shares could be paid out on the basis of the programme.

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

A total of 12,324 shares for 2015 were transferred within the programme.

Report by the Board of Directors

Strategy

The key theme of L&T's strategy is that we want to work with our customers to transform our consumer society into an effective recycling society. We do this by creating material, energy and cost efficiency for our customers, which helps us create profitable growth for both our customers and ourselves.

Our vision is to be our customers' preferred partner in our core business areas: environmental, industrial, property, and forest services. As a service company, L&T's success is built on the wide range of skills of our personnel and our extensive service offering, which is seen by our customers as one L&T.

We have made consistent progress in the implementation of our chosen strategy and we have successfully increased the company's value in spite of the challenging market situation.

The annual strategy review in 2015 included a few additional specifications and minor revisions, but it was not necessary for us to significantly change our direction or the financial targets previously set for 2018. In the coming years, our focus will be on the introduction and broader implementation of extensive strategic development programmes.

The circular economy requires us to have a strong capacity for renewal

We carefully examined the opportunities the circular economy will bring for our business operations, and we defined the steps we plan to take to move towards a recycling society and, ultimately, a circular economy.

We are confident that the circular economy will provide L&T with multiple pathways to grow and develop our business, but seizing these opportunities will require us to have the capacity for continuous renewal and innovation, as well as investments in business development.

L&T is already a central figure in the circular economy based on the services we provide. Going forward, we must find ways to rise up in the waste hierarchy, for example by refining secondary raw material to a greater extent. We will actively pursue new logistical solutions that promote the circular economy and the sharing economy, both at the consumer interface and the business-to-business interface, and we will also develop services related to remanufacturing, maintenance, repair and demolition operations. We will also investigate opportunities related to promoting biological circulation and nutrient recovery.

Renewable Energy Sources becomes a core business

In line with our strategy, our focus in the prevailing economic situation is on strengthening our market position and ensuring profitability and cash flow through the development of our business operations and by business acquisitions. In 2015, we made eight targeted acquisitions to strengthen the national coverage of our Environmental Services as well as our expertise in cooling and refrigeration technology.

As part of our annual strategy work, we decided to include the Renewable Energy Sources division in our core businesses. Our Renewable Energy Sources business responds to the challenges brought about by the warming of the climate and supports the material and energy efficiency of our customers. The decision was also influenced by the fact that, in recent years, we have improved the operational efficiency and profitability of our Renewable Energy Sources business. The outlook of the business environment is also positive, with the growing demand for biomass and the political and regulatory environment supporting this business.

Strategic programmes progressed according to plan

We implement our strategy through strategic development programmes and projects that are based on our chosen strategic priorities. We made consistent progress in our strategic programmes in 2015.

Key accounts and sales

- We restructured our sales organisations.
- We gained more in-depth customer insight through segmentation.
- We harmonised our operating model for sales and customer relations management and deployed a CRM system.
- We continued to develop our customer service by implementing new electronic tools for processing customer data.
- We strengthened the customer orientation and commercial expertise of our supervisors through business-specific training programmes.

Workforce management

- In property maintenance, we implemented a proactive shift-planning model that takes customer needs into account and takes advantage of flexible working hours, as well as an information system that supports the model.
- We increased workforce flexibility and cross-utilisation in process cleaning and renovation by means of a resource pool.
- We automated the payroll process and the interpretation of collective agreements in the cleaning business and developed shift planning.
- We introduced digital working hours recording in transport operations in the Environmental Services division.

Efficient operating model

- We developed our internal business support services by implementing new business travel and purchase invoice systems and support models.
- We continued to build the new operating model of the Facility Services division; for example, by harmonising service production processes.
- We took steps to prepare for the implementation of a new enterprise resource planning system in Facility Services. The new system's pilot phase will begin in 2016.

Financial targets

	Target	2015	2014	2013	2012
	2018				
Growth	5%	1.0%	-4.3%	-0.9%	2.9%
Return on invested capital*	20%	17.3%	16.9%	15.7%	14.4%
Operating profit excluding non-recurring items	9%	8.1%	8.4%	7.8%	7.0%
Gearing	30–80 %	19.8%	25.2%	30.4%	35.3%

* Excluding non-recurring items

Group net sales and financial performance

Lassila & Tikanoja's net sales for 2015 increased by 1.0% year-on-year, to EUR 646.3 million (2014: 639.7; 2013: 668.2). Operating profit was EUR 49.9 million (48.5; 33.2). Operating profit excluding non-recurring items was EUR 52.5 million (53.8; 51.8), representing 8.1% (8.4; 7.8) of net sales. Earnings per share were EUR 0.98 (0.47; 0.57).

Net sales grew in Facility Services and Environmental Services, primarily due to acquisitions. The net sales of Industrial Services and Renewable Energy Sources decreased due to lower service demand.

Operating profit excluding non-recurring items decreased from the previous year, primarily due to the weak development of the Facility Services division's result. Operating profit excluding non-recurring items also decreased in Industrial Services. Operating profit excluding non-recurring items increased significantly in Renewable Energy Sources and slightly in Environmental Services.

Income statement by quarter

EUR million	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015	10-12 /2014
Net sales					
Environmental Services	64.2	64.7	66.5	60.9	64.8
Industrial Services	20.3	21.0	20.8	14.8	20.3
Facility Services	71.7	70.5	70.1	70.7	68.8
Renewable Energy Sources	11.7	5.6	9.1	12.9	12.0
Interdivision net sales	-2.8	-2.3	-2.4	-2.1	-3.5
L&T total	165.2	159.6	164.2	157.3	162.3
Operating profit					
Environmental Services	7.4	11.0	10.8	6.5	10.8
Industrial Services	1.8	2.9	2.5	-0.4	1.6
Facility Services	1.0	4.9	1.8	0.3	1.7
Renewable Energy Sources	0.3	0.6	0.5	0.7	1.0
Group administration and other	-1.0	-0.1	-1.2	-0.7	-1.2
L&T total	9.7	19.3	14.4	6.5	14.0
Operating margin					
Environmental Services	11.6	17.0	16.3	10.7	16.6
Industrial Services	9.1	13.7	11.9	-2.5	8.0
Facility Services	1.5	6.9	2.6	0.5	2.5
Renewable Energy Sources	2.6	9.9	5.8	5.5	8.7
L&T total	5.9	12.1	8.8	4.1	8.6
Finance costs, net	-1.0	-1.0	-0.8	0.5	-3.4
Profit before tax	8.6	18.4	13.6	7.0	10.6

Net sales of international operations by country

EUR million	2015	2014	2013
Sweden	22.3	23.8	30.9
Latvia*	-	2.8	16.5
Russia	6.7	9.3	7.6

* The company divested its Latvian business operations on 13 March 2014

Division reviews

Environmental Services

The Environmental Services division's net sales for 2015 amounted to EUR 256.5 million (254.5; 257.9), showing an increase of 0.8%. Operating profit was EUR 35.8 million (37.3; 30.1) and operating profit excluding non-recurring items was EUR 36.1 million (35.9; 35.1).

The division's full-year net sales increased primarily due to acquisitions. Net sales decreased in Russia due to lower demand and the depreciation of the rouble. In the environmental products business, net sales decreased due to the discontinuation of certain products.

The division's operating profit excluding non-recurring items was slightly better than in the comparison period. The profitability of the recycling business improved early in the year but, towards the end of the review period, operating profit was decreased by the lower volume of recyclable materials at recycling plants and the decreased market prices of secondary raw materials. The division's profitability was also weighed down by additional maintenance shutdowns in the second quarter at the recycling plants in Turku and Kerava, which resulted in lower waste processing volumes at the two plants.

Industrial Services

The Industrial Services division's net sales for 2015 amounted to EUR 77.0 million (77.8; 75.5), showing a decrease of 1.0%. Operating profit was EUR 6.8 million (6.5; 5.2) and operating profit excluding non-recurring items was EUR 6.8 million (7.1; 6.7).

The division's net sales were weighed down by the low demand for hazardous waste management in the second half of the year. In sewer maintenance, net sales decreased due to the closure of unprofitable units. The demand for process cleaning services remained strong almost throughout the year, and net sales also grew in environmental construction.

The division's operating profit excluding non-recurring items was reduced by the low demand for hazardous waste management and the low price of waste oil. The operating result of the sewer maintenance business improved significantly due to adaptation measures implemented earlier in the year. Profitability also improved in process cleaning due to strong demand.

Facility Services

The Facility Services division's net sales for 2015 grew by 3.0% to EUR 282.9 million (274.7; 292.5). Operating profit was EUR 8.1 million (10.6; 4.4). Operating profit excluding non-recurring items was EUR 10.5 million (11.7; 11.9).

Demand improved from the comparison period in the property maintenance and cleaning businesses, but the net sales of cleaning services in Sweden declined. The technical systems maintenance business saw strong growth throughout the year, supported by organic sales growth and acquisitions. The operating profit of technical systems maintenance nevertheless showed a loss. Profitability also declined in the cleaning business, with the result negatively affected by start-up costs related to several major customer relationships as well as the weaker profitability of the cleaning business in Sweden. Profitability improved significantly in property maintenance.

In the renovation business, demand declined throughout the year. The Group closed down unprofitable business locations in the first half of the year, which affected the entire division's net sales and operating profit. The adaptation measures significantly reduced the operating loss excluding non-recurring items.

Renewable Energy Sources

The net sales of Renewable Energy Sources (L&T Biowatti) in 2015 declined by 10.9% to EUR 39.4 million (44.2; 58.0). Operating profit was EUR 2.1 million (1.6; 1.4) and operating profit excluding non-recurring items was EUR 2.1 million (1.4; 1.1).

The division's net sales declined mainly due to the low demand for biofuels, which resulted from the short heating season. Net sales were also decreased by the continued refocusing of business operations on selected geographic areas in line with strategy. Profitability improved significantly due to efficiency improvement measures and the good energy content of fuels.

Net sales by division

EUR million	2015	2014	Change %
Environmental Services	256.5	254.5	-100.0
Industrial Services	77.0	77.8	-100.0
Facility Services	282.9	274.7	-100.0
Renewable Energy Sources	39.4	44.2	-100.0
Eliminations	-9.5	-11.6	
Total	646.3	639.7	-100.0

Operating profit by division

EUR million	2015	%	2014	%	Change %
Environmental Services	35.8	14.0	37.3	14.7	-100.0
Industrial Services	6.8	8.9	6.5	8.4	-100.0
Facility Services	8.1	2.9	10.6	3.9	-100.0
Renewable Energy Sources	2.1	5.3	1.6	3.7	-100.0
Group administration and other	-3.0		-7.6		
Total	49.9	7.7	48.5	7.6	-100.0

Financing and capital expenditure

Cash flow from operating activities increased to EUR 89.8 million (79.6; 86.4) due to the release of working capital. A total of EUR 9.5 million in working capital was released (2.2 released; 7.9 released).

At the end of the period, interest-bearing liabilities amounted to EUR 95.8 million (96.0; 122.8).

Net interest-bearing liabilities amounted to EUR 41.8 million (52.0; 64.4), showing a decrease of EUR 6.3 million from the previous quarter and a decrease of EUR 10.2 million from the comparison period.

Net financial expenses in 2015 amounted to EUR 2.2 million (21.9; 2.9). Net financial expenses were 0.3% (3.4; 0.4) of net sales. The amount of net financial expenses in the comparison period was primarily due to the EUR 16.7 million payment made under the L&T Recoil Oy guarantee commitment and exchange rate fluctuations that affected the Group's internal loans denominated in foreign currencies.

The average interest rate on long-term loans (with interest rate hedging) was 1.5% (1.7; 1.7). Long-term loans totalling EUR 34.9 million will mature in 2016.

The equity ratio was 46.5% (46.3; 43.7) and the gearing rate was 19.8 (25.2; 30.4). Liquid assets at the end of the period amounted to EUR 54.0 million (44.0; 58.5).

Of the EUR 100 million commercial paper programme, EUR 0 (0; 35.0) 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.

In 2015, gross capital expenditure totalled EUR 49.6 million (44.7; 32.7), consisting primarily of machine and equipment purchases as well as acquisitions.

Key figures for financing

	2015	2014	2013
Interest-bearing liabilities, EUR million	95.8	96.0	122.8
Net interest-bearing liabilities, EUR million	41.8	52.0	64.4
Interest expenses, EUR million	1.1	1.3	1.1
Net finance costs, EUR million	-2.2	-21.9	2.9
Net finance costs, % of net sales	0.3	3.4	0.4
Net finance costs, % of operating profit	4.4	45.2	8.6
Equity ratio, %	46.5	46.3	43.7
Gearing, %	19.8	25.2	30.4
Cash flow from operating activities, EUR million	89.8	79.6	86.4
Change in working capital in the cash flow statement, EUR million	9.5	2.2	7.9

Invested capital

EUR million	31 Dec 2015	31 Dec 2014	31 Dec 2013
Non-current assets	303.4	296.5	311.0
Inventories and receivables	108.3	117.8	126.5
Liquid assets	54.0	44.5	58.5
Deferred tax liabilities	-24.9	-24.7	-25.8
Trade and other payables	-121.7	-120.4	-120.0
Provisions	-8.0	-7.5	-9.5
Other non-interest-bearing liabilities	-3.7	-3.4	-6.4
Invested capital	307.4	302.9	334.3

Capital expenditure by balance sheet item

EUR million	2015	2014	2013
Real estate	3.3	1.4	1.9
Machinery, equipment and other property, plant and equipment	32.3	31.2	26.1
Goodwill and other intangible rights arising from business acquisitions	6.0	6.8	0.0
Other intangible assets	7.9	4.6	2.6
Other non-current assets	0.0	0.7	2.0
Total	49.6	44.7	32.7

Capital expenditure by division

EUR million	2015	2014	2013
Environmental Services	24.4	26.6	15.7
Industrial Services	7.5	6.6	3.2
Facility Services	17.3	11.3	11.3
Renewable Energy Sources	0.3	0.2	0.2
Group administration and other	0.0	0.0	2.2
Total	49.6	44.7	32.7

Loans, liabilities and contingent liabilities to related parties

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

Changes in Group structure

The Group acquired the business operations of the following companies: Jyväsjää Oy, CEUS Oy, HH-kiinteistöpalvelut Oy's property maintenance, cleaning and electrical, HVAC and plumbing business in the Hämeenlinna region, Kiinteistö- ja jätehuolto Vuorinen's waste management business and Puijon Kiinteistöhuolto Oy.

In addition, the Group acquired the share capital of the following companies: NN-Kiinteistötyö Oy, Lakeuden Kylmäkeskus Oy and Kuljetus J Hirvonen Oy.

The following companies were dissolved during the financial year: Joutsan Kuljetus Oy, Paperitiikerit Oy and NN-Kiinteistötyö Oy.

Main events during the reporting period

On 20 January 2015, the company announced that, according to the preliminary financial statements figures for 2014, the company's net sales are estimated to be approximately EUR 639 million (2013: EUR 668.2 million) and the operating profit excluding non-recurring items is estimated to be EUR 53.8 million (2013: EUR 51.8 million).

Previously, the company had estimated that the 2014 net sales were expected to remain at the 2013 level or slightly below and operating profit excluding non-recurring items would also remain at the 2013 level or slightly below.

On 27 May 2015, the company announced that Jorma Mikkonen, Lassila & Tikanoja plc's Director, Corporate Relations and Responsibility, has been appointed as a member of the company's Group Executive Board starting from 1 June 2015. Mikkonen's responsibilities include corporate relations, EHSQ, communications and corporate safety.

On 2 September 2015, the company announced that the Board of Directors has approved the Group's updated strategy as part of its annual strategy work and that, going forward, the Renewable Energy Sources division will be included in L&T's core businesses. The company also announced that its Board of Directors has resolved to exercise the authorisation by the Annual General Meeting on 18 March 2015 to repurchase a maximum of 500,000 of the company's own shares, which corresponds to approximately 1.3% of the total number of issued shares.

On 16 November 2015, the company announced that Petri Myllyniemi, Vice President of Facility Services and a member of the Group Executive Board, would leave the company on 30 November 2015. President and CEO Pekka Ojanpää assumed responsibility for the Facility Services division until further notice.

Personnel

In 2015, the average number of employees converted into full-time equivalents was 7,099 (7,257; 8,267). At the end of the period, Lassila & Tikanoja had 8,085 (7,830; 8,847) full-time and part-time employees. Of these, 7,192 (7,076; 7,088) worked in Finland and 893 (754; 1,759) in other countries.

Employees by country at year end

Full-time and part-time, total

	2015	2014	2013
Finland	7,192	7,076	7,088
Latvia*	-	-	939
Sweden	640	507	582
Russia	253	247	238
Total	8,085	7,830	8,847

* The company divested its Latvian business operations on 13 March 2014

Corporate responsibility

Managing corporate responsibility is part of the normal management and development of business operations at L&T, and it is controlled via strategic and annual planning and the company's management system. L&T's management system has been certified in accordance with the ISO 9001, ISO 14001 and OHSAS 18001 standards.

Our corporate responsibility programme defines the objectives for the material aspects of our responsibility. The steering group of corporate responsibility, which is chaired by the President and CEO, regularly monitors the progress of the programme and the projects launched to support its implementation. The steering group also evaluates and, if necessary, updates the targets of the programme annually.

The Corporate Responsibility Programme describes the key objectives related to responsibility as well as major achievements and actions in 2015. The programme is built around the expectations of our key stakeholders, and we have taken into account the particular nature of the business operations and operating environment of a service business in the environmental sector.

To implement the different components of the Corporate Responsibility Programme, we have 14 projects underway with goals including the development of a responsible supply chain, occupational safety, internal environmental expertise, the energy efficiency of properties, and the reduction of emissions. The progress of the projects is monitored by the corporate responsibility steering group.

L&T's corporate responsibility programme and activities are described in more detail in the 2015 corporate responsibility report, which is published as part of the company's Annual Report 2015. The report is produced in accordance with the recommendations of the Global Reporting Initiative (GRI) guidelines.

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 mainly related to software and system projects. Development expenditure of EUR 6.0 million on software projects was capitalised in the balance sheet (2.3; 2.1). 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 offering a competitive edge and thereby to help the company achieve its growth targets.

L&T also participated in many research projects. The objectives of these projects were to develop waste recycling and recovered fuels, to assess and reduce environmental impacts and to develop new environmental business activities.

Risks and risk management

Risk management at L&T 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 critical. In each responsibility area, the executive management assesses its strategic, financial, operational and damage-related 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 section *Strategic and operative risks* describes 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 information and communications systems can cause interruptions in L&T's operations and customer service. In 2015, determined work continued in order to develop the system environment and secure the IT environment's reliability.

Market-related risks

Key market-related risks include a continuance of the economic recession and the resulting decline in customers' operating volumes, the entry of new competitors into the market, and legislative changes. Market price development for emission rights, secondary raw materials or oil products may affect the company's business operations. Future developments are difficult to predict due to the continuing general economic uncertainty. Major changes in the markets may have a negative impact on business growth and cause profitability to decline. L&T is not dependent on 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 competitiveness 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 Russia. Business operations in developing markets 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 familiarising itself 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, including the recruitment of foreign 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 fire risk. 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 2015 is provided as a separate report.

Administrative bodies

In accordance with Lassila & Tikanoja plc's Articles of Association, the management of the company and the proper arrangement of its operations are 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 18 March 2015 confirmed the number of members of the Board of Directors as five (5). Heikki Bergholm, Eero Hautaniemi, Laura Lares, Sakari Lassila and Miikka Maijala were re-elected to the Board until the end of the following Annual General Meeting. At its constitutive meeting after the Annual General Meeting, the Board of Directors elected Heikki Bergholm as Chairman of the Board and Eero Hautaniemi as Vice Chairman. Eero Hautaniemi was elected as the Chairman of the Audit Committee and Laura Lares and Sakari Lassila as members of the committee. Heikki Bergholm was elected as the Chairman of the Remuneration Committee and Miikka Maijala 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 Executive Board members

The Group Executive Board membership of Petri Myllyniemi, Vice President, Facility Services, ended on 30 November 2015 when he left the company. President and CEO Pekka Ojanpää assumed responsibility for the Facility Services division until further notice.

On 31 December 2015, the members of the Group Executive Board were Pekka Ojanpää, President and CEO; Timo Leinonen, CFO; Petri Salerno, Vice President, Environmental Services; Antti Tervo, Vice

President, Industrial Services; Kirsi Matero, HR Director; Tuomas Mäkipeska, Development Director and Vice President, Renewable Energy Sources; Tutu Wegelius-Lehtonen, Chief Procurement Officer; and Jorma Mikkonen, Director, Corporate Relations and Responsibility.

Shares and shareholders

Share capital and number of shares

There were no changes in Lassila & Tikanoja's share capital and number of shares in 2014 and 2015. The registered share capital of the company is EUR 19,399,437. The number of shares is 38,798,874. In 2015, the average number of shares excluding the shares held by the company totalled 38,589,658. 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 9,790 registered shareholders at the end of 2015 (10,152; 9,320). Nominee-registered shares and shares in direct foreign ownership accounted for 21.6% of the stock (17.9; 21.7).

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 978,271 shares in the company on 31 December 2015. They represent 2.5% of the number of shares and votes.

Trading in shares in 2015

The company's shares are quoted on the mid-cap list of Nasdaq Helsinki Oy 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 Nasdaq Helsinki during 2015 was 10,014,840, which is 26.0% (26.3%; 18.7%) of the average number of outstanding shares. The value of trading was EUR 172.4 million (145.2; 99.5). The highest share price was EUR 18.74 and the lowest EUR 14.54. The closing price was EUR 18.12. The market capitalisation excluding the shares held by the company was EUR 695.1 million (584.7; 589.5) at the end of the period.

Own shares

At the beginning of the period, the company held 180,894 of its own shares and at the end of the period 437,721, representing 1.1% of all shares and votes. The company started a programme on 15 September 2015 to repurchase its own shares. The programme ended on 31 December 2015. The company acquired a total of 253,406 of its own shares during the programme.

Authorisation for the Board of Directors

The Annual General Meeting held on 18 March 2015 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the company's unrestricted equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on the share issue and the issuance of special rights entitling their holders to shares.

The Board of Directors is authorised to purchase a maximum of 2,000,000 company shares (5.2% of the total number of shares). The repurchase authorisation is effective for 18 months. At the end of the financial year, the unused portion of the repurchase authorisation amounted to 1,746,594 shares.

The Board of Directors is authorised to decide on the issuance of new shares or shares which may be held by the company through a share issue and/or issuance of option rights or other special rights conferring

entitlement to shares, referred to in Chapter 10, Section 1 of the Finnish Companies Act, so that under the authorisation, a maximum of 2,000,000 shares (5.2% of the total number of shares) may be issued and/or conveyed. The share issue authorisation is effective for 18 months.

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 shareholders	Percentage	Number of shares	Percentage of shares and votes
Non-financial corporations and housing corporations	515	5.3%	2,458,885	6.3%
Financial and insurance corporations	47	0.5%	7,945,767	20.5%
General Government	17	0.2%	3,478,968	9.0%
Non-profit institutions serving households	235	2.4%	5,165,574	13.3%
Households	8,936	91.3%	11,338,422	29.2%
Foreign shareholders	40	0.4%	158,069	0.4%
Own shares			437,721	1.1%
Shares registered in a nominee's name			8,212,653	21.2%
Shares not transferred to the book-entry securities system			40,536	0.1%
Total			38,798,874	100.0%

Breakdown of shareholding by size of holding at year end

Number of shares	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
1–1,000	8,432	86.1%	2,196,597	5.7%
1,001–5,000	967	9.9%	2,158,551	5.6%
5,001–10,000	161	1.6%	1,206,807	3.1%
10,001–100,000	181	1.8%	5,034,003	13.0%
100,001–500,000	34	0.3%	7,216,578	18.6%
over 500,000	15	0.2%	20,945,802	54.0%
	9,790	100.0%	38,758,338	99.9%
Shares registered in a nominee's name			8,212,653	21.2%
Shares not transferred to the book-entry securities system			40,536	0.1%
Own shares			437,721	1.1%
Total			38,798,874	100.0%

Major shareholders at year end

	Shareholder	Number of shares	Percentage of shares and votes
1	Evald and Hilda Nissi Foundation	2,413,584	6.2
2	Mandatum Life Insurance Company Limited	2,311,238	6.0
3	Nordea investment funds	2,213,609	5.7
4	Maijala Juhani	1,529,994	3.9
5	Elo Mutual Pension Insurance Company	1,229,073	3.2
6	Ilmarinen Mutual Pension Insurance Company	934,836	2.4
7	Bergholm Heikki	825,885	2.1
8	Evli investment funds	800,795	2.1
9	Maijala Mikko	720,000	1.9
10	The State Pension Fund	562,000	1.5
11	Turjanmaa Kristiina	529,200	1.4
12	SEB investment funds	442,125	1.1
13	Lassila & Tikanoja plc	437,721	1.1
14	Fondita investment funds	370,000	1.0
15	Varma Mutual Pension Insurance Company	349,791	0.9
16	Maijala Eeva	345,000	0.9
17	Oy Chemec Ab	340,000	0.9
18	Danske Invest funds	307,721	0.8
19	Mandatum Life	304,745	0.8
20	Aktia investment funds	283,280	0.7
	Total	17,250,597	44.5

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 2015, the Group's earnings per share were EUR 0.98 (0.47; 0.57) and cash flow from operating activities per share amounted to EUR 2.33 (2.05; 2.23). The Board of Directors will propose a dividend of EUR 0.85 per share to the Annual General Meeting to be held on 17 March 2016.

A dividend of EUR 0.75 per share was paid for the financial year 2014, and a dividend of EUR 0.50 per share was paid for the financial year 2013.

Near-term uncertainties

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

Low prices for fossil fuels may affect the demand of the recovered and renewable fuels produced by the company.

Outlook for 2016

Full-year net sales and operating profit in 2016 are expected to remain at the 2015 level or improve slightly.

Events after the balance sheet date

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

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

KEY FIGURES

Key figures on shares

	2015	2014	2013	2012	2011
1. Earnings per share (EPS), EUR	0,98	0,47	0,57	0,89	0,44
2. Earnings per share (EPS), diluted, EUR	0,98	0,47	0,57	0,89	0,44
3. Equity per share, EUR	5,51	5,34	5,46	6,01	5,63
4. Dividend per share, €	0,85*	0,75	0,50	0,35	-
5. Payout ratio, %	86,5	160,0	87,2	39,3	-
6. Capital repayment per share, EUR	-	-	-	0,75	0,55
7. Payout ratio, %	-	-	-	84,2	125,6
8. Effective dividend yield, %	4,7	5,0	3,3	6,4	-
9. Effective capital repayment yield, %	-	-	-	5,2	4,8
10. P/E ratio, %	18,4	32,3	26,6	13,1	26,2
11. Cash flow from operating activities per share, EUR	2,33	2,06	2,23	2,08	1,92
Share price adjusted for issues:					
12. lowest, EUR	14,54	12,75	11,60	8,59	9,49
13. highest, EUR	18,74	15,84	15,59	12,15	15,18
14. average, EUR	17,25	14,31	13,81	10,55	12,13
15. closing, EUR	18,12	15,14	15,23	11,64	11,49
16. Market capitalization, EUR million	703,0	587,4	589,5	450,4	444,5
Number of shares adjusted for issue:					
17. average during the year	38 589 658	38 728 721	38 703 933	38 688 373	38 721 908
18. at year end	38 361 153	38 617 980	38 706 627	38 692 064	38 685 569
19. average during the year, diluted	38 604 906	38 739 668	38 720 630	38 701 004	38 762 194
20. Adjusted number of shares traded during the year	10 271 667	10 191 394	7 206 872	9 967 494	8 965 140
21. As a percentage of the average	26,6	26,3	18,7	25,8	23,2
22. Volume of shares traded, EUR million	177,2	147,2	99,5	105,1	108,7

* Proposal by the Board of Directors

Key figures on financial performance

	2015	2014	2013	2012	2011
23. Net sales, EUR million	646,3	639,7	668,2	674,0	652,1
24. Operating profit, EUR million	49,9	48,5	33,2	48,4	25,6
25. % of net sales	7,7	7,6	5,0	7,2	3,9
26. Profit before tax, EUR million	47,7	26,6	30,3	43,0	21,0
27. % of net sales	7,4	4,2	4,5	6,4	3,2
28. Profit for the period, EUR million	37,9	18,1	22,2	34,5	17,0
29. % of net sales	5,9	2,8	3,3	5,1	2,6
Profit for the period attributable to the equity holders					
30. of the parent company, EUR million	37,9	18,1	22,2	34,5	17,0
31. % of net sales	5,9	2,8	3,3	5,1	2,6
32. EVA, EUR million	30,3	29,1	12,4	24,1	-2,2
33. Cash flow from operating activities, EUR million	89,8	79,6	86,4	80,5	74,5
34. Balance sheet total, EUR million	465,8	458,3	496,0	481,3	494,3
35. Return on equity, % (ROE)	18,2	8,7	10,0	15,3	7,7
36. Return on invested capital, % (ROI)	16,5	15,4	10,6	14,4	7,6
37. Equity ratio, %	46,5	46,3	43,7	49,4	44,5
38. Gearing, %	19,8	25,2	30,4	35,3	58,3
39. Net interest-bearing liabilities, EUR million	41,8	52,0	64,4	82,3	127,2
40. Capital expenditure, EUR million	49,6	44,7	32,7	49,4	70,6
41. % of net sales	7,7	7,0	4,9	7,3	10,8
Average number of employees in full-time					
42. equivalentes	7 099	7 257	8 267	8 399	8 513
Total number of full-time and part-time employees at					
43. year end	8 085	7 830	8 847	8 962	9 357

Calculation of the key figures

Key figures on shares

1. Earnings per share (EPS)	=	$\frac{\text{profit attributable to equity holders of the parent company}}{\text{adjusted average basic number of shares}}$
2. Earnings per share (EPS), diluted	=	$\frac{\text{profit attributable to equity holders of the parent company}}{\text{adjusted average diluted number of shares}}$
3. Equity per share	=	$\frac{\text{equity attributable to equity holders of the parent company}}{\text{adjusted basic number of shares at the balance sheet date}}$
4. Dividend per share	=	$\frac{\text{dividend for the financial period}}{\text{share issue adjustment factor for issues made after the financial period}}$
5. Payout ratio, % *	=	$\frac{\text{dividend per share}}{\text{earnings per share}} \times 100$
8. Effective dividend yield, % *	=	$\frac{\text{dividend per share}}{\text{closing price of the financial period}} \times 100$
10. P/E ratio, %	=	$\frac{\text{closing price of the financial period}}{\text{earnings per share}}$
11. Cash flow from operating activities per share	=	$\frac{\text{cash flows from operating activities as in the cash flow statement}}{\text{adjusted average basic number of shares}}$
16. 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

32. EVA	=	operating profit - cost calculated on invested capital (average of four quarters) before taxes Sijoitetulle pääomalle laskettu kustannus lasketaan käyttäen konsernin painotettua keskimääräistä pääomankustannusta (WACC). WACC 2015: 6,51 % WACC 2014: 6,58 % WACC 2013: 6,52 % WACC 2012: 7,10 % WACC 2011: 7,70 %
35. Return on equity, % (ROE)	=	$\frac{\text{profit for the period}}{\text{equity (average)}} \times 100$
36. Return on invested capital, % (ROI)	=	$\frac{\text{profit before tax + finance costs}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}} \times 100$
37. Equity ratio, %	=	$\frac{\text{equity}}{\text{balance sheet total - advances received}} \times 100$
38. Gearing, %	=	$\frac{\text{net interest-bearing liabilities}}{\text{equity}} \times 100$
39. 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 million	2015	2014	Note
Net sales	646,3	639,7	1
Cost of sales	-572,0	-561,6	
Gross profit	74,2	78,1	
Other operating income	3,7	7,0	6
Sales and marketing expenses	-12,9	-14,2	
Administrative expenses	-13,0	-12,7	
Other operating expenses	-2,1	-9,7	6
Operating profit	49,9	48,5	
Financial income	0,3	0,4	8
Financial costs	-2,5	-22,3	8
Profit before tax	47,7	26,6	
Income taxes	-9,7	-8,4	9
Profit for the period	37,9	18,1	
Attributable to:			
Equity holders of the company	37,9	18,1	
Non-controlling interest	0,0	0,0	
Earnings per share attributable to equity holders of the parent company:			
Basic earnings per share, EUR	0,98	0,47	10
Diluted earnings per share, EUR	0,98	0,47	

Consolidated statement of comprehensive income

1 January - 31 December EUR million	2015	2014	Note
Profit for the period	37,9	18,1	
Items not to be recognised through profit or loss			
Items arising from re-measurement of defined benefit plans	0,1	-0,1	25
Items not to be recognised through profit or loss, total	0,1	-0,1	
Items potentially to be recognised through profit or loss			
Hedging reserve, change in fair value	0,4	-0,6	
Currency translation differences	0,1	-2,1	
Currency translation differences recognised in profit or loss	0,0	0,3	
Currency translation differences, non-controlling interest	0,0	-0,1	
Items potentially to be recognised through profit or loss, total	0,4	-2,4	
Total comprehensive income, after tax	38,4	15,6	
Attributable to:			
Equity holders of the company	38,5	15,7	
Non-controlling interest	0,0	-0,1	

More information on taxes in consolidated statement of comprehensive income is presented in Note 9 Income taxes.

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

Consolidated statement of financial position

31 December EUR million	2015	2014	Note
ASSETS			
Non-current assets			
Intangible assets			12
Goodwill	113,7	109,9	13
Customer contracts arising from acquisitions	5,4	5,3	
Agreements on prohibition of competition	0,2	0,1	
Other intangible assets arising from acquisitions	0,6	0,7	
Other intangible assets	15,0	9,7	
	134,9	125,7	
Property, plant and equipment			14
Land	5,0	3,3	
Buildings and constructions	39,9	44,3	
Machinery and equipment	111,0	112,2	
Other	0,1	0,1	
Prepayments and construction in progress	5,5	2,2	
	161,5	162,1	
Other non-current assets			
Available-for-sale investments	0,6	0,6	16, 30
Finance lease receivables	2,1	3,2	17, 30
Deferred tax assets	2,4	2,7	9, 18
Other receivables	2,0	2,3	30
	7,0	8,7	
Total non-current assets	303,4	296,5	
Current assets			
Inventories	23,6	22,6	19
Trade and other receivables	84,4	94,7	20, 30
Derivative receivables	0,0	0,1	30, 31
Prepayments	0,3	0,5	
Available-for-sale investments	5,0	10,0	21, 30
Cash and cash equivalents	49,0	34,0	22, 30
Total current assets	162,4	161,8	
Total assets	465,8	458,3	

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

31 December EUR million	2015	2014	Note
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the company			23
Share capital	19,4	19,4	
Other reserves	-3,4	-3,9	
Unrestricted equity reserve	0,5	0,3	
Retained earnings	156,8	172,2	
Profit for the period	37,9	18,1	
	211,2	206,2	
Non-controlling interests	0,1	0,2	
Total equity	211,4	206,3	
Liabilities			
Non-current liabilities			
Deferred tax liabilities	24,9	24,7	9, 18
Retirement benefit obligations	0,9	1,0	25
Provisions	4,1	4,2	26
Borrowings	61,0	71,2	27, 30
Other liabilities	0,4	0,3	28, 30
	91,2	101,4	
Current liabilities			
Borrowings	34,9	24,8	27, 30
Trade and other payables	121,9	120,4	29, 30
Derivative liabilities	1,1	1,4	30, 31
Current tax liabilities	1,4	0,7	
Provisions	3,9	3,3	26
	163,2	150,7	
Total liabilities	254,4	252,0	
Total equity and liabilities	465,8	458,3	

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

Consolidated statement of cash flows

1 January - 31 December EUR million	2015	2014	Note
Cash flows from operating activities			
Profit for the period	37,9	18,1	
Adjustments	52,7	71,0	33
Net cash generated from operating activities before change in working capital	90,6	89,1	
Change in working capital			
Change in trade and other receivables	11,8	-1,4	
Change in inventories	-1,0	3,6	
Change in trade and other payables	-1,3	0,0	
Change in working capital	9,5	2,2	
Interest paid	-1,7	-3,0	
Interest received	0,3	0,4	
Income tax paid	-8,9	-9,1	
Net cash generated from operating activities	89,8	79,6	
Cash flows from investing activities			
Acquisitions of subsidiaries and businesses, net of cash acquired	-6,5	-9,8	2
Proceeds from sale of subsidiaries and businesses, net of sold cash		13,5	33
Advance payments for subsidiaries and businesses	-3,6		
Purchases of property, plant and equipment and intangible assets	-37,6	-34,1	
Proceeds from sale of property, plant and equipment and intangible assets		0,4	
Purchases of available-for-sale investments		-0,2	
Change in other non-current receivables	1,7	0,3	
Dividends received	0,0	0,0	
Net cash used in investing activities	-46,1	-29,8	
Cash flows from financing activities			
Changes in short-term borrowings	0,2	-32,2	
Proceeds from long-term borrowings	25,0	29,9	
Repayments of long-term borrowings	-25,2	-24,8	
Capital repayments paid	-29,0	-19,4	
Repurchase of own shares	-4,7	-1,9	
Guarantee commitment to L&T Recoil		-16,7	
Other financial items		0,9	
Net cash generated from financing activities	-33,7	-64,2	
Net change in liquid assets			
Liquid assets at beginning of period	44,0	58,5	
Effect of changes in foreign exchange rates	0,0	-0,2	
Liquid assets at end of period	54,0	44,0	22

The notes are an integral part of these consolidated financial statements

Consolidated statement of changes in equity

EUR million	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 2015	19,4	-3,0	0,0	-0,9	0,3	190,3	206,2	0,2	206,3	
Comprehensive income										
Profit for the period						37,9	37,9	0,0	37,9	
Items arising from remeasurement of defined benefit plans						0,1	0,1		0,1	
Hedging reserve, change in fair value				0,5		-0,1	0,4		0,4	
Current available-for-sale financial assets							0,0		0,0	
Currency translation differences		0,1				0,0	0,1	0,0	0,1	
Total comprehensive income	0,0	0,1	0,0	0,5	0,0	37,9	38,5	0,0	38,4	
Transactions with equity holders of the company										
Expense recognition of share-based benefits					0,1	0,2	0,3		0,3	24
Dividend payment						-29,0	-29,0		-29,0	
Dividend returned						0,0	0,0		0,0	
Repurchase of own shares						-4,7	-4,7		-4,7	
Total transactions with equity holders of the company					0,1	-33,5	-33,4		-33,4	
Equity at 31 December 2015	19,4	-2,9	0,0	-0,4	0,5	194,7	211,2	0,1	211,4	

EUR million	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 2014	19,4	-1,2	0,0	-0,3	0,3	193,1	211,2	0,2	211,5	
Comprehensive income										
Profit for the period						18,1	18,1	0,0	18,1	
Items arising from remeasurement of defined benefit plans						-0,1	-0,1		-0,1	
Hedging reserve, change in fair value				-0,6			-0,6		-0,6	
Current available-for-sale financial assets							0,0		0,0	
Currency translation differences		-1,8					-1,8	-0,1	-1,9	
Total comprehensive income	0,0	-1,8	0,0	-0,6	0,0	18,0	15,7	-0,1	15,6	
Transactions with equity holders of the company										
Expense recognition of share-based benefits					0,0	0,5	0,5		0,5	24
Dividend payment						-19,4	-19,4		-19,4	
Dividend returned						0,0	0,0		0,0	
Repurchase of own shares						-1,9	-1,9		-1,9	
Total transactions with equity holders of the company					0,0	-20,8	-20,7		-20,7	
Equity at 31 December 2014	19,4	-3,0	0,0	-0,9	0,3	190,3	206,2	0,2	206,3	

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 and Russia.

The Group's parent company is Lassila & Tikanoja plc. Lassila & Tikanoja plc is a Finnish public limited liability company domiciled in Helsinki. The registered address of the Company until the 7th of January 2016 was Sentnerikuja 1, 00440 Helsinki. From the 7th of January 2016 the registered address of the Company is Valimotie 27, 00380 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 Valimotie 27, 00380 Helsinki, Finland.

These consolidated financial statements have been approved for issue by the Board of Directors of Lassila & Tikanoja plc on 2 February 2016. 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 2015. 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 millions 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 2015, the Group has applied the following new and amended standards and interpretations in preparing these consolidated financial statements:

- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments had no significant impact on the consolidated financial statements.
- Annual Improvements to IFRSs (2010-2012 cycle and 2011-2013 cycle) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total seven (2010-2012 cycle) and four (2011-2013 cycle)

standards. Their impacts vary standard by standard but are not significant.

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 criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

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, with the exception of costs arising from the issuance of debt securities or equity instruments, 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. Tytäryhtiöiden hankinnasta syntyneen liikearvon käsittelyä kuvataan kohdassa "Goodwill and other intangible assets".

The subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

The profit or loss for the period and the comprehensive income are 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. The Group has no material non-controlling interests.

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. A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement. The Group did not have holdings in joint ventures and was not a party to joint arrangements on the balance sheet date, 31 December 2015.

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.

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 2015 and 2014.

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. They are measured at amortised cost using the effective interest method. 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 rahasto-osuuksia 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 and commodity 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.

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 factual obligation towards a third party resulting from an earlier event, fulfilment of the payment obligation is probable, and its amount can be reliably estimated. Provisions are measured at the current value of the expenditure required to settle the obligation. Increase in provisions due to the passage of time is recognised as interest expense. Changes in provisions are recognised in the income statement in the same item in which the provision is originally recognised. A provision is recognised if the exact amount or timing of the event is not known. Otherwise the item is recognised in accrued liabilities. The amounts of provisions are estimated on each closing date and adjusted according to the best estimate at the time of the assessment.

Environmental provisions are recognised when the Group has an existing obligation that is likely to result in a payment obligation, the amount of which can be reliably estimated. 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, and 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, depreciation and possible 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.

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 the following chapter.

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.

Items (such as actuarial gains and losses and return on funded defined benefit plan assets, except items related to net interest) 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 when the entity recognises the related rearrangement expenses or benefits related to the termination of employment.

Share-based payment

The Group has several incentive arrangements for which payments are made either as equity instruments or cash. The benefits granted under the arrangements are measured at fair value on the granting date and recognised as expense evenly over the vesting period. The effect of the arrangement on profit and loss is recognised under employee benefit expenses.

On 17 December 2012, Lassila & Tikanoja plc's Board of Directors decided on a share-based incentive programme with a duration of one year. The earnings period began on 1 January 2013 and ended on 31 December 2013. Rewards paid for 2013 were based on the Group's EVA result. The rewards were paid partly in shares and partly in cash. Under the programme, a total of 35,818 Lassila & Tikanoja Plc's shares were granted. 10 people were included in the programme.

On 18 December 2013, Lassila & Tikanoja plc's Board of Directors decided on a share-based incentive programme with a duration of one year. The earnings period began on 1 January 2014 and ended on 31 December 2014. Any rewards paid for 2014 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 39,105 Lassila & Tikanoja plc shares. 10 people were included in the programme.

On 17 December 2014, Lassila & Tikanoja plc's Board of Directors decided on a share-based incentive programme with a duration of one year. The earnings period began on 1 January 2015 and ended on 31 December 2015. Any rewards paid for 2015 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 37,560 Lassila & Tikanoja plc shares. 10 people are 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 or comprehensive result, in which case the tax effect is recognised corresponding item. 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.

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.

Critical judgments in applying the Group's accounting policies and key uncertainties related to estimates

In drawing up IFRS financial statements, the Group management must make estimates and assumptions concerning the future, the outcome of which may differ from the estimates and assumptions made. The management also employs judgement when making decisions on the selection and application of accounting principles.

The preparation of financial statements 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. The estimates and assumptions reflect the management's best understanding on the closing date, based on previous experience and assumptions about the future that are considered to have the highest probability on the closing date.

Key assumptions regarding the future and key uncertainty factors related to estimates on the closing date that involve a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year 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 is allocated 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. More information on the sensitivity of recoverable amounts is provided in the notes to the financial statements (Note 13 Goodwill impairment tests).

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 2015.

- Amendment to IAS 1 *Presentation of Financial Statements*: Disclosure Initiative (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation are not assessed to have an impact on the consolidated financial statements.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation* (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used

to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on the consolidated financial statements.

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture - Bearer Plants* (effective for financial years beginning on or after 1 January 2016): These amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. These amendments will have no impact on the consolidated financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception* (the amendments can be applied immediately; mandatory for financial years beginning on or after 1 January 2016): The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The amendments will not have an impact on the consolidated financial statements.
- Amendments to IFRS 11 *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016): The amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have an impact on the consolidated financial statements.
- Amendments to IAS 27 *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective for financial years beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on the consolidated financial statements.
- New IFRS 14 *Regulatory Deferral Accounts** (effective for financial years beginning on or after 1 January 2016): IFRS 14 is first specific IFRS guidance on accounting for the effects of rate regulation. It is an interim standard. IFRS 14 allows first-time adopters of IFRS, whose activities are subject to rate-regulation, to continue using previous GAAP (“grandfathering”) while the IASB completes its comprehensive project in this area. IFRS 14 is an optional standard. The new standard will not have an impact on the consolidated financial statements.
- *Annual Improvements to IFRSs, 2012-2014 cycle* (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.

New IFRS 15 *Revenue from Contracts with Customers** (effective for financial years beginning on or after 1 January 2018): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

- New IFRS 9 *Financial Instruments** (effective for financial years beginning on or after 1 January 2018): IFRS 9 replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

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 2014 and 2015 were: Environmental Services, Industrial Services, Facility Services and Renewable Energy Sources.

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

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) includes high-quality wood fuels, recycled fuels and forest services. Profitability improvement is the key priority in this segment.

2015

EUR million	Environ- mental Services	Industrial Services	Facility Services	Renewable Energy Sources	Group administration and other	Eliminations	Group
Net sales							
External net sales	253,1	75,0	279,0	39,2		0,0	646,3
Inter-division net sales	3,4	2,0	4,0	0,2		-9,5	0,0
Total net sales	256,5	77,0	282,9	39,4		-9,5	646,3
Operating profit	35,8	6,8	8,1	2,1	-3,0		49,9
Operating margin, %	14,0	8,9	2,9	5,3			7,7
Financial income and expenses							
Profit before tax							47,6
Income taxes							-9,7
Profit for the period							37,9
Assets							
Assets	214,2	71,4	97,6	23,3	1,0		407,5
Unallocated assets							58,2
Total assets							465,8
Liabilities							
Liabilities	52,1	21,9	49,8	4,8	2,1		130,7
Unallocated liabilities							123,7
Total liabilities							254,4
Capital expenditure	24,4	7,5	17,3	0,3	0,0		49,6
Depreciation and amortisation	19,9	6,6	13,3	0,3	0,0		40,0

2014

EUR million	Environ- mental Services	Industrial Services	Facility Services	Renewable Energy Sources	Group administration and other	Eliminations	Group
Net sales							
External net sales	250,9	74,3	270,6	44,0			639,7
Inter-division net sales	3,7	3,5	4,2	0,2		-11,6	0,0
Total net sales	254,5	77,8	274,7	44,2		-11,6	639,7
Operating profit	37,3	6,5	10,6	1,6	-7,6		48,5
Operating margin, %	14,7	8,4	3,9	3,7			7,6
Financial income and expenses							
Profit before tax							26,6
Income taxes							-8,4
Profit for the period							18,1
Assets							
Assets	212,4	72,6	98,8	24,6	1,1		409,4
Unallocated assets							48,9
Total assets							458,3
Liabilities							
Liabilities	50,5	21,9	48,3	6,2	1,9		128,9
Unallocated liabilities							123,2
Total liabilities							252,0
Capital expenditure	26,6	6,6	11,3	0,2	0,0		44,7
Depreciation and amortisation	20,1	6,9	13,0	0,2	0,0		40,2

Reconciliation of reportable segments' assets to total assets

EUR million	2015	2014
Segment assets for reportable segments	406,5	408,4
Other segments' assets	1,0	1,1
	<u>407,5</u>	<u>409,4</u>
Unallocated assets		
Liquid assets	54,0	44,0
Tax assets	2,4	2,7
Other unallocated assets	1,8	2,2
Total	<u>58,2</u>	<u>48,9</u>
Total assets	465,8	458,3

Reconciliation of reportable segments' liabilities to total liabilities

EUR million	2015	2014
Segment liabilities for reportable segments	128,6	126,9
Other segments' liabilities	2,1	1,9
	<u>130,7</u>	<u>128,9</u>
Unallocated liabilities		
Liabilities of interest rate and foreign currency derivatives	95,3	95,1
Accrued interest and other financing liabilities	2,1	2,7
Tax liabilities	26,2	25,4
Total	<u>123,7</u>	<u>123,2</u>
Total liabilities	254,4	252,0

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 million	2015	2014
Net sales		
Finland	607,3	589,1
Other countries	38,9	50,5
Total	<u>646,3</u>	<u>639,7</u>
Assets		
Finland	382,7	387,3
Other countries	24,9	22,1
Unallocated assets	58,2	48,9
Total	<u>465,8</u>	<u>458,3</u>
Capital expenditure		
Finland	48,6	43,1
Other countries	0,9	1,6
Total	<u>49,6</u>	<u>44,7</u>

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.

In 2015, Lassila & Tikanoja plc carried out the following acquisitions:

- 2 February 2015: the business operations of Jyväsjää Oy, a provider of design, sales, maintenance and repair services for refrigeration equipment.
- 2 March 2015: the entire share capital of the property maintenance company NN-Kiinteistötyö Oy.
- 1 June 2015: the building automation business operations of CEUS Oy.
- 1 June 2015: the waste management business operations of Kiinteistö- ja jätehuolto Vuorinen.
- 3 June 2015: the business operations in Hämeenlinna of the Tampere-based HH-kiinteistöpalvelut Oy.
- 1 July 2015: the entire share capital of Kuljetus J Hirvonen Oy.
- 3 August 2015: the entire share capital of Lakeuden Kylmäkeskus Oy, a Seinäjoki-based provider of design, implementation and maintenance services for retail refrigeration systems.
- 1 December 2015: the entire share capital of Puijon Kiinteistöhuolto Oy.

The Environmental Services division acquired Paperitiikerit Oy on 1 February 2014 and Joutsan Kuljetus Oy on 1 March 2014. In addition, Environmental Services acquired the business operations of Kiinteistöhuolto Rytönen Oy on 1 October 2014 and the business operations of J A Tauriainen Oy on 1 December 2014.

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.

Business acquisitions made during 2015 had an effect of EUR 8.1 million on the company's net sales and EUR 0.6 million on operating profit.

On 1 January 2016, L&T acquired the entire share capital of Huurinainen Oy, a company specialising in waste management and sewer maintenance, as well as the business operations of JPM-Kuljetus Oy. Part of the transaction prices for the two acquisitions was paid in advance in 2015. These are not included in the above table "BUSINESS ACQUISITIONS, COMBINED" because the initial accounting processes for the business combinations have not been completed yet.

BUSINESS ACQUISITIONS, COMBINED

EUR million	2015	2014
Intangible assets	2,5	3,5
Property, plant and equipment	1,6	3,5
Non-current available-for-sale financial assets	0,0	0,0
Trade and other receivables	1,4	0,4
Cash and cash equivalents	0,9	0,8
Total assets	6,4	8,1
Non-current interest-bearing liabilities	-	0,2
Trade and other payables	2,3	0,5
Deferred tax liabilities	0,3	0,1
Total liabilities	2,6	0,8
Total identifiable net assets	3,8	7,3
Total consideration	7,4	10,6
Goodwill	3,6	3,3
Impact on cash flow		
Paid in cash	-7,4	-10,6
Cash acquired	0,9	0,8
Cash flows from investing activities	-6,5	-9,8

3. Disposals of businesses

No subsidiaries or business operations were divested in 2015.

In March 2014, Lassila & Tikanoja plc divested its Latvian business operations. A capital gain of EUR 1.1 million was recognised on the transaction. The capital gain was recognised as a non-recurring item in other operating income.

In June 2014, L&T sold its deep collection container business to Molok Oy. In November 2014, L&T concluded the sale of its business operations related to the sales and delivery of waste collection containers for parks and public spaces to Lehtovuori Oy. The divested business operations did not meet the criteria specified in IFRS 5.31-32 for the disclosure of discontinued operations.

Disposals in total

EUR million	2015	2014
Property, plant and equipment and intangible assets	-	10,7
Inventories	-	0,3
Trade and other receivables	-	2,1
Cash and cash equivalents	-	3,1
Financial liabilities	-	0,0
Trade and other payables	-	-2,3
Net assets	-	13,9
Total selling price	-	16,7
Capital gain	-	2,8

4. Employee benefit expenses

EUR million	2015	2014
Wages and salaries	219,3	217,1
Pension costs		
Defined contribution plans	42,0	39,7
Defined benefit plans	0,0	0,0
Share-based payment	0,6	0,4
Other personnel expenses	11,7	12,1
Total	273,6	269,4

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

	2015	2014
White collar	1 225	1 276
Blue collar	5 874	5 981
Total	7 099	7 257
Finland	6 226	6 300
Other countries	873	957
Total	7 099	7 257

5. Depreciation, amortisation and impairment

Depreciation and amortisation by function

EUR million	Intangible assets	Property, plant and equipment	Total
2015			
Depreciation and amortisation			
On cost of sales	4,9	34,8	39,7
On sales and marketing	0,0	0,2	0,2
On administration	0,1	0,0	0,1
Total depreciation and amortisation	5,0	35,1	40,0
2014			
Depreciation and amortisation			
On cost of sales	5,5	34,4	39,8
On sales and marketing	0,0	0,2	0,2
On administration	0,1	0,1	0,2
Total depreciation and amortisation	5,6	34,7	40,2

6. Other operating income and expenses

EUR million	2015	2014
Other operating income		
Gains on sales of property, plant and equipment	0,7	1,2
Gain on sale of businesses	0,0	2,8
Lease income	0,0	0,0
Reversals of impairment losses on trade receivables	0,3	0,4
Reimbursements and government grants	0,7	0,7
Change in commodity derivatives	0,1	0,0
Other	1,9	1,9
Total	3,7	7,0
Other operating expenses		
Losses on disposals and scrapping of property, plant and equipment	0,2	0,1
Impairment losses on trade receivables*	0,9	4,2
Other*	1,1	5,4
Total	2,1	9,7

*In 2014, the company recorded EUR 2.7 million in impairment losses on the trade receivables of L&T Recoil Oy, and EUR 3.6 million in impairment losses on L&T Recoil Oy's shares after L&T Recoil Oy declared bankruptcy.

7. Research and development expenses

EUR 0.9 million (EUR 1.6 million) research and development expenses arising from centralised development projects are included in the income statement.

8. Financial income and expenses

EUR million	2015	2014
Financial income		
Dividend income on available-for-sale investments	0,0	0,0
Interest income on available-for-sale investments and other receivables	0,0	0,0
Interest income on loans and other receivables	0,3	0,4
Revaluations on financial assets at fair value through profit or loss (excl. derivative swaps under hedge accounting)	0,0	0,0
Sales profit on available-for-sale investments	0,0	0,0
Foreign exchange gains	0,0	0,0
Total financial income	0,3	0,4
Financial expenses		
Interest expenses on borrowings measured at amortised cost	-1,4	-1,3
Losses on non-hedging interest rate swaps, transferred from equity	0,0	-1,0
Other financial expenses	-0,4	-17,0
Losses on foreign exchange	-0,8	-3,0
Total financial expenses	-2,5	-22,3

In 2014 "Other financial expenses" include EUR 16.7 million arising from a payment made in the first quarter under the L&T Recoil guarantee commitment.

9. Income taxes

Income tax in the income statement

EUR million	2015	2014
Income tax for the period	-9,6	-9,0
Income tax for previous periods	0,0	-0,1
Change in deferred tax	-0,1	0,6
Total	-9,7	-8,4

The differences between income tax expense recognised in the income statement and income tax calculated at the statutory tax rate of 20 % in Finland, are as follows:

EUR million	2015	2014
Profit before tax	47,7	26,6
Income tax at Finnish tax rate 20 %	-9,5	-5,3
Difference between tax rate in Finland and in other countries	0,0	0,1
Expenses not deductible for tax purposes	-0,1	-4,1
Tax exempt income	0,0	0,2
Income tax for previous periods	0,0	-0,1
Unrecognised deferred tax on loss for the period	0,1	0,0
Change in deferred tax liabilities (amortisation on dissolution losses)	0,1	0,5
Increase/decrease in accumulated depreciation	-0,4	-
Other items	0,0	0,3
Total	-9,7	-8,4

Tax effects of components of other comprehensive income

EUR million	2015			2014		
	Before tax	Tax expense/ benefit	After tax	Before tax	Tax expense/ benefit	After tax
Items arising from re-measurement of defined benefit plans	0,1	0,0	0,1	-0,1	0,0	-0,1
Hedging reserve, change in fair value	0,5	-0,1	0,4	-0,7	0,1	-0,6
Currency translation differences	0,1	0,0	0,1	-1,8	0,0	-1,8
Currency translation differences non-controlling interest	0,0	0,0	0,0	-0,1	0,0	-0,1
Components of other comprehensive income	0,6	-0,1	0,5	-2,7	0,1	-2,6

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 assume conversion of all dilutive potential ordinary shares.

EUR million	2015	2014
Profit attributable to equity holders of the company	37,9	18,1
Adjusted weighted average number of ordinary shares outstanding during the year, million shares	38,6	38,7
Earnings per share, EUR	0,98	0,47
Dilutive effect of the share-based incentive programme, million shares	0,0	0,0
Adjusted average number of shares during the period, diluted, million shares	38,6	38,7
Earnings per share, diluted, EUR	0,98	0,47

11. Dividend per share

At the Annual General Meeting on 17 March 2016, the Board of Directors will propose that a dividend of EUR 0.85 per share be paid for the 2015 financial year.

On the basis of a decision taken by the Annual General Meeting, the company paid a dividend of EUR 0.75 per share for 2014.

12. Intangible assets

2015

EUR million	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Intangible rights	Other intangible assets	Prepayments	Total
Acquisition cost, 1 Jan. 2015	124,7	26,0	23,8	10,1	13,0	25,1	1,8	224,6
Additions	0,0				0,3	1,4	6,2	7,9
Business acquisitions	3,5	2,4	0,1			0,0		6,0
Disposals					0,0	0,0		0,0
Transfers between items						4,0	-4,0	0,0
Exchange differences	0,3	0,1	0,0	0,0	0,0		0,0	0,4
Acquisition cost, 31 Dec 2015	128,5	28,5	24,0	10,1	13,3	30,5	4,0	239,0
Accumulated amortisation and impairment at 1 Jan. 2015	-14,8	-20,8	-23,7	-9,4	-11,8	-18,5		-99,0
Accumulated amortisation on disposals and transfers	0,0				0,0			0,0
Amortisation charge	0,0	-2,3	-0,1	-0,1	-0,4	-2,2		-5,0
Impairment								0,0
Exchange differences	-0,1	-0,1	0,0	0,0	0,0	0,0		-0,2
Accumulated amortisation and impairment at 31 Dec 2015	-14,9	-23,1	-23,8	-9,5	-12,1	-20,7		-104,1
Book value, 31 Dec 2015	113,7	5,4	0,2	0,6	1,2	9,8	4,0	134,9

2014

EUR million	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Intangible rights	Other intangible assets	Prepayments	Total
Acquisition cost, 1 Jan. 2014	127,8	24,0	23,8	9,4	13,3	22,2	0,9	221,4
Additions					0,1	0,6	3,8	4,5
Business acquisitions	3,3	2,7	0,1	0,7	0,1			6,9
Disposals	-5,6	-0,4	0,0		-0,4	-0,3		-6,8
Transfers between items					0,0	2,7	-2,9	-0,1
Exchange differences	-0,8	-0,2	-0,1	0,0	-0,1	0,0	0,0	-1,2
Acquisition cost, 31 Dec 2014	124,7	26,0	23,8	10,1	13,0	25,1	1,8	224,6
Accumulated amortisation and impairment at 1 Jan. 2014	-15,0	-18,9	-23,4	-9,4	-11,9	-16,5		-95,1
Accumulated amortisation on disposals and transfers		0,4	0,0		0,4	0,3		1,2
Amortisation charge		-2,5	-0,4	0,0	-0,4	-2,3		-5,6
Impairment								0,0
Exchange differences	0,2	0,2	0,1	0,0	0,1	0,0		0,6
Accumulated amortisation and impairment at 31 Dec 2014	-14,8	-20,8	-23,7	-9,4	-11,8	-18,5		-99,0
Book value, 31 Dec 2014	109,9	5,3	0,1	0,7	1,2	6,6	1,8	125,7

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

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 four separate cash-generating units to which goodwill can be allocated, as shown in the table below.

Allocation of book values of goodwill:

EUR million	2015	2015
Environmental Services, Finland	69,6	69,0
Industrial Services	18,8	18,8
Facility Services*	N/A	5,6
Cleaning, Finland*	N/A	13,9
Facility Services*	22,4	N/A
Sweden	2,9	2,7
Total	113,7	109,9
Units for which the amount of goodwill allocated is not significant in proportion to the balance sheet value of the Group	0,0	0,0
Total	113,7	109,9

* Facility Services and Cleaning, Finland were combined as Facility Services starting from 1 January 2015.

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

%	2015	2014
Environmental Services, Finland	1,0	1,0
Industrial Services	1,0	1,5
Facility Services*	N/A	1,5
Cleaning, Finland*	N/A	1,0
Facility Services*	1,0	N/A
Sweden	1,0	0,5

* Facility Services and Cleaning, Finland were combined as Facility Services starting from 1 January 2015.

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

%	2015	2014
Environmental Services, Finland	8,6	8,1
Industrial Services	8,8	8,5
Facility Services*	N/A	10,1
Cleaning, Finland*	N/A	9,8
Facility Services*	10,3	N/A
Sweden	10,1	10,7

* Facility Services and Cleaning, Finland were combined as Facility Services starting from 1 January 2015.

In 2015 no 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%.

Value in use in relation to book value

	2015	2014
Environmental Services, Finland	Over 50 %	Over 50 %
Industrial Services	25-50 %	Over 50 %
Facility Services*	N/A	Over 50 %
Cleaning, Finland*	N/A	Over 50 %
Facility Services*	Over 50 %	N/A
Sweden	Over 50 %	25-50 %

* Facility Services and Cleaning, Finland were combined as Facility Services starting from 1 January 2015.

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 for those cash generating units that had a value in use relation to book value less than 50 % at closing date 2015 or 2014.

%	2015	2014
Industrial Services	17,5	15,0
Sweden	5,0	4,5

* Facility Services and Cleaning, Finland were combined as Facility Services starting from 1 January 2015.

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 for those cash generating units that had a value in use relation to book value less than 50 % at closing date 2015 or 2014.

	2015		2014	
%	Discount rate	EBITDA percentage used in the calculation of terminal value	Discount rate	EBITDA percentage used in the calculation of terminal value
Industrial Services	15,4	11,8	18,0	7,2
Sweden	69,5	0,6	15,4	3,5

* Facility Services and Cleaning, Finland were combined as Facility Services starting from 1 January 2015.

14. Property, plant and equipment

2015

EUR million	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan. 2015	3,8	107,1	383,7	0,2	2,2	497,0
Additions	1,7	1,4	24,2	0,0	4,2	31,5
Business acquisitions	0,0	0,2	3,9	0,0	0,0	4,1
Disposals	0,0	2,4	-2,6	0,0	0,0	-0,3
Transfers between items	0,0	0,1	0,7	0,0	-0,9	0,0
Exchange differences	0,0	-0,2	-0,5	0,0	0,0	-0,8
Acquisition cost, 31 Dec 2015	5,5	111,0	409,4	0,2	5,5	531,6
Accumulated depreciation at 1 Jan. 2015	-0,5	-62,8	-271,5	-0,1	0,0	-334,9
Accumulated depreciation on disposals and transfers		-2,5	1,8			-0,7
Depreciation for the period		-5,9	-29,2			-35,1
Impairment						0,0
Exchange differences		0,1	0,5	0,0		0,6
Accumulated depreciation at 31 Dec 2015	-0,5	-71,1	-298,4	-0,1	0,0	-370,1
Net book value at 31 Dec 2015	5,0	39,9	111,0	0,1	5,5	161,5

Contractual commitments related to property, plant and equipment totalled EUR 6.3 million (2014: EUR 3.4 million).

2014

EUR million	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan. 2014	4,2	107,6	373,8	0,2	2,2	488,0
Additions	0,0	1,4	24,5		4,1	29,9
Business acquisitions	0,0	0,0	3,3	0,0		3,4
Disposals	-0,3	-2,0	-18,1		0,0	-20,5
Transfers between items	0,0	1,2	2,8		-3,9	0,1
Exchange differences	-0,1	-1,1	-2,7	0,0	-0,1	-4,0
Acquisition cost, 31 Dec 2014	3,8	107,1	383,7	0,2	2,2	497,0
Accumulated depreciation at 1 Jan. 2014	-0,5	-57,9	-258,0	-0,1	0,0	-316,5
Accumulated depreciation on disposals and transfers		0,7	13,8			14,5
Depreciation for the period		-6,0	-28,7	0,0		-34,7
Impairment		0,0	0,0			0,0
Exchange differences		0,3	1,5	0,0		1,8
Accumulated depreciation at 31 Dec 2014	-0,5	-62,8	-271,5	-0,1	0,0	-334,9
Net book value at 31 Dec 2014	3,3	44,3	112,2	0,1	2,2	162,1

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 Biowatti Oy, Helsinki	100
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100
L&T Hankinta Ky, Helsinki	100
Kuljetus J Hirvonen Oy, Kitee	100
Lakeuden kylmäkeskus Oy, Seinäjoki	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

Associated companies

Suomen Keräystuote Oy	40
-----------------------	----

Joint ventures

The Group had no joint ventures in 2015 or 2014

Structured entities

The Group had no structured entities in the 2015 and 2014 financial periods

Changes in the Group during the financial year

NN Kiinteistötyö Oy, Rovaniemi	Dissolved
Joutsan Kuljetus Oy, Joutsa	Dissolved

16. Non-current available-for-sale investments

EUR million	2015	2014
Carrying amount at 1 Jan.	0,6	4,3
Additions	0,0	0,0
Disposals	0,0	-3,6
Transfers between items	0,0	-0,1
Carrying amount at 31 Dec	0,6	0,6

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

The disposals in 2014 concerns the revaluation of Ecostream Oy's shares.

17. Finance lease receivables

EUR million	2015	2014
Maturity of minimum lease payments		
Not later than one year	1,2	1,4
Later than one year and not later than five years	1,9	3,1
Later than five years	0,2	0,3
Gross investment in finance lease agreements	3,3	4,7
Maturity of present value of minimum lease payments		
Not later than one year	1,1	1,2
Later than one year and not later than five years	2,1	3,1
Later than five years	0,0	0,1
Total present value of minimum lease payments	3,2	4,4
Unearned finance income	0,2	0,3
Gross investment in finance lease agreements	3,3	4,7

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

2015

EUR million	Recognised in					At 31 Dec 2015
	At 1 Jan. 2015	income statement	Recognised in equity	Other changes	Acquired/ sold businesses	
Deferred tax assets						
Pension benefits	0,2	0,0	0,0			0,2
Provisions	1,2	0,1				1,2
Fair value adjustments	0,3	-0,1	-0,1			0,1
Revenue recognition	0,0	0,0				0,0
Deferred depreciation	0,7	-0,1				0,6
Losses of subsidiaries	0,0	0,0				0,0
Other tax deductible temporary differences	1,9	0,1				2,0
Total	4,4	-0,1	-0,1	0,0	0,0	4,2
Deferred tax liabilities						
Depreciation differences and dissolution losses	-26,0	-0,2	0,0	-0,3	0,0	-26,5
Finance leasing agreements	-0,3	0,1				-0,2
Share-based benefits	0,0	0,0				0,1
Foreign subsidiaries	-0,1	0,1			0,0	0,0
Total	-26,4	-0,1	0,0	-0,3	0,0	-26,7
Net deferred tax liability	-22,0	-0,1	-0,1	-0,3	0,0	-22,5

2014

EUR million	Recognised in					At 31 Dec 2014
	At 1 Jan. 2014	income statement	Recognised in equity	Exchange differences	Acquired/ sold businesses	
Deferred tax assets						
Pension benefits	0,1	0,0		0		0,2
Provisions	1,6	-0,4				1,2
Fair value adjustments	0,1	0,1	0,1			0,3
Revenue recognition	0,0	0,0				0,0
Deferred depreciation	0,8	-0,1				0,7
Losses of subsidiaries	0,0	0,0		0,0	0,0	0,0
Other tax deductible temporary differences	1,4	0,6	0,0	-0,1	0,0	1,9
Total	4,1	0,2	0,1	0,0	0,0	4,4
Deferred tax liabilities						
Depreciation differences and dissolution losses	-26,5	5,7	0,0	-5,6	0,3	-26,0
Finance leasing agreements	-0,4	0,2		-0,1	0,0	-0,3
Share-based benefits	0,0	0,0				0,0
Foreign subsidiaries	-0,2	0,1		0,0	0,0	-0,1
Total	-27,1	6,0	0,0	-5,6	0,3	-26,4
Net deferred tax liability	-23,0	6,2	0,1	-5,7	0,3	-22,0

Deferred taxes in the statement of financial position

EUR million	2015	2014
Deferred tax assets	2,4	2,7
Deferred tax liabilities	-24,9	-24,7
Net deferred tax liabilities	-22,5	-22,0

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 2.0 million (2014: EUR 1.9 million).

19. Inventories

EUR million	2015	2014
Raw materials and consumables	17,6	14,8
Unfinished goods	0,0	0,0
Finished goods	2,5	2,9
Other inventories	3,5	4,8
Total	23,6	22,6

Cost of inventory recognised as an expense under cost of sales in the income statement, totalled EUR 25.3 million (2014: EUR 21.6 million).

EUR 1.1 million (2014: EUR 1.1 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 million	2015	2014
Trade receivables	77,0	86,2
Current finance lease receivables	1,1	1,2
Loan receivables	0,3	0,3
Accruals	5,6	6,5
Tax receivables	0,0	0,0
Other receivables	0,4	0,3
Total	84,4	94,7

Accruals include the following:

Interest	0,0	0,0
Employees' health care compensation	1,1	1,5
Statutory pension insurances	0,9	2,5
Insurances	0,2	0,1
Grants received	0,0	0,0
Indirect tax	0,1	0,1
Other	3,3	2,4
Total	5,6	6,5

The receivables are not collateralised. 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 million	2015	2014
Bank deposits	5,0	6,0
Certificates of deposit and commercial papers	0,0	4,0
Total	5,0	10,0
At 1 Jan.	10,0	0,0
Additions/disposals	-5,0	10,0
Changes in fair values transferred into equity	0,0	0,0
At 31 Dec	5,0	10,0

22. Cash and cash equivalents

EUR million	2015	2014
Cash on hand and in banks	49,0	34,0
Total	49,0	34,0

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 million	2015	2014
Cash	49,0	34,0
Certificates of deposit	5,0	10,0
Total	54,0	44,0

23. Equity

Share capital and share premium fund

EUR million	Number of outstanding shares, 1,000 shares	Share capital	Invested non- restricted equity reserve	Own shares	Total
At 1 Jan. 2015	38 618	19,4	0,3	-2,4	17,3
6 March 2015 Disposal of the company's own shares	18			0,2	0,2
10 March 2015 Revert of company's own shares	-4			0,0	0,0
27 March 2015 Disposal of the company's own shares	4			0,0	0,0
Repurchase of own shares during the period	-274			-4,7	-4,7
Recognition of share-based benefits as expenses			0,1		0,1
At 31 Dec 2015	38 361	19,4	0,5	-2,3	12,9

EUR million	Number of outstanding shares, 1,000 shares	Share capital	Invested non- restricted equity reserve	Own shares	Total
At 1 Jan. 2014	38 707	19,4	0,3	-1,1	18,6
28 February 2014 Disposal of the company's own shares	36			0,5	0,5
27 March 2014 Disposal of the company's own shares	5			0,1	0,1
Repurchase of own shares during Q4	-129			-1,9	-1,9
Recognition of share-based benefits as expenses			0,0		0,0
At 31 Dec 2014	38 618	19,4	0,3	-2,4	17,3

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 2015 the company held 437,721 of its own shares (2014: 180,894).

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.

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 million	2015	2014
Equity in the consolidated statement of financial position	211,4	206,3
Statement of financial position total	465,8	458,3
Current advances received	-10,8	-12,5
Non-current advances received	-0,3	-0,2
Total	454,7	445,7
Equity ratio, %	46,5 %	46,3 %

24. Share-based payment

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. Based on the programme a maximum of 65,520 shares of the company could be granted.

The earning period began on 1 January 2012 and ended on 31 December 2012. Rewards were paid during the year following the earnings period partly as shares and partly in cash. The proportion paid in cash covered taxes arising from the reward. No reward was paid if a key person's employment ended before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment of each reward. After that, the members of the Group Executive Board are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

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.

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 was based on the EVA result of Lassila & Tikanoja group. In other respects the conditions were equal with the 2012 programme.

Based on the programme a maximum of 53,3000 shares of the company could have been granted. The shares paid out as rewards were transferred from the shares held by the company.

Under the programme, a total of 35,818 Lassila&Tikanoja Plc's shares were granted in 2014. The programme covered 10 persons.

Share-based incentive programme 2014

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 18 December 2013 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 2012 and 2013 programmes.

Based on the programme a maximum of 39,105 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, a total of 17,850 Lassila&Tikanoja Plc's shares were granted in 2015. The programme covered 10 persons.

Share-based incentive programme 2015

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 17 December 2014 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 2012, 2013 and 2014 programmes.

Based on the programme a maximum of 37,560 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 13,324 Lassila&Tikanoja Plc's shares will be granted in 2016. The programme covered 10 persons.

Share-based incentive programmes 2012, 2013, 2014 and 2015

Instrument	Share-based incentive programme			
	2012	2013	2014	2015
Share-based incentive programme				
Grant date	2.1.2012	17.12.2012	18.12.2013	17.12.2014
Start of earnings period	1.1.2012	1.1.2013	1.1.2014	1.1.2015
End of earnings period	31.12.2012	31.12.2013	31.12.2014	31.12.2015
Average share price at grant date	11,60	11,62	14,88	14,69
Realisation on closing date, shares*	9 605	35 818	17 850	13 324
Obligation to hold shares, years	2	2	2	2
Release date of shares	31.3.2015	31.3.2016	31.3.2017	31.3.2018
Number of persons included	22	10	10	10
Expenses arising from share-based incentive programme, EUR million			2015	2014
Share component			0,3	0,2
Cash component			0,3	0,3
Total			0,6	0,4

* The realisation of 2015 is an estimation

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 million	2015	2014
Amounts recognised in the statement of financial position:		
Present value of funded obligations	0,5	0,7
Fair value of plan assets	-0,4	-0,5
	0,1	0,1
Present value of unfunded obligations	0,9	0,9
Closing net liability	0,9	1,0
Changes in present value of obligation		
Opening defined benefit obligation	1,5	1,6
Current service cost	0,0	0,0
Interest cost	0,0	0,0
Actuarial gain (-) and loss (+) on obligation	-0,2	0,0
Benefits paid	-0,1	0,0
Closing value of obligation	1,3	1,5
Changes in fair value of plan assets		
Opening fair value of plan assets	0,5	0,8
Interest income	0,0	0,0
Employers' contributions	0,0	0,0
Actuarial gain (+) and loss (-)	0,0	-0,2
Benefits paid	-0,1	0,0
Closing fair value of plan assets	0,4	0,5
Movements in the liability recognised in the statement of financial position		
Opening liability	1,0	0,8
Expense recognised in the income statement	0,0	0,0
Employers' contributions	0,0	0,0
Actuarial gain (-) and loss (+)	-0,1	0,2
Contributions paid	0,0	0,0
Closing liability	0,9	1,0
Amounts recognised in the income statement:		
Current service cost	0,0	0,0
Interest cost	0,0	0,0
Interest income	0,0	0,0
Actuarial gain (-) and loss (+)	-0,1	0,2
Total	-0,1	0,2

The Group estimates that it will contribute EUR 11 thousand to defined benefit plans in 2016.

EUR million	2015	2014
Present value of obligation	1,3	1,5
Fair value of plan assets	-0,4	-0,5
Deficit	0,9	1,0
Principal actuarial assumptions used		
Discount rate	1,9 %	1,8 %
Expected rate of return on plan assets	1,7 %	2,1 %
Expected rate of salary increase	4,0 %	4,5 %
Expected rate of inflation	1,5 %	2,0 %
Defined contribution maturity of the obligation		
EUR million	2015	2014
Maturity of less than one year	0,1	0,0
1-5 years	0,4	0,3
5-10 years	0,3	0,4
10-15 years	0,3	0,3
15-20 years	0,2	0,3
20-25 years	0,2	0,2
25-30 years	0,1	0,2
over 30 years	0,2	0,2
Total	1,7	2,0

26. Provisions

EUR million	Environmental provisions	Other provisions	Total
Provisions at 1 Jan. 2015	6,9	0,6	7,5
Additional provisions	-	1,9	1,9
Used during the year	0,0	-1,3	-1,3
Effect of discounting	0,0	-	0,0
Provisions at 31 Dec 2015	6,8	1,2	8,0

EUR million	Environmental provisions	Other provisions	Total
Provisions at 1 Jan. 2014	9,2	0,3	9,5
Additional provisions	-	0,6	0,6
Used during the year	-2,4	-0,3	-2,7
Effect of discounting	0,1	-	0,1
Provisions at 31 Dec 2014	6,9	0,6	7,5

EUR million	2015	2014
Non-current provisions	4,1	4,2
Current provisions	3,9	3,3
Total	8,0	7,5

The environmental provisions cover the following obligations:

L&T acquired the previously leased site used as landfill in Kerava on 2 February 2015.

L&T owns the Muinaistenmetsä landfill in Uusikaupunki and the land area associated with it. The landfill site serves as a final disposal area for municipal waste, contaminated soil and industrial by-products.

The Group has leased site that it uses as landfill from the city of 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 also has provisions on its balance sheet for the potential costs of cleaning land areas that have been disposed of.

Other provisions consists mainly of provision for restructuring.

27. Borrowings

EUR million	2015 Carrying amount	2014 Carrying amount
Non-current		
Bank borrowings and loans from pension institutions	61,0	71,2
Total	61,0	71,2
Current		
Repayments of long-term borrowings	34,9	24,8
Short-term borrowings	0,0	0,0
Total	34,9	24,8

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 million	2015	2014
Advances received	0,3	0,3
Other liabilities	0,1	0,0
Total	0,4	0,3

29. Trade and other current payables

EUR million	2015	2014
Advances received	10,8	12,5
Trade payables	32,1	31,9
Other liabilities	21,8	22,5
Accrued expenses and deferred income	57,3	53,6
Total	121,9	120,4
Accrued expenses and deferred income		
Liabilities related to personnel expenses	56,2	52,5
Waste charges	0,0	0,0
Interest liabilities	0,3	0,3
Other accrued expenses	0,8	0,8
Total	57,3	53,6

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

30. Financial assets and liabilities by category

2015

EUR million	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			0,6			0,6		3
Finance lease receivables		2,1				2,1	2,1	2
Other receivables		1,8				1,8		
Current financial assets								
Available-for-sale investments			5,0			5,0		2
Trade and other receivables		78,8				78,8	78,8	
Derivative receivables					0,0	0,0		
Cash and cash equivalents		49,0				49,0	49,0	
Total financial assets		131,7	5,6		0,0	137,3	129,9	
Non-current financial liabilities								
Borrowings				61,0		61,0	61,1	2
Other liabilities				0,1		0,1		
Current financial liabilities								
Borrowings				34,9		34,9	34,9	
Trade and other payables				57,6		57,6	57,6	
Derivative liabilities					1,1	1,1		2
Total financial liabilities				153,5	1,1	154,6	153,6	

2014

EUR million	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			0,6			0,6		3
Finance lease receivables		3,2				3,2	3,2	2
Other receivables		2,3				2,3		
Current financial assets								
Available-for-sale investments			4,0			4,0		2
Trade and other receivables		93,1				93,1		
Derivative receivables	0,1					0,1		
Cash and cash equivalents		34,0				34,0		
Total financial assets	0,1	132,6	4,6			137,3	3,2	
Non-current financial liabilities								
Borrowings				71,2		71,2	71,6	2
Other liabilities				0,0		0,0		
Current financial liabilities								
Borrowings				24,8		24,8		
Trade and other payables				57,7		57,7		
Derivative liabilities	0,1				1,2	1,3		2
Total financial liabilities	0,1			153,7	1,2	155,0	71,6	

In the tables on the previous page, 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 financial assets

Available-for-sale financial assets consist of unquoted shares, certificates of deposit and commercial papers. The unquoted equity instruments whose fair values are not available due to inactive markets, are measured at acquisition cost. 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

Financial assets and liabilities recognised at fair value must be categorised by using a three-level fair value hierarchy that reflects the significance of the input data used in fair value measurement. At L&T, only current available-for-sale financial assets and derivatives are recognised at fair value. The fair values of available-for-sale current investments, which comprise units in investment funds, certificates of deposit and commercial papers, and derivatives, which comprise interest rate swaps, currency derivatives and commodity derivatives, are categorised in Level 2. The fair values of financial instruments are based on prices derived from prices quoted in an active market or generally accepted valuation models that are, to a significant degree, based on verifiable market data.

31. Derivative financial instruments

Currency forwards

EUR million	2015		2014	
	Nominal value	Fair value	Nominal value	Fair value
Not later than one year	-	-	10,9	-0,1

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

Interest rate swaps

EUR million	2015		2014	
	Nominal value	Fair value	Nominal value	Fair value
Maturity of interest rate swaps under hedge accounting				
Not later than one year	34,1		9,0	
Later than one year and not later than five years	4,5		38,6	
Later than five years	0,0		0,0	
Total	38,6	-0,4	47,6	-0,6

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 2015 varied between 0.499% and 1.91% (2014: 0.499% and 1.91%). The floating interest rate was 1-, 3- or 6-month Euribor.

Commodity derivatives

EUR million	2015		2014	
	Nominal value	Fair value	Nominal value	Fair value
Maturity of diesel swaps under hedge accounting				
Not later than one year	1,6		1,9	
Later than one year and not later than five years	0,0		0,0	
Total	1,6	-0,6	1,9	-0,6

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 million	2015	2014
Maturity of minimum lease payments of non-cancellable operating leases		
Not later than one year	6,3	2,9
Later than one year and not later than five years	13,1	2,8
Later than five years	1,6	2,0
Total minimum lease payments	21,0	7,7

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 million	2015	2014
Adjustments to cash flows from operating activities		
Taxes	9,7	8,4
Depreciation, amortisation and impairment	40,0	40,2
Finance income and costs	2,2	21,9
Profit/loss on sales of equipment	-	-1,5
Provisions	0,5	0,4
Other	0,2	1,5
Total	52,7	71,0
Effect of subsidiaries and businesses disposed of on the Group's financial position		
Property, plant and equipment	-	4,9
Goodwill and other intangible assets	-	5,9
Inventories	-	0,1
Trade and other receivables	-	2,1
Trade and other payables	-	-2,3
Total assets and liabilities	-	10,6
Received in cash	-	15,1
Cash and cash equivalents	-	-1,6
Net cash flow arising from disposals	-	13,5

34. Related-party transactions

The related parties of the Lassila & Tikanoja Group are the senior management, Suomen Keräystuote Oy (an associated company) and the L&T sickness fund.

Lists of the Group's parent and subsidiary relationships, associated companies and joint ventures are presented in Note 15, Group companies.

The contributions paid by the parent company to the L&T sickness fund during the financial year amounted to EUR 0,6 million (2014: EUR 1,0 million).

Employee benefits of top management

EUR million	2015	2014
Salaries and other short-term employee benefits	2,1	2,2
Post-employment benefits	0,0	0,0
Share-based payment	0,6	0,4
Total	2,7	2,6

Top management consists of the members of the Board of Directors, President and CEO and the Group Executive Board. An expense of EUR 0,6 million (EUR 0,4 million) 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	2015	2014
Heikki Bergholm, Chairman	58	62
Eero Hautaniemi, Vice Chairman	40	42
Hille Korhonen	2	34
Laura Lares	33	33
Miikka Majjala	33	35
Sakari Lassila	32	34

On 27 March 2015, 3,612 shares were transferred to the members of the Board of Directors as part of the remuneration of the Board (2014: 5,020)

In 2015, the remuneration paid to the President and CEO totalled EUR 539 thousand (2014: 540), consisting of salaries and benefits of EUR 430 thousand (2014: 424) and a bonus of EUR 109 thousand (2014: 116). In addition, the President and CEO was paid rewards amounting to EUR 247 thousand on the basis of the achievement of the targets of the share-based incentive programme in 2014 (2014: 318).

The remuneration paid to the other members of the Group Executive Board totalled EUR 1,370 thousand (2014: 1,374), which includes salaries and benefits of EUR 1,219 thousand (2014: 1,165) and bonuses of EUR 151 thousand (2014: 210). In addition, the other members of the Group Executive Board were paid rewards amounting to EUR 316 thousand on the basis of the achievement of the targets of the share-based incentive programme in 2014 (2014: 642). 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 2015, EUR 8 thousand (2014: 12 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.

In 2015, the company sold services included in normal business operations at market price to parties related to the key personnel for a total amount of EUR 85,000.

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 million	KPMG	Other companies	Total
2015			
Auditing	0,1	0,0	0,1
Other assignments in accordance with the auditing act	0,0	0,0	0,0
Tax consulting services	0,0	0,0	0,1
Other services	0,0	0,0	0,1
Total	0,2	0,1	0,2

EUR million	KPMG	Other companies	Total
2014			
Auditing	0,1	0,0	0,1
Other assignments in accordance with the auditing act	0,0	0,0	0,0
Tax consulting services	0,0	0,0	0,0
Other services	0,0	0,0	0,1
Total	0,1	0,0	0,2

36. Contingent liabilities

EUR million	2015	2014
Collaterals for own commitments		
Mortgages on rights of tenancy	0,4	0,2
Company mortgages	1,1	0,5
Other securities	0,2	0,2
Bank guarantees required for environmental permits	8,6	8,4
Other securities are guarantee deposits		

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 consists of a parent company operating in Finland and subsidiaries operating in Finland, Sweden, Russia and Estonia. The parent company's and the Finnish subsidiaries' functional and reporting currency is the euro. The foreign subsidiaries' functional and reporting currency is the currency of their country of location. For this reason, changes in foreign exchange rates affect the Group's result and equity, but not very significantly.

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.

The Group's most significant transaction risk arises from the RUB-denominated loan capital of subsidiary loans and accrued interest. The Group has hedged against transaction risk by using currency forwards and options. The net position on the balance sheet date was as follows:

EUR million	2015	2014
RUB loans and accrued interests	5,2	5,2
Hedges	0,0	3,2
Net	5,2	2,0

Changes in exchange rates in 2015 resulted in translation differences of EUR -0.1 million in equity (2014: EUR -1.8 million). Net investments by currency are presented in the table below.

Translation exposure of net investments

EUR million	2015	2014
SEK	19,8	20,4
RUB	4,6	5,7
Total	24,4	26,1

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 2015, 74% (2014: 53%) of the company's borrowings were either fixed interest rate borrowings or hedged with interest rate swaps. Variable-rate borrowings accounted for 26% (47%). 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. 94% of net sales originated from Finland in 2015. The total book value of financial assets at 31 December 2015 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 million	2015	2014
Trade receivables	70,9	77,0
Trade receivables past due 1-90 days	5,4	7,3
Trade receivables past due 91-180 days	0,4	0,8
Trade receivables past due 181-365 days	0,1	0,4
Trade receivables past due over 365 days	0,1	0,7
Total	77,0	86,2

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.

Financial assets are not collateralised. 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.

Credit risk related to financial assets

EUR million	2015 carrying amount	2014 carrying amount
Non-current available-for-sale investments	0,6	0,6
Non-current finance lease receivables	2,1	3,2
Other non-current receivables	2,0	2,3
Trade and other current receivables	77,0	86,2
Derivative receivables	0,0	0,1
Current available-for-sale investments	5,0	10,0
Cash and cash equivalents	49,0	34,0

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 2015, the Group's liquid assets and investments amounted to EUR 54.0 million (2014: EUR 44.0 million). EUR 0 of the commercial paper programme was in use (2014: EUR 0 million).

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

Maturity of financial liabilities

31 Dec 2015

EUR million	Carrying amount	Contractual cash flows	2016	2017	2018	2019	2020	2021 and later.
Bank borrowings and loans from pension institutions	66,1	67,2	35,4	2,9	2,8	1,1	25,1	0,0
Bonds	29,8	32,6	0,6	0,6	0,6	30,6		
Commercial paper liabilities		0,0						
Derivative liabilities		0,0						
Trade and other payables	53,7	53,7	53,7					
Total	149,5	153,5	89,7	3,5	3,5	31,7	25,1	0,0

31 Dec 2014

EUR million	Carrying amount	Contractual cash flows	2015	2016	2017	2018	2019	2020 and later.
Bank borrowings and loans from pension institutions	65,8	66,0	25,4	35,2	2,7	2,6	0,1	0,0
Bonds	29,7	33,2	0,6	0,6	0,6	0,6	30,6	
Commercial paper liabilities	0,0	0,0						
Derivative liabilities	1,4	1,4	1,4					
Trade and other payables	54,4	54,4	54,4					
Total	151,3	155,0	81,8	35,9	3,3	3,3	30,7	0,0

Breakdown of borrowings

EUR million	Undrawn at			Undrawn at		
	In use at 31 Dec 2015	31 Dec 2015	Total	In use at 31 Dec 2014	31 Dec 2014	Total
Bank borrowings and loans from pension institutions	66,1		66,1	65,8		65,8
Bonds	29,8		29,8	29,7		29,7
Committed credit facility maturing in 2017	0,0	30,0	30,0	0,0	30,0	30,0
Non-committed credit facilities			0,0		0,0	0,0
Commercial paper programme	0,0	100,0	100,0	0,0	100,0	100,0
Total	95,8	130,0	225,8	95,5	130,0	225,5

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 2015 (31 December 2014), 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:

- o 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.
 - o The change in the price level of Diesel is assumed to be a rise of +10 percentage point and a decrease of -10 percentage point.
 - o 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	2015		2014	
	Profit after tax	Equity	Profit after tax	Equity
+ 0.5% change in market interest rates	-0,1	0,1	-0,2	0,0
- 0.2% change in market interest rates	0,0	0,0	0,1	-0,2
+ 10% change in diesel oil CIF CARGO NWE price*)		0,1		0,0
- 10% change in diesel oil CIF CARGO NWE price*)		-0,1		-0,2
*) price level in euros				
+10% change in RUB exchange rate	0,6		0,2	
-10% change in RUB exchange rate	-0,5		-0,4	

38. Disputes and litigation

In the Court of Appeal, the District Prosecutor of Helsinki demanded that the company pay a corporate fine of a minimum of EUR 50,000 for alleged offences against working hours legislation that are suspected to have occurred between 2009 and 2012. The hearing in the Court of Appeal has been completed and a decision on the case is expected in the first quarter of 2016. In addition, Lassila & Tikanoja Plc is involved as a party in several minor disputes related to the Group's business operations. The outcome of these disputes will not have a material effect on the Group's financial position.

39. Events after the balance sheet date

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

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.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

Income statement

EUR million	2015	2014	Note
Net sales	539,3	522,5	1
Cost of goods sold	-473,9	-454,8	
Gross profit	65,4	67,8	
Sales and marketing expenses	-11,4	-12,4	
Administration expenses	-11,0	-10,7	3
Other operating income	3,7	6,1	5
Other operating expenses	-2,0	-9,4	5
Operating profit before goodwill amortisation	44,7	41,4	2,4
Goodwill amortisation	-2,2	-1,5	
Operating profit	42,5	39,9	
Financial income and expenses	13,2	-18,3	6
Profit before extraordinary items	55,7	21,6	
Extraordinary items	2,7	0,0	7
Profit before appropriations and income taxes	58,5	21,6	
Appropriations			
Increase/decrease in accumulated depreciation	2,0	0,8	
Income tax	-9,1	-8,6	8
Profit for the period	51,4	13,8	

Balance sheet

EUR million	2015	2014	Note
ASSETS			
Fixed assets			
Intangible assets			9
Intangible rights	0,9	1,0	
Goodwill	5,7	5,8	
Other capitalised expenditure	9,2	6,1	
Advance payments and construction in progress	4,2	1,8	
	20,0	14,7	
Tangible assets			10
Land	4,6	2,9	
Buildings and constructions	35,0	38,6	
Machinery and equipment	105,6	110,7	
Other tangible assets	0,0	0,0	
Advance payments and construction in progress	5,3	2,0	
	150,5	154,2	
Financial assets			11
Shares in Group companies	23,8	23,8	
Shares in joint ventures	0,0	0,0	
Other shares and holdings	0,4	0,4	
	24,2	24,3	
Total fixed assets	194,8	193,2	
Current assets			
Inventories			
Raw materials and consumables	1,9	0,8	
Finished products/goods	0,9	1,1	
Other inventories	3,5	2,7	
	6,3	4,6	
Non-current receivables			
Loan receivables	1,3	1,7	
Prepayments	0,3	0,3	
	1,7	2,0	
Current receivables			12
Receivables from Group companies	40,7	24,2	
Trade receivables	67,1	76,0	
Other receivables	0,7	0,6	
Prepaid expenses and accrued income	4,3	5,7	
	112,8	106,6	
Cash and cash equivalents	49,3	41,2	
Total current assets	170,1	154,3	
Total assets	364,9	347,5	

EUR million	2015	2014	Note
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			13
Share capital	19,4	19,4	
Fair value reserve	-0,1	-0,4	
Invested non-restricted equity reserve	0,6	0,4	
Retained earnings	45,6	65,3	
Profit for the period	51,4	13,8	
Total shareholders' equity	116,8	98,5	
Accumulated appropriations			
Depreciation difference	31,9	33,9	
Obligatory provisions			14
Non-current	4,7	4,7	
Current	2,7	2,7	
	7,4	7,5	
Liabilities			15
Non-current			
Loans from financial institutions	29,5	38,6	
Pension institution loans	1,6	2,3	
Bonds	30,0	30,0	
Accrued income	0,4	0,3	
	61,5	71,2	
Current			
Loans from financial institutions	34,9	24,8	
Advances received	9,0	9,2	
Trade payables	29,5	29,1	
Liabilities to Group companies	1,9	3,7	
Other liabilities	20,1	21,2	
Accruals and deferred expenses	51,3	47,6	
Accruals and deferred expenses on commodity derivatives	0,6	0,8	
Tax liabilities		0,0	
	147,3	136,4	
Total liabilities	208,8	207,6	
Total shareholders' equity and liabilities	364,9	347,5	

Cash flow statement

EUR million	2015	2014
Operations		
Operating profit	42,5	40,0
Adjustments:		
Depreciation and amortisation	38,4	37,3
Gains and losses on sales	0,6	-2,4
Other adjustments	0,5	3,9
Cash flow before change in working capital	82,1	78,8
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	10,7	-3,3
Increase/decrease in inventories	-1,8	-0,5
Increase/decrease in current non-interest-bearing liabilities	2,5	6,7
Cash flow from operations before financial income/expenses and tax	93,5	81,7
Interest expenses and other financial expenses	-2,1	-2,0
Interest income from operations	0,2	0,4
Direct taxes paid	-8,5	-4,6
Cash flow from operating activities	83,2	75,4
Investments		
Investments in Group companies		-7,8
Proceeds from sale of Group companies, net of sold cash		1,8
	-0,2	
Investments in tangible and intangible assets	-39,8	-35,6
Proceeds from sale of tangible and intangible assets	1,1	1,7
Granted capital loans		0,0
Dividends received from investments	15,1	0,1
Cash flow from investing activities	-23,8	-39,8
Financing		
Proceeds from/repayments of short-term borrowings	-1,6	-32,2
Proceeds from/repayments of current liabilities to Group companies	-14,2	18,8
Proceeds from long-term loans	25,0	29,9
Repayments of long-term loans	-26,8	-24,8
Capital repayment and other distribution of profit paid	-28,9	-19,3
L&T Recoil Oy guarantee commitment		-16,7
Acquisition of own shares	-4,7	-1,9
Cash flow from financing activities	-51,3	-46,1
Changes in cash and cash equivalents	8,1	-10,4
Cash and cash equivalents at 1 January	41,2	51,6
Cash and cash equivalents at 31 December	49,3	41,2
Cash and cash equivalents at 31 December		
Cash and cash equivalents	44,2	31,1
Available-for-sale non-current financial assets	5,0	10,0
Overdraft facilities	0,1	0,1
	49,3	41,2

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

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

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	5-30 years
Vehicles	6-15 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 million	2015	%	2014	%
Net sales by division				
Environmental Services	226,8	42,1	220,6	42,2
Industrial Services	73,6	13,6	72,8	13,9
Facility Services	238,9	44,4	229,1	43,9
Total	539,3	100,0	522,5	100,0
Net sales by market				
Finland	531,0	98,5	510,1	97,6
Other countries	8,3	1,5	12,5	2,4
Total	539,3	100,0	522,5	100,0

2. Personnel and administrative bodies

	2015	2014
Average personnel		
Salaried employees	1 058	1 090
Non-salaried employees	4 890	4 899
Total	5 948	5 989
Personnel expenses		
Salaries and bonuses	194,7	190,3
Pension expenditure	35,0	32,4
Other salary-related expenses	11,2	11,6
Total	240,9	234,3
Personnel services invoiced from the Group	-0,3	-0,3
	240,6	234,0

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 million	2015	2014
Auditing	0,1	0,1
Other assignments in accordance with the auditing act	0,0	0,0
Tax consulting services	0,0	0,0
Other services	0,0	0,0
Total	0,1	0,1

4. Depreciation and amortisation

EUR million	2015	2014
Depreciation and amortisation by function		
Procurement and manufacture	35,9	35,4
Sales and marketing	0,2	0,2
Administration	0,1	0,2
Goodwill	2,2	1,5
Total	38,4	37,3

Depreciation and amortisation are itemised under intangible and tangible assets.

5. Other operating income and expenses

EUR million	2015	2014
Other operating income		
From Group companies		
Compensation for administration costs	0,2	0,4
From others		
Merger profit	0,0	0,4
Profit on sale of real estates	0,0	0,1
Profit on sale of other fixed assets	0,7	0,5
Government grants	0,7	0,7
Recovery of bad debt	0,3	0,4
Annual discounts	1,2	1,1
Other operating income	0,6	2,4
Total	3,7	6,1
Other operating expenses		
To others		
Losses on sale of fixed assets	0,1	0,8
Impairment of EcoStream Oy shares		3,6
Bad debt	0,8	4,1
Change in value of commodity derivatives	1,0	0,6
Other	0,1	0,3
Total	2,0	9,4

6. Financial income and expenses

EUR million	2015	2014
Dividend income	15,1	0,0
Other interest and financial income	0,3	0,5
Other interest and financial costs	-2,2	-18,8
Total financial income and costs	13,2	-18,3
Financial income and costs include:		
Dividend income		
from Group companies	15,1	0,0
from others		0,0
Interest income		
from Group companies	0,0	0,2
from others	0,2	0,2
Interest costs		
to Group companies		0,0
to others	1,8	1,7

7. Extraordinary items

EUR million	2015	2014
Extraordinary income		
Group contribution received	2,9	2,4
Extraordinary expenses		
Group contribution paid	-0,1	-2,4
Total extraordinary income and expenses	2,8	0,0

8. Income taxes

EUR million	2015	2014
Income taxes on operations for the financial year	9,1	8,6
Total	9,1	8,6
Deferred tax liabilities/receivables		
From depreciation differences	-6,4	-6,8
From other matching differences	1,5	1,5
Total	-4,9	-5,3

9. Intangible assets

EUR million	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments and construction in progress	Total
2015					
Cost at 1 January	9,6	124,2	20,3	1,8	155,9
Additions	0,2	2,0	1,1	6,4	9,7
Disposals	-0,5		-0,3		-0,8
Transfers between items			4,0	-4,0	0,0
Cost at 31 December	9,3	126,2	25,1	4,2	164,8
Accumulated depreciation at 1 January	-8,6	-118,4	-14,2		-141,2
Accumulated depreciation on disposals and transfers	0,5		0,3		0,8
Depreciation during the period	-0,2	-2,1	-2,1		-4,4
Accumulated depreciation at 31 December	-8,3	-120,5	-16,0		-144,8
Total book value	1,0	5,7	9,1	4,2	20,0
2014					
Cost at 1 January	9,4	119,5	17,2	0,9	147,0
Additions	0,2	4,7	0,5	3,6	9,0
Disposals					0,0
Transfers between items			2,6	-2,7	-0,1
Cost at 31 December	9,6	124,2	20,3	1,8	155,9
Accumulated depreciation at 1 January	-8,4	-117,1	-12,0		-137,5
Accumulated depreciation on disposals and transfers					0,0
Depreciation during the period	-0,2	-1,3	-2,2		-3,7
Accumulated depreciation at 31 December	-8,6	-118,4	-14,2		-141,2
Total book value	1,0	5,8	6,1	1,8	14,7

10. Tangible assets

EUR million	Land	Buildings	Machinery and equipment	Other	Advance payments and construction in progress	Total
2015						
Cost at 1 January	2,9	84,8	338,8		2,0	428,5
Additions	1,7	1,3	24,4		3,5	30,9
Disposals		-0,1	-17,3		-0,1	-17,5
Transfers between items		0,1	0,0		-0,1	0,0
Cost at 31 December	4,6	86,1	345,9		5,3	441,9
Accumulated depreciation at 1 January		-46,2	-228,1			-274,3
Accumulated depreciation on disposals and transfers		0,1	16,8			16,9
Depreciation during the period		-5,0	-29,0			-34,0
Accumulated depreciation at 31 December		-51,1	-240,3			-291,4
Total book value	4,6	35,0	105,6		5,3	150,5
2014						
Cost at 1 January	2,9	81,3	318,8		1,8	404,8
Additions		2,8	28,5		2,6	33,9
Disposals		-0,4	-9,9			-10,3
Transfers between items		1,1	1,4		-2,4	0,1
Cost at 31 December	2,9	84,8	338,8		2,0	428,5
Accumulated depreciation at 1 January		-40,5	-208,5			-249,0
Accumulated depreciation on disposals and transfers		-0,7	9,0			8,3
Depreciation during the period		-5,0	-28,6			-33,6
Accumulated depreciation at 31 December		-46,2	-228,1			-274,3
Total book value	2,9	38,6	110,7		2,0	154,2

11. Investments

EUR million	Shares in Group companies	Osuudet osakkuus- yrityksissä	Capital loan receivables*	Other shares and holdings	Total
2015					
Cost at 1 January	23,8		0,0	0,5	24,3
Additions					
Transfers between items	0,0		0,0	0,0	0,0
Cost at 31 December	23,8			0,5	24,3
Total book value	23,8		0,0	0,5	24,3
2014					
Cost at 1 January	24,8		0,1	4,1	29,0
Additions					
Transfers between items	-1,0		-0,1	-3,6	-4,7
Cost at 31 December	23,8			0,5	24,3
Total book value	23,8			0,5	24,3

Yhtiön osuus
osakkeista ja
äänivallasta %

Holdings in 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

Associated companies

Suomen Keräystuote Oy	40,0
-----------------------	------

12. Receivables

EUR million	2015	2014
From Group companies		
Loan receivables	39,5	22,6
Trade receivables	1,2	1,6
Total	40,7	24,2
Prepaid expenses and accrued income		
Interests	0,2	0,3
Employees' health care compensation	1,1	1,4
Statutory personnel insurance	0,7	2,1
Derivative financial instrument receivables	0,0	0,1
Tax receivables		0,0
Other	2,3	1,8
Total	4,3	5,7

13. Shareholders' equity

EUR million	2015	2014
Share capital at 1 January / 31 December	19,4	19,4
Fair value reserve 1 January	-0,4	-0,4
Valuation of commodity derivatives	0,3	
Fair value reserve 31 December	-0,1	-0,4
Invested non-restricted equity reserve 1 January	0,4	0,4
Expense recognition of share-based benefits	0,1	
Invested non-restricted equity reserve 31 December	0,6	0,4
Retained earnings at 1 January	79,1	86,0
Dividend	-28,9	-19,4
Out-dated dividend	0,2	
Purchase of own shares	-4,7	-1,3
Retained earnings at 31 December	45,6	65,3
Profit for the period	51,4	13,8
Shareholders' equity at 31 December	116,8	98,5
Distributable assets		
Retained earnings	45,6	65,3
Profit for the period	51,4	13,8
Invested non-restricted equity reserve	0,6	0,4
Total distributable assets	97,5	79,5

14. Obligatory provisions

EUR million	2015	2014
Environmental provision	6,8	6,8
Pension liabilities	0,6	0,6
Other provisions		0,1
Total	7,4	7,5

Environmental provisions concern the site restoration costs of landfills.

15. Liabilities

Repayments of non-current liabilities in coming years

EUR million	2016*	2017	2018	2019	2020 ja myöh.
Loans from financial institutions	34,9	2,6	2,6	30,9	25,0

* In the balance sheet under current liabilities

EUR million	2015	2014
-------------	------	------

Liabilities to Group companies

Trade payables	0,2	0,3
Other liabilities	1,7	3,4
Total	1,9	3,7

Accruals and deferred expenses

Personnel expenses	43,5	43,3
Interests	0,3	0,3
Waste charges	1,8	0,2
Other matched expenses	5,7	3,8
Total	51,3	47,6

16. Contingent liabilities

EUR million	2015	2014
-------------	------	------

For own commitments

Mortgages on rights of tenancy	0,2	0,2
Other securities	0,1	0,2

Liabilities related to leasing and leases

Falling due next year	5,5	2,9
Falling due in subsequent years	13,5	4,8
Total	19,0	7,7

For Group companies

Guarantees	9,9	9,2
------------	-----	-----

For joint ventures

Guarantees		
Bank guarantees required for environmental permits	8,6	8,4

17. Derivatives

Interest rate swap

EUR million	2015	2014
Nominal value	38,6	20,5
Fair value	-0,4	-0,6

Commodity derivatives

EUR million	2015	2014
Nominal value of Diesel swaps	1,6	1,9
Fair value	-0,6	-0,6

Commodity derivative contracts were signed for the hedging of future diesel oil purchases. Their fair values are based on the market data on the balance sheet date.

Currency derivatives

EUR million	2015	2014
Nominal value		10,9
Fair value		-0,1

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 97,547,601.44 with the operating profit for the period representing EUR 51,410,401.98. 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 0.85 per share be paid on the basis of the balance sheet to be adopted for the financial year 2015.

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, 21 March 2016. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 30 March 2016.

No dividend shall be paid on share held by the company on the record date of dividend payment, 21 March 2016.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 38,361,153, which means

the total amount of the dividend would be	EUR 32,606,980.05
To be retained and carried forward	EUR 64,940,621.39
Total	EUR 97,547,601.44

Signatures to the Report of the Board of Directors and the Financial Statements for the year 2015:

Helsinki on 2 February 2016

Heikki Bergholm

Eero Hautaniemi

Laura Lares

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 2016

KPMG OY Ab

Authorised Public Accountants

Lasse Holopainen

APA

AUDITOR'S REPORT

To the Annual General Meeting of Lassila & Tikanoja plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Lassila & Tikanoja plc for the year ended December 31, 2015. 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 2016

KPMG OY AB

LASSE HOLOPAINEN

Authorized Public Accountant