

Lassila & Tikanoja plc
Stock exchange release
30 January 2019 at 8:00 a.m.

Lassila & Tikanoja plc: Financial Statements 1 January–31 December 2018

- Net sales for the final quarter were EUR 206.5 million (206.1), operating profit was EUR 11.7 million (11.4) and earnings per share EUR 0.23 (0.22)
- Full-year net sales increased by 13.1% to EUR 802.2 million (709.5), operating profit was EUR 47.6 million (44.0) and earnings per share EUR 0.89 (0.87)
- Full-year net sales and operating profit in 2019 are expected to be on par with 2018
- The Board of Directors proposes a dividend of EUR 0.92 per share

PRESIDENT AND CEO EERO HAUTANIEMI:

“Lassila & Tikanoja’s net sales for 2018 grew by 13% from the previous year, while operating profit increased by more than 8%. Of this growth, 3% was organic and the remainder was due to the L&T FM acquisition. Full-year net sales grew in all divisions except Facility Services. The Environmental Services division’s market position improved particularly in the retail and industrial segments. Industrial Services had a successful year, with both net sales and operating profit showing year-on-year growth thanks to new customer accounts. The net sales and operating profit of Facility Services decreased particularly due to intensified price competition in the cleaning business and the ERP system’s deployment phase. In the Technical Services division, business developed favourably, particularly in Sweden, thanks to strong demand and improved productivity. The Group’s net cash flow from operating activities improved year-on-year due to successful measures to improve the efficiency of working capital management.”

GROUP NET SALES AND FINANCIAL PERFORMANCE

October–December

Lassila & Tikanoja’s net sales for the final quarter amounted to EUR 206.5 million (206.1), up 0.2% year-on-year. Operating profit totalled EUR 11.7 million (11.4), representing 5.7% (5.5) of net sales. Earnings per share were EUR 0.23 (0.22).

Net sales grew organically compared to the previous year in Environmental Services, Industrial Services and Renewable Energy Sources. Operating profit increased in all divisions except Facility Services and Renewable Energy Sources.

Year 2018

Net sales for 2018 increased by 13.1% to EUR 802.2 million (709.5). The rate of organic growth was 3.2%. Operating profit totalled EUR 47.6 million (44.0), representing 5.9% (6.2) of net sales. Earnings per share were EUR 0.89 (0.87).

Net sales grew in all divisions except Facility Services. Operating profit increased in Industrial Services and Technical Services.

Financial summary

	10–12/2018	10–12/2017	Change%	1–12/2018	1–12/2017	Change %
Net sales, EUR million	206.5	206.1	0.2	802.2	709.5	13.1
Operating profit, EUR million	11.7	11.4	2.8	47.6	44.0	8.2
Operating margin, %	5.7	5.5		5.9	6.2	
Profit before tax, EUR million	10.6	10.0	6.6	42.7	42.5	0.6
Earnings per share, EUR	0.23	0.22	1.4	0.89	0.87	1.6
Cash flow from operating activities/share, EUR	1.50	0.67	122.2	2.35	1.61	45.9
EVA, EUR million	6.0	4.5	34.3	24.0	21.1	13.7

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

October–December

The division's net sales for the fourth quarter increased by 3.7% to EUR 68.5 million (66.0). Operating profit grew by 20.2% year-on-year and amounted to EUR 8.3 million (6.9).

Operating profit and net sales improved year-on-year due to profitability improvement measures taken earlier in the year.

Year 2018

The Environmental Services division's net sales for 2018 amounted to EUR 270.2 million (262.8). Operating profit was EUR 31.6 million (31.6).

The division's net sales grew and its market position improved particularly in the retail and industrial segments. Higher fuel costs compared to the previous year were covered with other measures.

Industrial Services

October–December

The division's net sales for the final quarter grew to EUR 25.2 million (23.9). Operating profit was EUR 2.6 million (2.6).

The division's net sales increased by 5.7%. Net sales increased particularly in the project business.

Year 2018

The Industrial Services division's full-year net sales grew by 6.5% to EUR 96.5 million (90.7). Operating profit grew by 15.3% year-on-year and amounted to EUR 10.0 million (8.7).

The division's net sales growth was attributable to strong demand and strengthened market position. Improvements in service development and the efficiency of operations increased operating profit and supported new customer acquisition, which was reflected in a higher market share.

Facility Services

October–December

The division's net sales for the fourth quarter were EUR 62.1 million (70.2). Operating profit was EUR 0.0 million (1.4).

The net sales and operating profit of the cleaning business were decreased by the deployment phase of the ERP system and the loss of customers due to price competition.

Year 2018

The Facility Services division's net sales for 2018 amounted to EUR 257.2 million (260.6). Operating profit was EUR 5.0 million (5.2).

In the cleaning business, increased price competition led to the loss of customers, which decreased net sales and operating profit. The division focused on major changes in its operating model to improve its competitiveness. The deployment phase of the ERP system decreased the full-year operating profit of the cleaning business.

In the renovation business, operating profit increased year-on-year due to the improved efficiency of operations.

Technical Services**October–December**

The division's net sales for the final quarter were EUR 41.6 million (38.4). Operating profit was EUR 1.6 million (1.2) and adjusted operating profit was EUR 2.2 million (2.0).

Demand was at a good level in Technical Services in both Finland and Sweden. In the division's Finnish operations, the deployment phase of the ERP system decreased operating profit. In Sweden, net sales and operating profit increased year-on-year.

Year 2018

The Technical Services division's net sales for 2018 amounted to EUR 148.4 million (71.8). The increase was mainly due to the L&T FM acquisition in September 2017. Operating profit was EUR 4.5 million (1.6) and adjusted operating profit was EUR 6.8 million (2.6).

In Sweden, business developed favourably thanks to strong demand and improved productivity. In Finland, the increase in net sales was particularly attributable to the public sector and industry. Operating profit was weighed down by the deployment phase of a new operating model and ERP system, which mainly took place in the latter part of the year.

The order book remained strong and the contract portfolio strengthened in both Finland and Sweden.

Renewable Energy Sources**October–December**

The fourth quarter net sales of Renewable Energy Sources (L&T Biowatti) increased by 12.7% and amounted to EUR 12.1 million (10.7). Operating profit was EUR 0.1 million (0.2).

Net sales increased year-on-year. The energy content of fuels was at a good level compared to the corresponding period in the previous year. Operating profit declined due to higher wood procurement prices and contracting costs.

Year 2018

The full-year net sales of the Renewable Energy Sources division totalled EUR 40.7 million (34.9). Operating profit was EUR 0.0 million (EUR 0.7 million).

The market for renewable energy sources remained challenging. Operating profit was lower than in the comparison period during the early part of the year due to the low energy content of fuels caused by the large amount of rain in 2017. Operating profit was also decreased by higher wood procurement prices and contracting costs.

FINANCING

Net cash flow from operating activities amounted to EUR 90.1 million (61.8) in January–December. Net cash flow from operating activities improved year-on-year due to successful measures to improve the efficiency of working capital management. A total of EUR 9.9 million in working capital was released

(EUR 10.8 million committed).

At the end of the period, interest-bearing liabilities amounted to EUR 152.2 million (165.9).

Net interest-bearing liabilities totalled EUR 97.8 million (117.9), a decrease of EUR 21.3 million from the previous quarter and EUR 20.0 million from the comparison period.

In September, the company issued senior unsecured notes in the amount of EUR 50 million, maturing in 2023. The funds from the issue were used for partial redemption of Lassila & Tikanoja's outstanding EUR 30 million notes due 2019 and for the repayment of a EUR 20 million loan provided by Danske Bank A/S.

Net financial expenses in 2018 amounted to EUR 4.5 million (1.4), which corresponds to 0.6% (0.2) of net sales. Net financial expenses in the comparison period were substantially reduced by exchange rate gains realised from currency hedging related to the L&T FM acquisition.

The average interest rate on long-term loans (with interest rate hedging) was 1.2% (1.1). Loans totalling EUR 3.9 million will mature in 2019.

The equity ratio was 38.6% (38.6) and the gearing rate was 46.1 (54.2). Liquid assets at the end of the period amounted to EUR 54.3 million (48.1).

The EUR 100 million commercial paper programme was entirely unused at the end of the period. EUR 20 million was in use in the comparison period. A committed limit totalling EUR 30.0 million was not in use, as was the case during the comparison period.

DISTRIBUTION OF ASSETS

The Annual General Meeting held on 15 March 2018 resolved that a dividend of EUR 0.92 per share be paid on the basis of the balance sheet that was adopted for the financial year 2017. The dividend, totalling EUR 35.3 million, was paid to shareholders on 26 March 2018.

CAPITAL EXPENDITURE

Gross capital expenditure in 2018 totalled EUR 37.8 million (113.2), consisting primarily of machine and equipment purchases and investments in information systems. The most significant investment in the comparison period was the acquisition of L&T FM AB.

PERSONNEL

In the fourth quarter, the average number of employees converted into full-time equivalents was 7,566 (7,875). At the end of the period, Lassila & Tikanoja had 8,600 (8,663) full-time and part-time employees. Of these, 6,871 (7,041) worked in Finland and 1,729 (1,622) in other countries.

PROPOSAL FOR THE DISTRIBUTION OF ASSETS

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amounts to EUR 102,070,534.52, with the operating profit for the period representing EUR 34,330,916.99 of this total. There were no substantial changes in the financial standing of the company after the end of the period, and the solvency test referred to in Chapter 13, Section 2 of the Companies Act does not affect the amount of distributable assets.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.92 per share be paid for the financial year 2018. The dividend is paid to shareholders included in the company shareholder register maintained by Euroclear Finland Oy on the record date, 18 March 2019. The Board proposes to the Annual General Meeting that the dividend be paid on 25 March 2019.

No dividend shall be paid on shares held by the company on the record date of 18 March 2019.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 38,405,922, which means the total amount of the dividend would be EUR 35,333,448.24. Earnings per share amounted to EUR 0.89. The proposed dividend, EUR 0.92 per share, is 103.7% of the earnings per share.

L&T's Annual Report, which includes the report by the Board of Directors and the financial statements for 2018, will be published in week 8 at www.lt.fi/vuosikertomus2018.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading on Nasdaq Helsinki in January–December, excluding the shares held by the company in Lassila & Tikanoja plc, was 4,994,631 shares, which is 13.0% (14.3) of the average number of outstanding shares. The value of trading was EUR 83.8 million (101.6). The highest share price was EUR 20.0 and the lowest EUR 14.34. The closing price was EUR 14.96. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 574.6 million (693.5).

Own shares

At the end of the period, the company held 392,952 of its own shares, representing 1.0% of all shares and votes.

Share capital and number of shares

The company's registered share capital amounts to EUR 19,399,437 and the number of outstanding shares is 38,405,922. The average number of shares excluding the shares held by the company was 38,404,842.

Shareholders

At the end of the period, the company had 13,207 (12,208) shareholders. Nominee-registered holdings accounted for 19.5% (19.5) of the total number of shares.

Authorisation for the Board of Directors

The Annual General Meeting held on 15 March 2018 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the company's unrestricted equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on a share issue and the issuance of special rights entitling their holders to shares.

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

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

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting, which was held on 15 March 2018, adopted the financial statements and consolidated financial statements for 2017 and released the members of the Board of Directors and the President and CEO from liability.

The Annual General Meeting resolved that a dividend of EUR 0.92 per share, totalling EUR 35.3 million,

be paid on the basis of the balance sheet adopted for the financial year 2017. It was decided that the dividend be paid on 26 March 2018.

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

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

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 15 March 2018.

BOARD OF DIRECTORS

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

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

KEY EVENTS DURING THE REVIEW PERIOD

On 24 April, the company published key financial figures adjusted according to the IFRS 9 and IFRS 15 standards as well as comparison data for the 2017 financial year according to the new segment structure.

On 3 August, Lassila & Tikanoja announced a change in the company's President and CEO. Pekka Ojanpää was to leave his post as the company's President and CEO on 3 February 2019 at the latest to become the President and CEO of Suominen Corporation.

On 31 August, Lassila & Tikanoja announced it is considering the issuance of new fixed rate notes. The company also announced a voluntary tender offer for its outstanding notes maturing in 2019.

On 7 September, the company announced the issuance of EUR 50 million notes due 2023.

On 12 September, the company announced the final tender offer results of the 2019 notes. The aggregate nominal amount of the 2019 notes validly tendered by the noteholders for purchase pursuant to the tender offer was EUR 27,000,000.

On 17 September, the company published the listing prospectus of its EUR 50 million notes. The new notes mature on 17 September 2023, bear fixed annual interest at the rate of 1.250% and have an issue price of 99.534%.

On 15 November, the company announced that Eero Hautaniemi, M.Sc. (Econ.) had been appointed as President and CEO starting from 1 January 2019.

On 24 November, the company announced that President and CEO Pekka Ojanpää had died in an aviation accident. CFO Tuomas Mäkipeska was appointed as the interim President and CEO.

EVENTS AFTER THE REVIEW PERIOD

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

NEAR-TERM RISKS AND UNCERTAINTIES

Challenges related to the availability of labour may increase production costs and slow down the growth of net sales.

A decline in the volume of the construction industry and a slowing down of investment growth may have an unfavourable effect on the Group's operations and business growth and lead to lower profitability. In addition, market price development for emission rights, secondary raw materials or oil products may have a negative impact on the company's business environment.

Temporary additional costs arising from establishing the operating model related to the new ERP system may weigh down on the company's result.

More detailed information on Lassila & Tikanoja's risks and risk management is available in the 2018 Annual Report, which will be published in week 8, and in the Report of the Board of Directors and the consolidated financial statements.

OUTLOOK FOR THE YEAR 2019

All of Lassila & Tikanoja's divisions except Facility Services have good outlook for 2019. Net sales and operating profit of Facility Services are expected to decrease compared to 2018 due to costs related to implementation of the new operating model and decrease in the division's contract base.

Lassila & Tikanoja's full-year net sales and operating profit in 2019 are expected to be on par with 2018.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2018

CONSOLIDATED INCOME STATEMENT

EUR million	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Net sales	206.5	206.1	802.2	709.5
Other operating income	1.2	1.3	5.2	5.7
Change of inventory	-1.0	-2.6	-2.4	-1.0
Materials and services	-73.3	-73.1	-282.0	-231.9
Employee benefit expenses	-80.8	-80.7	-324.2	-296.9
Other operating expenses	-30.3	-28.5	-108.7	-100.3
Depreciation and impairment	-10.7	-11.1	-42.5	-41.1
Operating profit	11.7	11.4	47.6	44.0
Financial income and expenses	-1.0	-1.3	-4.5	-1.4
Share of the result of associated companies	0.0	0.0	-0.4	-0.1
Profit before tax	10.6	10.0	42.7	42.5
Income taxes	-2.0	-1.4	-8.7	-8.9
Profit for the period	8.7	8.5	34.1	33.5
Attributable to:				
Equity holders of the company	8.7	8.5	34.1	33.5
Non-controlling interest	0.0	0.0	0.0	0.0
Earnings per share attributable to equity holders of the parent company:				
Earnings per share, EUR	0.23	0.22	0.89	0.87
Diluted earnings per share, EUR	0.23	0.22	0.89	0.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Profit for the period	8.7	8.5	34.1	33.5
Items not to be recognised through profit or loss				
Items arising from reassessment of defined benefit plans	0.0	0.1	0.0	0.1
Items not to be recognised through profit or loss, total	0.0	0.1	0.0	0.1

Items potentially to be recognised through profit or loss

Hedging reserve, change in fair value	-0.2	-0.1	-0.2	-0.1
Currency translation differences	0.3	-1.3	-3.4	-2.7
Currency translation differences, non-controlling interest	0.0	0.0	0.0	0.0
Items potentially to be recognised through profit or loss, total	0.1	-1.4	-3.6	-2.8
Total comprehensive income, after tax	8.8	7.2	30.4	30.7

Attributable to:

Equity holders of the company	8.8	7.2	30.4	30.7
Non-controlling interest	0.0	0.0	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million 12/2018 12/2017

ASSETS

Non-current assets

Intangible assets		
Goodwill	151.5	150.2
Customer contracts arising from acquisitions	19.2	22.6
Agreements on prohibition of competition	0.0	0.0
Other intangible assets arising from business acquisitions	0.5	0.5
Other intangible assets	22.4	22.9
	193.6	196.3
Property, plant and equipment		
Land	5.1	5.3
Buildings and constructions	35.5	40.3
Machinery and equipment	110.9	113.0
Other tangible assets	0.1	0.1
Prepayments and construction in progress	5.2	2.0
	156.8	160.5
Other non-current assets		
Finance lease receivables	0.1	0.3
Deferred tax assets	3.6	6.8
Other receivables	1.9	3.3
	5.6	10.3
Total non-current assets	356.0	367.2

Current assets

Inventories	21.0	23.9
Trade receivables	88.1	96.0
Contract assets	31.9	30.9
Other receivables	12.2	11.2
Cash and cash equivalents	54.3	48.1

Total current assets	207.5	210.2
Total assets	563.5	577.3

EUR million	12/2018	12/2017
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EQUITY AND LIABILITIES

Equity

Equity attributable to equity holders of the parent company

Share capital	19.4	19.4
Other reserves	-9.5	-5.9
Invested unrestricted equity reserve	0.6	0.6
Retained earnings	167.7	169.7
Profit for the period	34.1	33.5
	212.2	217.2
Non-controlling interest	0.2	0.2

Total equity **212.4** 217.4

Liabilities

Non-current liabilities

Deferred tax liability	29.3	29.2
Retirement benefit obligations	1.4	1.4
Provisions	4.6	5.0
Borrowings	144.8	140.9
Other liabilities	0.5	0.4
	180.6	177.0

Current liabilities

Borrowings	7.4	25.0
Trade and other payables	162.4	156.0
Provisions	0.7	1.9
	170.5	183.0

Total liabilities **351.1** 359.9

Total equity and liabilities **563.5** 577.3

CONSOLIDATED STATEMENT OF CASH FLOW

EUR million	1-12/2018	1-12/2017
Cash flow from operating activities		
Profit for the period	34.1	33.5
Adjustments		
Income taxes	8.7	9.0
Depreciation and impairment	42.5	41.1
Financial income and expenses	4.5	1.4
Other	0.0	0.3
Net cash generated from operating activities before change in working capital	89.6	85.3
Change in working capital		
Change in trade and other receivables	1.5	-14.6
Change in inventories	3.0	1.0
Change in trade and other payables	5.4	2.8
Change in working capital	9.9	-10.8
Interest paid	-3.4	-2.7
Interest received	0.4	0.5
Income taxes	-6.4	-10.5
Net cash from operating activities	90.1	61.8
Cash flow from investing activities		
Acquisition of subsidiaries and businesses, net of cash acquired/adjustment of acquisition price	1.2	-67.2
Purchases of property, plant and equipment and intangible assets	-29.0	-25.5
Proceeds from the sale of property, plant and equipment and intangible assets	2.2	1.7
Investments in associated companies	0.0	-0.8
Change in other non-current receivables and investments	0.8	-0.3
Net cash used in investing activities	-24.7	-92.1
Cash flow from financing activities		
Change in short-term borrowings	-22.6	19.9
Proceeds from long-term borrowings	49.6	69.9
Repayments of long-term borrowings	-47.7	-2.6
Payments of finance lease liabilities	-2.9	-1.6
Dividends paid	-35.3	-35.3
Net cash generated from financing activities	-58.9	50.3
Net change in liquid assets		
Liquid assets at beginning of period	48.1	28.2
Effect of changes in foreign exchange rates	-0.3	-0.1
Liquid assets at end of period	54.3	48.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity
Equity on 1 January 2017	19.4	-3.0	-0.1	0.4	206.1	222.8	0.2	223.0
Effect of IFRS 15 adoption					-1.1	-1.1		-1.1
Adjusted equity on 1 January 2017	19.4	-3.0	-0.1	0.4	205.0	221.8	0.2	221.9
Total comprehensive income								
Result for the period					33.5	33.5	0.0	33.5
Other comprehensive income items		-2.7	-0.1	0.0	0.1	-2.8	0.0	-2.8
Total comprehensive income		-2.7	-0.1	0.0	33.6	30.7	0.0	30.7
Transactions with shareholders								
Share-based benefits				0.1	-0.2	0.0		0.0
Dividends paid					-35.3	-35.3		-35.3
Transactions with shareholders, total				0.1	-35.5	-35.3		-35.3
Other changes					0.1	0.1		0.1
Equity on 31 Dec. 2017	19.4	-5.7	-0.2	0.6	203.2	217.2	0.2	217.4
Effect of IFRS 9 adoption					-0.4	-0.4		-0.4
Adjusted equity on 1 January 2018	19.4	-5.7	-0.2	0.6	202.8	216.9	0.2	217.1
Total comprehensive income								
Result for the period					34.1	34.1	0.0	34.1
Other comprehensive income items		-3.4	-0.2		0.0	-3.6	0.0	-3.7
Total comprehensive income		-3.4	-0.2		34.0	30.4	0.0	30.4
Transactions with shareholders								
Share-based benefits				0.0	0.2	0.2		0.2

Dividends paid			-35.3	-35.3	-35.3
Transactions with shareholders, total		0.0	-35.2	-35.1	-35.1
Other changes			0.0	0.0	0.0
Equity on 31 December 2018	19.4	-9.1	-0.4	0.6	201.7
				212.2	0.2
					212.4

KEY FIGURES

	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Earnings per share, EUR	0.23	0.22	0.89	0.87
Diluted earnings per share, EUR	0.23	0.22	0.89	0.87
Cash flow from operating activities/share, EUR	1.50	0.67	2.35	1.61
EVA, EUR million*	6.0	4.5	24.0	21.1
Adjusted operating profit, MEUR**	12.4	12.4	50.5	45.7
Gross capital expenditure, EUR million	16.2	15.9	37.8	113.2
Depreciation, amortisation and impairment, EUR million	10.7	11.1	42.5	41.1
Equity per share, EUR			5.53	5.66
Dividend/share, EUR ***			0.92	0.92
Dividend/earnings, %			103.7	105.4
Effective dividend yield, %			6.1	5.1
P/E ratio			16.9	20.7
Return on equity, % (ROE)			15.9	15.2
Return on invested capital, % (ROI)			12.7	13.3
Equity ratio, %			38.6	38.6
Gearing, %			46.1	54.2
Net interest-bearing liabilities, EUR million			97.8	117.9
Average number of employees in full-time equivalents			7,566	7,875
Total number of full-time and part-time employees at end of period			8,600	8,663
Number of outstanding shares adjusted for issues, 1,000 shares				
average during the period			38,405	38,395
at end of period			38,406	38,398
average during the period, diluted			38,419	38,409

* EVA = operating profit - cost calculated on invested capital (average of four quarters). WACC: 2018 6.60%, 2017 6.69%

** Adjusted operating profit = operating profit plus purchase price allocation amortisation

*** 2018 proposal by the Board of Directors

ACCOUNTING POLICIES

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

The financial statements release has been prepared with application of the IFRS standards and interpretations in effect on 31 December 2018 and the new and amended provisions that entered into force on 1 January 2018.

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc dated 31 December 2018.

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

The comparison figures for 2017 have been adjusted in accordance with IFRS 9 and IFRS 15.

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

Changes in segment reporting

On 14 December 2017, Lassila & Tikanoja plc announced a change in segment reporting as of 1 January 2018. In the change, technical services were separated from the Facility Services division to form an independent reporting segment. Lassila & Tikanoja's new structure consists of five reporting segments: Environmental Services, Industrial Services, Facility Services, Technical Services and Renewable Energy Sources. Comparable figures for 2017 were published in a separate release on 24 April 2018.

IFRS 9

IFRS 9 presents revised guidance on the recognition and measurement of financial instruments. This also includes a new accounting model for credit losses that is applied in the determination of impairment recognised on financial assets. The standard's provisions concerning general hedge accounting have also been revised. IFRS 9 also carries forward the guidance on the recognition and derecognition of financial instruments from IAS 39. The company has not applied the standard retroactively. The effect of the application of the standard on Lassila & Tikanoja's equity in the opening balance sheet of 1 January 2018 was EUR -0.4 million.

IFRS 15

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

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

Lassila & Tikanoja's revenue streams consist of rendering of services, the project business and the sale of equipment and materials. Revenue from services is recognised over time as the service is delivered to the customer, since the customer receives and consumes the benefits provided by L&T as L&T performs. Revenue from project deliveries is recognised over time since L&T's performance is enhancing an asset that the customer controls. In the sale of equipment and materials, control of the delivered product is transferred when the physical possession of the product has been transferred to the customer, which typically occurs at delivery. The adoption of IFRS 15 did not impact the revenue

recognition method except for the Environmental Services' equipment sales (compactors and balers), which represent approximately 0.5% of L&T's net sales.

In accordance with IAS 8, the company applied the standard retrospectively for each previous reporting period it presents, taking into account the practical expedients allowed by IFRS 15. The effect of the application of the standard on Lassila & Tikanoja's equity in the opening balance sheet of 1 January 2018 was EUR -1.3 million (1 January 2017: EUR -1.1 million).

IFRS 2

The amendments to IFRS 2 Share-based Payment clarify the accounting of certain types of arrangements. They apply to three areas: the measurement of cash-settled payments, share-based payments from which withholding taxes have been deducted, and converting share-based payments from cash-settled payments to equity-settled payments. The amendments have had no impact on Lassila & Tikanoja's figures.

IFRS 16

IFRS 16 is effective starting January 1, 2019 and it defines the principles for the recognition, measurement, presentation and disclosure of leases. The new standard replaces IAS 17 and the related interpretations. L&T will apply the standard starting from 1 January 2019 using the modified retrospective approach, which means that the comparative figures for the year preceding adoption will not be restated.

L&T leases production and office premises, related land areas and vehicles. Lassila & Tikanoja's leases agreements are primarily classified as operating leases, for which a lease expense is recognised in the income statement in accordance with IAS 17. IFRS 16 will change the accounting of these leases. In principle, IFRS 16 requires lessees to recognise all leases in the balance sheet. At the commencement date, a lessee recognises a right-of-use asset and a lease liability in the balance sheet. The asset and liability are measured at the present value of future lease payments. In the income statement, instead of lease expenses, a lessee recognises depreciation on right-of-use assets and the interest expense on the lease liability.

The effect of the adoption of IFRS 16 on L&T's balance sheet on 1 January 2019 is estimated to be EUR 50–60 million through an increase in right-of-use assets as well as liabilities.

SEGMENT INFORMATION**NET SALES**

EUR million	10-12/2018			10-12/2017			Total net sales, change %
	External	Interdivision	Total	External	Interdivision	Total	
Environmental Services	67.5	1.0	68.5	64.9	1.1	66.0	3.7
Industrial Services	24.5	0.7	25.2	23.1	0.8	23.9	5.7
Facility Services	61.4	0.8	62.1	69.5	0.6	70.2	-11.5
Technical Services	41.1	0.6	41.6	37.9	0.5	38.4	8.3
Renewable Energy Sources	12.0	0.0	12.1	10.7	0.0	10.7	12.7
Eliminations		-3.1	-3.1		-3.2	-3.2	
Total	206.5		206.5	206.1		206.1	0.2

EUR million	1-12/2018			1-12/2017			Total net sales, change %
	External	Interdivision	Total	External	Interdivision	Total	
Environmental Services	267.0	3.2	270.2	259.2	3.5	262.8	2.8
Industrial Services	93.7	2.9	96.5	87.4	3.3	90.7	6.5
Facility Services	254.4	2.8	257.2	258.0	2.6	260.6	-1.3
Technical Services	146.6	1.8	148.4	70.2	1.7	71.8	106.6
Renewable Energy Sources	40.5	0.2	40.7	34.7	0.2	34.9	16.6
Eliminations		-10.8	-10.8		-11.3	-11.3	
Total	802.2		802.2	709.5		709.5	13.1

OPERATING PROFIT

EUR million	10-12/ 2018	%	10-12/ 2017	%	1-12/ 2018	%	1-12/ 2017	%
	2018		2017		2018		2017	
Environmental Services	8.3	12.0	6.9	10.4	31.6	11.7	31.6	12.0
Industrial Services	2.6	10.4	2.6	10.7	10.0	10.4	8.7	9.6
Facility Services	0.0	0.0	1.4	2.0	5.0	1.9	5.2	2.0
Technical Services	1.6	3.8	1.2	3.1	4.5	3.0	1.6	2.3
Renewable Energy Sources	0.1	0.6	0.2	2.1	0.0	0.0	0.7	2.0
Group administration and other	-0.9		-0.9		-3.5		-3.9	
Total	11.7	5.7	11.4	5.5	47.6	5.9	44.0	6.2

ADJUSTED OPERATING PROFIT

EUR million	10-12/ 2018	%	10-12/ 2017	%	1-12/ 2018	%	1-12/ 2017	%
Environmental Services	8.4	12.2	7.0	10.6	32.1	11.9	32.2	12.3
Industrial Services	2.6	10.5	2.6	10.8	10.1	10.5	8.8	9.7
Facility Services	0.0	0.0	1.5	2.1	5.0	2.0	5.3	2.0
Technical Services	2.2	5.2	2.0	5.2	6.8	4.6	2.6	3.6
Renewable Energy								
Sources	0.1	0.6	0.2	2.1	0.0	0.0	0.7	2.0
Group administration and other	-0.9		-0.9		-3.5		-3.9	
Total	12.4	6.0	12.4	6.0	50.5	6.3	45.7	6.4

OTHER SEGMENT INFORMATION

EUR million	12/2018	12/2017
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Assets		
Environmental Services	216.7	218.4
Industrial Services	72.8	74.1
Facility Services	89.0	103.5
Technical Services	101.7	98.8
Renewable Energy		
Sources	20.9	22.7
Group administration and other	0.5	2.1
Unallocated assets	61.9	57.8
L&T total	563.5	577.3

Liabilities		
Environmental Services	59.2	55.3
Industrial Services	29.9	27.4
Facility Services	46.7	52.2
Technical Services	19.4	15.9
Renewable Energy		
Sources	8.5	7.6
Group administration and other	4.7	5.3
Unallocated liabilities	182.8	196.2
L&T total	351.1	359.9

EUR million	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Capital expenditure				
Environmental Services	8.2	5.1	20.6	24.8
Industrial Services	3.8	3.4	8.4	9.0
Facility Services	3.5	3.7	6.9	10.1
Technical Services	0.7	3.6	1.7	68.6
Renewable Energy				
Sources	0.1	0.0	0.2	0.2
Group administration and other	0.0	0.0	0.0	0.4
L&T total	16.2	15.9	37.8	113.2

Depreciation and amortisation

Environmental Services	5.0	5.0	20.2	19.9
Industrial Services	2.0	2.0	7.5	7.3
Facility Services	2.6	2.7	10.7	11.3
Technical Services	1.0	1.2	3.9	2.3
Renewable Energy Sources	0.1	0.1	0.3	0.3
Group administration and other	0.0	0.0	0.0	0.0
L&T total	10.7	11.1	42.5	41.1

INCOME STATEMENT BY QUARTER

EUR million	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017
Net sales					
Environmental Services	68.5	69.6	69.3	62.8	66.0
Industrial Services	25.2	25.9	26.3	19.2	23.9
Facility Services	62.1	63.2	66.0	65.8	70.2
Technical Services	41.6	34.8	35.6	36.4	38.4
Renewable Energy Sources	12.1	5.5	8.4	14.7	10.7
Interdivision net sales	-3.1	-2.6	-2.7	-2.4	-3.2
Total	206.5	196.3	203.0	196.5	206.1
Operating profit					
Environmental Services	8.3	10.6	8.4	4.4	6.9
Industrial Services	2.6	3.7	3.3	0.4	2.6
Facility Services	0.0	4.1	1.4	-0.5	1.4
Technical Services	1.6	1.6	0.6	0.7	1.2
Renewable Energy Sources	0.1	0.1	-0.3	0.1	0.2
Group administration and other	-0.9	-0.6	-0.7	-1.3	-0.9
Total	11.7	19.6	12.6	3.7	11.4
Adjusted operating profit					
Environmental Services	8.4	10.7	8.5	4.5	7.0
Industrial Services	2.6	3.8	3.3	0.4	2.6
Facility Services	0.0	4.1	1.4	-0.5	1.5
Technical Services	2.2	2.1	1.2	1.3	2.0
Renewable Energy Sources	0.1	0.1	-0.3	0.1	0.2
Group administration and other	-0.9	-0.6	-0.7	-1.3	-0.9
Total	12.4	20.3	13.4	4.5	12.4
Operating margin					
Environmental Services	12.0	15.2	12.1	7.0	10.4
Industrial Services	10.4	14.4	12.4	2.2	10.7
Facility Services	0.0	6.5	2.1	-0.8	2.0
Technical Services	3.8	4.5	1.7	1.9	3.1
Renewable Energy Sources	0.6	2.6	-3.3	0.5	2.1
Total	5.7	10.0	6.2	1.9	5.5
Financial income and expenses, net	-1.0	-1.4	-1.1	-0.9	-1.3

Share of the result of associated companies	0.0	0.0	-0.3	-0.1	0.0
Profit before tax	10.6	18.2	11.1	2.8	10.0

DISAGGREGATION OF REVENUE

10-12/2018, EUR Million	Revenue recognised over time			Revenue recognised at a point in time		
	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Rent	Total net sales
Environmental Services	58.1			9.7	0.6	68.5
Industrial Services	10.7	10.7	2.2	1.6		25.2
Facility Services	45.7	8.1	8.3			62.1
Technical Services	10.7	26.8	4.1			41.6
Renewable Energy Sources	0.0	0.0	0.0	12.1		12.1
Total	125.2	45.6	14.6	23.5	0.6	209.6
Interdivision						-3.1
Total external net sales						206.5

10-12/2017, EUR Million	Revenue recognised over time			Revenue recognised at a point in time		
	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Rent	Total net sales
Environmental Services	50.8			14.9	0.4	66.0
Industrial Services	11.5	10.8	0.5	1.1		23.9
Facility Services	48.2	8.7	13.2			70.2
Technical Services	10.2	22.0	6.2			38.4
Renewable Energy Sources				10.7		10.7
Total	120.7	41.4	20.0	26.7	0.4	209.2
Interdivision						-3.2
Total external net sales						206.1

1-12/2018, EUR Million	Revenue recognised over time			Revenue recognised at a point in time	Rent	Total net sales
	Long-term service agreements	Separately ordered services	Project business			
Environmental Services	210.5			57.8	2.0	270.2
Industrial Services	44.5	41.5	5.4	5.1		96.5
Facility Services	187.9	35.3	34.0			257.2
Technical Services	41.4	95.5	11.5			148.4
Renewable Energy Sources				40.7		40.7
Total	484.3	172.3	50.9	103.6	2.0	813.0
Interdivision						-10.8
Total external net sales						802.2

1-12/2017, EUR Million	Revenue recognised over time			Revenue recognised at a point in time	Rent	Total net sales
	Long-term service agreements	Separately ordered services	Project business			
Environmental Services	204.0			57.3	1.4	262.8
Industrial Services	43.5	39.8	3.1	4.2		90.7
Facility Services	194.7	30.9	35.1			260.6
Technical Services	15.9	47.7	8.2			71.8
Renewable Energy Sources				34.9		34.9
Total	458.1	118.5	46.3	96.4	1.4	720.8
Interdivision						-11.3
Total external net sales						709.5

The presentation of the tables has been specified further during the fourth quarter.

ALTERNATIVE PERFORMANCE MEASURES

MATCHING THE EVA RESULT TO OPERATING PROFIT

EUR million	1-12/2018	1-12/2017
Operating profit	47.6	44.0
Invested capital (rolling 12-month quarterly average)	357.7	342.0
Cost calculated on invested capital	-23.6	-22.9
EVA	24.0	21.1

MATCHING ADJUSTED OPERATING PROFIT TO OPERATING PROFIT

EUR million	10–12/2018	10–12/2017	1–12/2018	1–12/2017
Operating profit	11.7	11.4	47.6	44.0
Purchase price allocation amortisation				
Environmental Services	0.1	0.2	0.5	0.6
Industrial Services	0.0	0.0	0.1	0.1
Facility Services	0.0	0.0	0.1	0.1
Technical Services	0.6	0.8	2.3	0.9
Adjusted operating profit	12.4	12.4	50.5	45.7

BUSINESS ACQUISITIONS**L&T FM AB**

In the first quarter of 2018, a transaction price refund of EUR 2.2 million was received, which affects cash flow from investing activities by EUR 1.6 million. In the Consolidated Statement of Cash Flows this is shown on a row Acquisitions of subsidiaries and businesses, net of cash acquired netted with the acquisition of the 2018 business. In addition, the value of the acquired balance sheet items was adjusted by SEK 34.5 million in the third quarter. The adjustments are presented as an increase in property, plant and equipment.

Fair value

EUR million	1–12/2018	1–12/2017
Intangible assets	19.0	19.0
Property, plant and equipment	0.1	0.1
Investments	0.0	0.0
Receivables	27.5	32.2
Cash and cash equivalents	0.8	0.8
Total assets	47.5	52.1
Other liabilities	16.8	16.8
Deferred tax liabilities	3.9	4.2
Total liabilities	20.7	21.0
Net assets acquired	26.8	31.2
Total consideration	63.4	64.9
Goodwill	36.6	33.7
Effect on cash flow		
Consideration paid in cash	-63.4	-64.9
Cash and cash equivalents of the acquired company	0.8	0.8
Unpaid	-	-
Cash flow from investing activities	-62.6	-64.1

The acquisition of L&T FM AB was completed on 31 August 2017 and the acquired entity has been included in the consolidated financial statements as of 1 September 2017 based on the preliminary acquisition price calculation. The IFRS calculation of the acquisition price on 31 December 2018 is final.

OTHER BUSINESS ACQUISITIONS, COMBINED

Fair value, total EUR million	1-12/2018	1-12/2017
Intangible assets	0.2	0.6
Property, plant and equipment	0.1	1.0
Investments	-	0.0
Receivables	-	0.3
Cash and cash equivalents	-	1.0
Total assets	0.2	2.9
Other liabilities	-	0.3
Deferred tax liabilities	-	0.0
Total liabilities	-	0.3
Net assets acquired	0.2	2.6
Total consideration	0.4	4.1
Goodwill	0.2	1.5
Effect on cash flow		
Consideration paid in cash	-0.4	-4.1
Cash and cash equivalents of the acquired company	-	1.0
Unpaid	0.1	0.2
Cash flow from investing activities	-0.3	-3.0

CHANGES IN INTANGIBLE ASSETS

EUR million	1-12/2018	1-12/2017
Carrying amount at beginning of period	196.3	143.2
Business acquisitions	3.1	53.0
Other capital expenditure	5.3	7.1
Disposals	0.0	0.0
Depreciation and impairment	-8.6	-6.6
Transfers between items	0.1	0.0
Exchange differences	-2.5	-0.3
Carrying amount at end of period	193.6	196.3

The business acquisitions item under changes in intangible assets for the financial year is due to an adjustment to the L&T FM AB acquisition price calculation and the acquisition of the business operations of Kymen Talopalvelu Oy.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	1–12/2018	1–12/2017
Carrying amount at beginning of period	160.5	160.3
Business acquisitions	0.1	1.1
Other capital expenditure	32.2	35.4
Disposals	-1.5	-1.4
Depreciation and impairment	-33.9	-34.5
Transfers between items	-0.1	0.0
Exchange differences	-0.6	-0.3
Carrying amount at end of period	156.8	160.5

CAPITAL COMMITMENTS

EUR million	12/2018	12/2017
Intangible assets	0.2	0.2
Property, plant and equipment	8.9	1.9
Total	9.1	2.1

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	31 December 2018	Amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
Finance lease receivables		0.1		0.1	2
Other receivables		1.9		1.9	
Current financial assets					
Trade and other receivables		120.8		120.8	
Finance lease receivables		0.2		0.2	
Derivative receivables			0.0	0.0	
Cash and cash equivalents		54.3		54.3	
Total financial assets		177.3	0.0	177.3	
Non-current financial liabilities					
Borrowings		124.5		124.5	2
Finance lease payables		20.3		20.3	
Current financial liabilities					
Borrowings		0.9		0.9	
Finance lease payables		3.5		3.5	
Trade and other payables		85.7		85.7	
Derivative liabilities			0.5	0.5	2
Total financial liabilities		234.9	0.5	235.5	

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

EUR million	31 December 2017	Amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
Finance lease receivables		0.3		0.3	2
Other receivables		2.4		2.4	
Current financial assets					
Trade and other receivables		128.7		128.7	
Finance lease receivables		0.6		0.6	
Derivative receivables			0.1	0.1	
Cash and cash equivalents		48.1		48.1	
Total financial assets		179.9	0.1	180.1	
Non-current financial liabilities					
Borrowings		125.6		125.6	2
Finance lease payables		15.3		15.3	
Current financial liabilities					
Borrowings		22.6		22.6	
Finance lease payables		2.4		2.4	
Trade and other payables		80.1		80.1	
Derivative liabilities			0.2	0.2	2
Total financial liabilities		246.0	0.2	246.3	

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

CONTINGENT LIABILITIES

EUR million	12/2018	12/2017
Securities for own commitments		
Mortgages on rights of tenancy	0.1	0.1
Other securities	0.1	0.1
Bank guarantees required for environmental permits	10.2	10.6
Other securities are security deposits.		
Operating lease liabilities		
EUR million	12/2018	12/2017
Maturity not later than one year	13.6	10.5
Maturity later than one year and not later than five years	16.2	15.1
Maturity later than five years	9.2	10.5
Total	39.0	36.1

Liabilities associated with derivative agreements

Interest rate swaps

EUR million	12/2018	12/2017
Nominal values of interest rate swaps		
Maturity not later than one year	0.9	1.8
Maturity later than one year and not later than five years	-	0.9
Maturity later than five years	30.0	30.0
Total	30.9	32.7
Fair value	-0.6	-0.3

The interest rate swaps are used for the hedging of cash flow related to floating rate loans, and hedge accounting under IFRS 9 has been applied to them. The hedges have been effective, and the changes in their fair values are shown on the consolidated statement of comprehensive income for the period. The fair values of the swap contracts are based on the market data on the balance sheet date.

Commodity derivatives

EUR million	12/2018	12/2017
Nominal values of diesel swaps		
Maturity not later than one year	1.6	1.2
Maturity later than one year and not later than five years	-	0.0
Total	1.6	1.2
Fair value	0.0	0.1

Commodity derivative contracts were signed for the hedging of future diesel oil purchases. IFRS 9 compliant hedge accounting is applied to these contracts, and the effective change in fair value is recognised in the hedging reserve within equity. The fair values of commodity derivatives are based on market prices on the balance sheet date.

CALCULATION OF KEY FIGURES

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

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

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

EVA:
operating profit - cost calculated on invested capital (average of four quarters)
WACC 2018: 6.60% and 2017: 6.69%

Adjusted operating profit:
operating profit plus purchase price allocation amortisation

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

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

Return on invested capital, % (ROI):
 (profit/loss before tax + finance costs)/ Balance sheet total - interest bearing liabilities (average) x 100

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

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

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

Helsinki, 30 January 2019

LASSILA & TIKANOJA PLC
 Board of Directors

Eero Hautaniemi
 President and CEO

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Lassila & Tikanoja is a service company that is putting the circular economy into practice. Together with our customers, we keep materials and properties in productive use for as long as possible and we enhance the use of raw materials and energy. We help our customers maintain the value of their properties and materials while protecting the environment. We achieve this by delivering responsible and sustainable service solutions that make the daily lives of our customers easier. We operate in Finland, Sweden, and Russia. L&T employs 8,600 people. Net sales in 2018 amounted to EUR 802.2 million. L&T is listed on Nasdaq Helsinki.

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