

LASSILA & TIKANOJA PLC: INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2014

- **Net sales for the third quarter EUR 158.1 million (EUR 161.9 million); operating profit EUR 19.4 million (EUR 20.0 million); operating profit excluding non-recurring items EUR 19.7 million (EUR 20.1 million); earnings per share EUR 0.39 (EUR 0.35)**
- **Net sales for January–September EUR 477.4 million (EUR 498.5 million); operating profit EUR 34.5 million (EUR 34.8 million); operating profit excluding non-recurring items EUR 40.6 million (EUR 40.3 million); earnings per share EUR 0.25 (EUR 0.61)**
- **Lassila & Tikanoja’s net sales in 2014 are expected to remain at the 2013 level or slightly below. Operating profit excluding non-recurring items is expected to remain at the 2013 level or slightly below.**

CEO PEKKA OJANPÄÄ:

“As expected, the economic recession has decreased material flows in the industrial, construction and retail sectors. The general economic situation has also had a negative effect on the demand for services in the Facility Services division. The comparable net sales of Environmental Services, however, grew due to successful sales work and a strengthened market position. In Industrial Services, we achieved growth and improved profitability in spite of the market situation, primarily on the strength of high demand for process cleaning. In Facility Services and Renewable Energy Sources, we continued to improve the efficiency of operations. In line with our strategy, our focus in the prevailing economic situation is on strengthening our market position and ensuring profitability and cash flow. Our relative profitability has continued to improve this year.”

GROUP NET SALES AND FINANCIAL PERFORMANCE

Third quarter

Lassila & Tikanoja’s net sales for the third quarter decreased by 2.3% year-on-year, to EUR 158.1 million (EUR 161.9 million). Operating profit was EUR 19.4 million (EUR 20.0 million). Operating profit excluding non-recurring items was EUR 19.7 million (EUR 20.1 million), representing 12.4% (12.4%) of net sales. Earnings per share were EUR 0.39 (EUR 0.35).

During the third quarter, comparable net sales decreased in the Facility Services and Renewable Energy Sources divisions, but grew in the Environmental Services and Industrial Services divisions.

The net sales of the comparison period includes EUR 4.2 million in net sales from the Latvian business operations that were divested on 13 March 2014 as well as EUR 0.5 million of operating profit, most of which is allocated to the Environmental Services division.

Operating profit excluding non-recurring items was lower than in the comparison period due to demand for services of Facility Services division being weaker than in the previous year, as expected. Operating profit excluding non-recurring items was also affected by a write-down of EUR 0.4 million on inventories reported under Renewable Energy Sources, and a non-recurring EUR 0.2 million write-down on inventories of discontinued business operations. The total write-down for Renewable Energy Sources was EUR 0.7 million.

January–September

Lassila & Tikanoja’s net sales for January–September amounted to EUR 477.4 million (EUR 498.5 million), a decrease of 4.2% year-on-year. Operating profit was EUR 34.5 million (EUR 34.8 million). Operating profit excluding non-recurring items was EUR 40.6 million (EUR 40.3 million), representing 8.5% (8.1%) of net sales. Earnings per share were EUR 0.25 (EUR 0.61).

During the first three quarters of the year, comparable net sales decreased in the Facility Services and Renewable Energy Sources divisions, but grew in the Environmental Services and Industrial Services divisions.

The net sales of the comparison period includes EUR 12.2 million in net sales from the Latvian business operations that were divested on 13 March 2014 as well as EUR 0.8 million of operating profit. The 2013 net sales of the company includes EUR 16.6 million of net sales from the Latvian business operations as well as EUR 1.3 million of operating profit, most of which is allocated to the Environmental Services division.

The operating profit recorded for January–September includes EUR 6.4 million of non-recurring costs relating to holdings in EcoStream Oy, which has filed for bankruptcy, and to outstanding receivables from the EcoStream Group and L&T Recoil. In addition, a non-recurring capital gain of EUR 1.1 million was recognised on the Latvian business operations and a write-down of EUR 0.2 million on inventories of discontinued business operations under Renewable Energy Sources.

Furthermore, the Group's net profit was affected by the EUR 16.7 million payment made under the L&T Recoil guarantee commitment and recognised in financial expenses. After the entries related to EcoStream Group's insolvency, the company has no liabilities related to EcoStream Oy and L&T Recoil.

Financial summary

	7–9/ 2014	7–9/ 2013	Change %	1–9/ 2014	1–9/ 2013	Change %	1–12/ 2013
Net sales, EUR million	158.1	161.9	-2.3	477.4	498.5	-4.2	668.2
Operating profit excluding non-recurring items, EUR million*	19.7	20.1	-2.2	40.6	40.3	0.7	51.8
Operating margin excluding non-recurring items, %	12.4	12.4		8.5	8.1		7.8
Operating profit, EUR million	19.4	20.0	-2.9	34.5	34.8	-0.9	33.2
Operating margin, %	12.3	12.4		7.2	7.0		5.0
Profit before tax, EUR million	18.5	18.9	-1.9	16.0	32.7	-51.1	30.3
Earnings per share, EUR	0.39	0.35	10.2	0.25	0.61	-58.1	0.57
EVA, EUR million	14.6	15.0	-2.6	19.5	19.3	1.3	12.4

* Breakdown is presented below the division reviews.

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

Third quarter

The division's net sales for the third quarter decreased by 1.2% to EUR 64.6 million (EUR 65.4 million). Operating profit totalled EUR 10.7 million (EUR 11.9 million) and operating profit excluding non-recurring items was EUR 10.6 million (EUR 11.9 million).

Comparable net sales increased by 3.7% due to successful sales work and a strengthened market position. Demand continued to grow in waste management and Russian operations.

The net sales of the comparison period includes EUR 3.1 million of net sales from the Latvian business operations that were divested on 13 March 2014.

The profitability of business operations was affected by the declining volumes of recyclable materials and construction waste, and the weakened profitability of municipal contracts.

January–September

The Environmental Services division's net sales for January–September amounted to EUR 189.7 million (EUR 192.2 million), showing a decrease of 1.3%. Operating profit was EUR 26.5 million (EUR 27.2 million) and operating profit excluding non-recurring items was EUR 26.9 million (EUR 27.2 million).

Demand in the recycling business was weakened by the decrease in the volume of recyclable materials, due to the market conditions. Demand grew particularly in waste management and Russian operations.

Comparable net sales increased by 2.4%. The net sales of the comparison period includes EUR 8.9 million of net sales from the Latvian business operations that were divested on 13 March 2014.

The profitability of business operations was affected by the declining volumes of recyclable materials and construction waste, and the weakened profitability of municipal contracts.

Industrial Services

Third quarter

The division's net sales for the third quarter totalled EUR 21.8 million (EUR 20.9 million), showing an increase of 4.1%. Operating profit was EUR 3.1 million (EUR 2.3 million) and operating profit excluding non-recurring items was EUR 3.1 million (EUR 2.6 million).

There was strong demand for the services of process cleaning and hazardous waste management. Net sales decreased in sewer maintenance and environmental construction.

Operating profit excluding non-recurring items increased substantially after profitability improved across all service lines.

January–September

The Industrial Services division's net sales for January–September totalled EUR 57.5 million (EUR 54.7 million), showing an increase of 5.2%. Operating profit was EUR 4.9 million (EUR 3.7 million) and operating profit excluding non-recurring items was EUR 4.9 million (EUR 4.0 million).

Net sales increased in hazardous waste management, sewer maintenance and process cleaning. Environmental construction was the only service line in which net sales were lower than in the comparison period.

The division improved the profitability of its operations as a result of efficiency improvement measures and increasing volume.

Facility Services

Third quarter

The division's net sales for the third quarter were down by 4.2% to EUR 68.6 million (EUR 71.6 million). Operating profit and operating profit excluding non-recurring items were EUR 6.3 million (EUR 6.7 million).

The division's net sales declined year-on-year, due to business downsizing in Sweden and low demand for damage repair services. In addition, net sales was impacted by lower demand for services in the cleaning and property maintenance businesses. Demand for maintenance of technical systems, however, was strong.

The profitability of the division was decreased by the weaker profitability of cleaning and, in particular, damage repair services. Property maintenance and maintenance of technical systems improved their profitability year-on-year.

January–September

The Facility Services division's net sales for January–September decreased by 6.7% to EUR 206.0 million (EUR 220.8 million). Operating profit totalled EUR 8.9 million (EUR 10.0 million). Operating profit excluding non-recurring items was EUR 9.0 million (EUR 10.4 million).

The division's net sales declined year-on-year, due to business downsizing in Sweden and lower than normal demand for damage repair services and seasonal work in property maintenance.

The profitability of the division decreased by the lower demand for services in the cleaning and property maintenance businesses and by the weak profitability of damage repair services.

Demand for the division's services has declined, which has decreased net sales and profitability. The entire division is undergoing a major reorganisation process in order to adapt operations to the changes in market conditions. This affects the profitability of business operations.

Renewable Energy Sources

Third quarter

Third quarter net sales of Renewable Energy Sources (L&T Biowatti) were down by 17.3% to EUR 6.1 million (EUR 7.4 million). The operating loss totalled EUR 0.5 million (operating loss EUR 0.2 million) and the operating loss excluding non-recurring items was EUR 0.3 million (operating loss EUR 0.4 million).

The decrease in net sales was attributable to the delayed start to the heating season in Northern Finland. As a result of efficiency improvement measures, operational efficiency improved year-on-year. Operating profit excluding non-recurring items nevertheless showed a loss due to a write-down of EUR 0.4 million on the company's inventories and a non-recurring EUR 0.2 million write-down on inventories of discontinued business operations. The total write-down for Renewable Energy Sources was EUR 0.7 million.

January–September

The net sales of Renewable Energy Sources (L&T Biowatti) in January–September were down by 23.6% to EUR 32.2 million (EUR 42.2 million). Operating profit totalled EUR 0.6 million (EUR 0.9 million) and operating profit excluding non-recurring items was EUR 0.8 million (EUR 0.5 million).

The decrease in net sales is primarily attributable to the short heating season early in the year and the downsizing of operations in Eastern Finland. As a result of efficiency improvement measures, relative profitability improved year-on-year. Operating profit excluding non-recurring items was affected by a write-down of EUR 0.4 million on the company's inventories and a non-recurring EUR 0.2 million write-down on inventories of discontinued business operations. The total write-down for Renewable Energy Sources was EUR 0.7 million.

BREAKDOWN OF OPERATING PROFIT EXCLUDING NON-RECURRING ITEMS

EUR million	7–9/ 2014	7–9/ 2013	1–9/ 2014	1–9/ 2013	1–12/ 2013
Operating profit	19.4	20.0	34.5	34.8	33.2
Non-recurring items:					
Gain on sale of L&T Biowatti Oy equipment		-0.2		-0.5	-0.5
Impairment of EcoStream Oy shares			6.4	5.0	5.0
L&T Recoil Oy					
Divestment of Latvian business operations			-1.1		
Impairment of goodwill in Swedish business operations					7.0
Potential costs of closure of divested land areas					5.0
Discontinuation of the sewer renovation business					1.2
Restructuring costs		0.2	0.5	1.0	1.0
Other non-recurring items	0.2		0.2		
Operating profit excluding non-recurring items	19.7	20.1	40.6	40.3	51.8

FINANCING

Cash flows from operating activities amounted to EUR 49.1 million (EUR 61.1 million). A total of EUR 9.4 million in working capital was committed (EUR 0.5 million released). The principal reason behind working capital commitment was the increase in trade receivables.

At the end of the period, interest-bearing liabilities amounted to EUR 99.6 million (EUR 87.4 million).

Net interest-bearing liabilities amounted to EUR 64.3 million, largely unchanged from the beginning of the year and down EUR 1.0 million year-on-year.

Net financial expenses in January–September amounted to EUR 18.5 million (EUR 2.1 million). Net financial expenses were 3.9% (0.4%) of net sales. The increase in net financial expenses was due to the EUR 16.7 million payment made under the L&T Recoil Oy guarantee commitment.

The average interest rate on long-term loans (with interest-rate hedging) was 1.7% (2.2%). Long-term loans totalling EUR 4.1 million will mature during the rest of the year.

The equity ratio was 45.6% (50.2%) and the gearing rate was 31.9 (28.1). Liquid assets at the end of the period amounted to EUR 35.3 million (EUR 22.1 million).

Of the EUR 100 million commercial paper programme, EUR 0 (EUR 20.0 million) 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.

During the review period, the company adopted a new form of financing by issuing a EUR 30 million senior unsecured bond. The bond matures on 15 September 2019 and carries a fixed annual interest rate of 2.125 per cent.

DISTRIBUTION OF ASSETS

The Annual General Meeting held on 19 March 2014 resolved that a dividend of EUR 0.50 per share be paid on the basis of the balance sheet that was adopted for the financial year 2013. The dividend, totalling EUR 19.4 million, was paid to shareholders on 31 March 2014.

CAPITAL EXPENDITURE

In January–September 2014, gross capital expenditure totalled EUR 27.9 million (EUR 23.7 million), consisting mainly of machine and equipment purchases and small targeted acquisitions.

PERSONNEL

In January–September, the average number of employees converted into full-time equivalents was 7,386 (8,298). At the end of the period, Lassila & Tikanoja had 7,952 (9,017) full-time and part-time employees. Of these, 7,161 (7,133) worked in Finland and 791 (1,884) in other countries. The number of employees working in other countries was mainly decreased by the divestment of the Latvian business operations.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading on Nasdaq Helsinki in January–September 2014, excluding the shares held by the company in Lassila & Tikanoja plc, was 6,892,558 shares, which is 17.8% (14.0%) of the average number of outstanding shares. The value of trading was EUR 98.1 million (EUR 72.8 million). The trading price varied between EUR 13.31 and EUR 15.84. The closing price was EUR 13.36. At the end

of the period, the market capitalisation excluding the shares held by the company was EUR 517.7 million (EUR 583.7 million).

Own shares

At the end of the period, the company held 51,409 of its own shares, representing 0.1% of all shares and votes.

Share capital and number of shares

The company's registered share capital amounts to EUR 19,399,437 and the number of outstanding shares is 38,747,465. The average number of shares excluding the shares held by the company was 38,737,749.

Share-based incentive programme 2014

On 18 December 2013, Lassila & Tikanoja plc's Board of Directors decided on a new share-based incentive programme for 2014 as part of the key personnel's incentive and commitment system. The earnings period of the programme began on 1 January 2014 and ends on 31 December 2014. Any rewards to be paid for 2014 will be based on the Group's EVA result. Possible rewards will be paid partly as shares and partly in cash. A maximum of 39,105 Lassila & Tikanoja plc shares may be paid out under the programme. The programme covers 10 persons.

Shareholders

At the end of the period, the company had 9,764 (9,204) shareholders. Nominee-registered holdings accounted for 16.9% (19.6%) of the total number of shares.

Authorisation for the Board of Directors

The Annual General Meeting held on 19 March 2014 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 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 possibly held by the company through a share issue and/or issuance of option rights or other special rights entitling to shares, referred to in Chapter 10, Section 1 of the Finnish Companies Act, so that under the authorisation a maximum of 2,000,000 shares (5.2% of the total number of shares) may be issued and/or conveyed. The share issue authorisation is effective for 18 months.

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting, which was held on 19 March 2014, adopted the financial statements and consolidated financial statements for 2013 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 0.50 per share, totalling EUR 19.4 million, be paid on the basis of the balance sheet to be adopted for the financial year 2013. It was decided that the dividend be paid on 31 March 2014.

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

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

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 19 March 2014.

BOARD OF DIRECTORS

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

Eero Hautaniemi was elected as Chairman and Sakari Lassila and Laura Lares as members of the audit committee. Heikki Bergholm was elected as Chairman and Hille Korhonen and Miikka Maijala as members of the remuneration committee.

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

In a release published on 3 March 2014, the company announced that Lassila & Tikanoja and Bioinvest SIA have signed an agreement on the sale of L&T's business operations in Latvia to Bioinvest SIA. In a release published on 13 March 2014, the company announced that the divestment of the business operations had been completed. The total net sales of the divested business operations amount to approximately EUR 16 million, most of which is allocated to the Environmental Services division. As a result of the divestment, approximately 950 employees transferred to Bioinvest.

In a release published on 21 March 2014, the company announced that it had been informed that the financiers of the EcoStream Group had called in a loan granted to L&T Recoil Oy, part of the EcoStream Group. In addition, the company announced that it had received a claim from the financing banks to pay approximately EUR 16.7 million on the basis of a loan guarantee commitment associated with L&T Recoil Oy's loans.

Lassila & Tikanoja's total risk associated with the EcoStream Group, including the above guarantee commitment, is approximately EUR 23.4 million as announced earlier. Of this amount, the above guarantee commitment of approximately EUR 16.7 million has an effect on cash flow.

On 30 April 2014, the company announced that it had received information according to which the District Prosecutor for Helsinki had decided to drop the charges against the company's President and CEO Pekka Ojanpää and eight other current and former members of Lassila & Tikanoja's management staff who were accused of offences related to occupational health and safety and working hours legislation. The corporate fine and claim for advantage received remained in force against the company.

On 3 July 2014, the company published a press release announcing that the Helsinki District Court has exonerated Lassila & Tikanoja from summary penal orders related to overtime work offences. The corporate fine claim presented by the prosecutor was dropped and the Finnish State was obligated to compensate the company for the legal costs of the case. According to the Court, the guidelines and monitoring systems of the company have been adequate and the safety or health of the employees had not been jeopardised.

The District Court considered five of the company's current or former supervisors to be guilty of offences related to working hours legislation. Three of them were sentenced to pay 8–15 unit fines and two were left without a sentence by reason of the triviality of the criminal act.

On 1 August 2014, the company announced a change to its outlook. Lassila & Tikanoja's net sales in 2014 are expected to remain at the 2013 level or slightly below. Operating profit excluding non-recurring items is expected to remain at the 2013 level or slightly below.

Previously, the company estimated that comparable net sales in 2014 would remain at the 2013 level and operating profit excluding non-recurring items would remain at the 2013 level or improve slightly.

On 28 August 2014, the company announced that the Finnish Financial Supervisory Authority had approved Lassila & Tikanoja plc's base prospectus pursuant to the Securities Markets Act, and that the company was considering the issuance of a senior unsecured bond based on the base prospectus.

On 5 September 2014, the company announced that Ville Rantala, Vice President, Industrial Services at Lassila & Tikanoja plc and member of the Group Executive Board will leave the company at his own request by the end of 2014, and that recruitment for a new Vice President has already begun.

On 8 September 2014, the company announced that it had received an announcement pursuant to section 5, chapter 9, of the Securities Markets Act from Nordea Funds Ltd, announcing that its current holding of the shares and votes in Lassila & Tikanoja plc has risen above the threshold of 5%.

On 8 September 2014, the company announced it is issuing a EUR 30 million senior unsecured bond. The bond matures on 15 September 2019 and carries a fixed annual interest rate of 2.125 per cent. The offering was oversubscribed. Lassila & Tikanoja will apply for listing of the bond on NASDAQ OMX Helsinki.

On 17 September 2014, the company announced that the Finnish Financial Supervisory Authority has approved the listing prospectus of the bond, which is available in English on the company's website at www.lassila-tikanoja.com/investors.

On 30 September 2014, the company issued a stock exchange release on its Capital Markets Day, the programme of which included reviewing the Group's strategy and its implementation.

NEAR-TERM RISKS AND UNCERTAINTIES

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

Uncertainties related to government subsidies for renewable fuels and to the continuity of such subsidies may affect demand for the services of Renewable Energy Sources.

During the last quarter of the year 2014, the company will review its inventory valuation model for Renewable Energy Sources in relation to system changes. Potential changes to the valuation model may affect inventory values and the company's result.

More detailed information on L&T's risks and risk management is available in the Annual Report for 2013, in the Report of the Board of Directors and in the consolidated financial statements.

OUTLOOK FOR THE REST OF THE YEAR

Lassila & Tikanoja's net sales in 2014 are expected to remain at the 2013 level or slightly below. Operating profit excluding non-recurring items is expected to remain at the 2013 level or slightly below.

CONDENSED FINANCIAL STATEMENTS 1 JANUARY – 30 SEPTEMBER 2014

CONSOLIDATED INCOME STATEMENT

EUR million	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
Net sales	158.1	161.9	477.4	498.5	668.2
Cost of sales	-133.2	-136.3	-418.8	-440.2	-597.3
Gross profit	24.9	25.6	58.6	58.4	70.9
Other operating income	0.5	1.2	3.3	3.0	4.3
Sales and marketing expenses	-3.0	-3.1	-10.5	-10.5	-14.5
Administrative expenses	-2.5	-3.0	-9.1	-9.3	-13.0
Other operating expenses	-0.5	-0.6	-7.7	-1.7	-2.5
Impairment, property, plant and equipment and other non-current assets	-	-	-	-5.0	-5.0
Impairment, goodwill and other intangible assets	-	-	-	-	-7.0
Operating profit	19.4	20.0	34.5	34.8	33.2
Financial income	0.1	0.1	0.3	0.3	0.5
Financial expenses	-1.0	-1.2	-18.8	-2.5	-3.4
Profit before tax	18.5	18.9	16.0	32.7	30.3
Income taxes	-3.5	-5.3	-6.1	-9.1	-8.1
Profit for the period	15.0	13.6	9.9	23.5	22.2
Attributable to:					
Equity holders of the company	15.0	13.6	9.9	23.5	22.2
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
Earnings per share attributable to equity holders of the parent company:					
Earnings per share, EUR	0.39	0.35	0.25	0.61	0.57
Diluted earnings per share, EUR	0.39	0.35	0.25	0.61	0.57

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	7-9/ 2014	7-9/ 2013	1-9/ 2014	1-9/ 2013	1-12/ 2013
Profit for the period	15.0	13.6	9.9	23.5	22.2
Items not to be recognised through profit or loss					
Items arising from re-measurement of defined benefit plans	-	-	-	-	0.1
Items not to be recognised through profit or loss, total	-	-	-	-	0.1
Items potentially to be recognised through profit or loss					
Hedging reserve, change in fair value	-0.1	0.4	-0.4	0.1	-0.4
Revaluation reserve					
Current available-for-sale financial assets					
Gains in the period	0.0	0.0	0.0	0.0	0.0
Current available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0
Currency translation differences	-0.2	0.6	-0.7	-0.2	-0.4
Currency translation differences recognised in profit or loss	0.0	0.0	0.3	0.0	0.0
Currency translation differences, non-controlling interest	0.0	0.0	0.0	0.0	0.0
Items potentially to be recognised through profit or loss, total	-0.4	1.0	-0.8	-0.1	-0.8
Total comprehensive income, after tax	14.6	14.6	9.1	23.4	21.4
Attributable to:					
Equity holders of the company	14.6	14.6	9.1	23.5	21.5
Non-controlling interest	0.0	0.0	0.0	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	9/2014	9/2013	12/2013
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	108.2	120.1	112.8
Customer contracts arising from acquisitions	3.7	5.7	5.1
Agreements on prohibition of competition	0.0	0.7	0.4
Other intangible assets arising from business acquisitions	0.0	0.0	0.0
Other intangible assets	8.8	8.0	8.0
	120.7	134.5	126.3
Property, plant and equipment			
Land	3.4	3.7	3.8
Buildings and constructions	46.0	49.9	49.7
Machinery and equipment	109.9	115.6	115.8
Other	0.1	0.1	0.1
Prepayments and construction in progress	3.5	3.6	2.2
	162.8	172.9	171.5
Other non-current assets			
Holdings in associated companies	0.0	0.0	0.0
Available-for-sale investments	0.6	4.3	4.3
Finance lease receivables	3.4	3.7	3.7
Deferred tax assets	2.9	2.7	2.8
Other receivables	2.0	5.7	2.4
	8.9	16.5	13.2
Total non-current assets	292.5	323.9	311.0
Current assets			
Inventories	24.1	29.3	26.1
Trade and other receivables	101.3	97.4	100.0
Derivative receivables	0.0	0.7	0.1
Prepayments	2.3	2.0	0.3
Cash and cash equivalents	35.3	22.1	58.5
Total current assets	163.1	151.5	185.0
Total assets	455.6	475.4	496.0

EUR million	9/2014	9/2013	12/2013
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent company			
Share capital	19.4	19.4	19.4
Other reserves	-2.3	-0.8	-1.5
Invested unrestricted equity reserve	0.3	6.1	0.3
Retained earnings	174.2	184.3	170.9
Profit for the period	9.9	23.5	22.2
	201.5	232.5	211.2
Non-controlling interest	0.2	0.2	0.2
Total equity	201.7	232.7	211.5
Liabilities			
Non-current liabilities			
Deferred tax liabilities	24.1	31.1	25.8
Retirement benefit obligations	0.8	0.9	0.8
Provisions	6.1	4.1	6.1
Interest-bearing liabilities	74.8	39.9	65.9
Other liabilities	0.5	0.9	0.5
	106.4	76.8	99.0
Current liabilities			
Interest-bearing liabilities	24.8	47.5	57.0
Trade and other payables	119.0	117.7	120.0
Derivative liabilities	0.9	0.5	0.5
Tax liabilities	1.1	0.0	4.7
Provisions	1.7	0.1	3.4
	147.5	165.8	185.5
Total liabilities	253.9	242.6	284.5
Total equity and liabilities	455.6	475.4	496.0

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	9/2014	9/2013	12/2013
Cash flows from operating activities			
Profit for the period	9.9	23.5	22.2
Adjustments			
Income taxes	6.1	9.1	8.1
Depreciation and impairment	30.1	36.5	54.0
Financial income and expenses	18.5	2.1	2.9
Gain on sale of shares	-1.5	-1.1	0.0
Other	4.2	-0.6	3.8
Net cash generated from operating activities before change in working capital	67.3	69.7	91.0
Change in working capital			
Change in trade and other receivables	-9.8	0.8	2.8
Change in inventories	2.0	-4.4	-1.2
Change in trade and other payables	-1.7	4.1	6.3
Change in working capital	-9.4	0.5	7.9
Interest paid	-2.0	-2.5	-3.6
Interest received	0.3	0.3	0.5
Income taxes	-7.1	-7.0	-9.3
Net cash from operating activities	49.1	61.1	86.4
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	-2.0	-	-
Proceeds from sale of subsidiaries and businesses, net of sold cash	11.7	-	-
Purchases of property, plant and equipment and intangible assets	-23.4	-19.3	-28.1
Proceeds from sale of property, plant and equipment and intangible assets	0.0	1.1	1.2
Purchases of available-for-sale investments	-	-	-
Change in other non-current receivables	0.0	-3.0	0.4
Proceeds from sale of available-for-sale investments	-	-	-
Dividends received	0.0	0.0	0.0
Net cash used in investing activities	-13.6	-21.2	-26.5
Cash flows from financing activities			
Change in short-term borrowings	-34.9	8.0	22.9
Proceeds from long-term borrowings	29.9	-	30.0
Repayments of long-term borrowings	-17.6	-17.1	-26.2
Dividends paid and other asset distribution	-19.4	-23.2	-42.5
Other financing items	-16.7	-	-
Acquisition of own shares	-	-	0.0
Net cash generated from financing activities	-58.6	-32.2	-15.9

EUR million	9/2014	9/2013	12/2013
Net change in liquid assets	-23.2	7.6	44.1
Liquid assets at beginning of period	58.5	14.6	14.6
Effect of changes in foreign exchange rates	0.0	-0.1	-0.2
Liquid assets at end of period	35.3	22.1	58.5
Liquid assets			
EUR million	9/2014	9/2013	12/2013
Cash and cash equivalents	35.3	22.1	58.5
Available-for-sale financial assets	0.0	0.0	0.0
Total	35.3	22.1	58.5

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
Equity on 1 Jan. 2013	19.4	-0.8	0.0	0.0	29.4	184.5	232.5	0.3	232.8
Total comprehensive income									
Profit for the period						23.5	23.5	0.0	23.5
Items arising from re-measurement of defined benefit plans							0.0	0.0	0.0
Hedging reserve, change in fair value				0.1			0.1	0.0	0.1
Available-for-sale financial assets			0.0				0.0	0.0	0.0
Currency translation differences		-0.2					-0.2	0.0	-0.2
Total comprehensive income	0.0	-0.2	0.0	0.1	0.0	23.5	23.5	0.0	23.4
Transactions with shareholders									
Share-based benefits					-0.1	-0.5	-0.6		-0.6
Dividends paid									
Dividends returned									
Capital repayment					-23.2	0.3	-22.9		-22.9
Transactions with shareholders, total	0.0	0.0	0.0	0.0	-23.3	-0.2	-23.5	0.0	-23.5
Other changes						0.0	0.0	0.0	0.0
Equity on 30 Sep. 2013	19.4	-1.0	0.0	0.2	6.1	207.8	232.5	0.2	232.7

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
Equity on 1 Jan. 2014	19.4	-1.2	0.0	-0.3	0.3	193.1	211.2	0.2	211.5
Total comprehensive income									
Profit for the period						9.9	9.9	0.0	9.9
Items arising from re-measurement of defined benefit plans							0.0		0.0
Hedging reserve, change in fair value				-0.4			-0.4		-0.4
Available-for-sale financial assets							0.0		0.0
Currency translation differences		-0.4					-0.4	0.0	-0.4
Total comprehensive income	0.0	-0.4	0.0	-0.4	0.0	9.9	9.1	0.0	9.1
Transactions with shareholders									
Share-based benefits					0.0	-0.1	0.0		0.0
Dividends paid						-19.4	-19.4		-19.4
Transactions with shareholders, total	0.0	0.0	0.0	0.0	0.0	-19.5	-19.4		-19.4
Other changes						0.6	0.6		0.6
Equity on 30 Sep. 2014	19.4	-1.6	0.0	-0.7	0.3	184.1	201.5	0.2	201.7

KEY FIGURES

	7–9/ 2014	7–9/ 2013	1–9/ 2014	1–9/ 2013	1–12/ 2013
Earnings per share, EUR	0.39	0.35	0.25	0.61	0.57
Diluted earnings per share, EUR	0.39	0.35	0.25	0.61	0.57
Cash flows from operating activities per share, EUR	0.56	0.43	1.27	1.58	2.23
EVA, EUR million	14.6	15.0	19.5	19.3	12.4
Gross capital expenditure, EUR million	7.6	7.1	27.9	23.7	32.7
Depreciation, amortisation and impairment, EUR million	10.0	10.4	30.1	36.5	54.0
Equity per share, EUR			5.21	6.01	5.46
Return on equity (ROE), %			6.4	13.5	10.0
Return on invested capital, ROI, %			14.6	14.4	10.6
Equity ratio, %			45.6	50.2	43.7
Gearing, %			31.9	28.1	30.4
Net interest-bearing liabilities, EUR million			64.3	65.3	64.4
Average number of employees (FTE)			7,386	8,298	8,267
Total number of full-time and part-time employees at end of period			7,952	9,017	8,847
Number of outstanding shares adjusted for issues, 1,000 shares					
average during the period			38,738	38,703	38,704
at end of period			38,747	38,707	38,707
average during the period, diluted			38,749	38,711	38,721

ACCOUNTING POLICIES

This interim report is in compliance with the IAS 34 (Interim Financial Reporting) standard. The interim report has been prepared with application of the IFRS standards and interpretations in effect on 31 December 2013, with the exception of changes to IFRS standards listed below.

From the beginning of 2014, the figures in the interim report tables are presented in millions of euros. The comparison figures have been restated accordingly. The figures are rounded to the nearest 0.1 million euros and, consequently, the sum of individual figures may deviate from the sum total presented.

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc, released on 26 February 2014.

The Group observes the following IAS/IFRS standards and interpretations that came into effect or were amended on 1 January 2014:

- IFRS 10 Consolidated Financial Statements and its amendments
- IFRS 11 Joint Arrangements and its amendments
- IFRS 12 Disclosure of Interests in Other Entities and its amendments
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IFRIC 21 Levies

The amended standards and interpretations did not have a material impact on the reported result or financial position.

The interim report has not been audited.

SEGMENT INFORMATION**Net sales**

EUR million	7-9/ 2014			7-9/ 2013			Total net sales, change %
	External	Interdivi sion	Total	External	Interdivis ion	Total	
Environmental Services	64.0	0.7	64.6	64.9	0.6	65.4	-1.2
Industrial Services	20.4	1.4	21.8	19.9	1.0	20.9	4.1
Facility Services	67.7	1.0	68.6	70.6	1.1	71.6	-4.2
Renewable Energy Sources	6.1	0.0	6.1	6.5	0.9	7.4	-17.3
Eliminations		-3.1	-3.1		-3.5	-3.5	
Total	158.1	0.0	158.1	161.9	0.0	161.9	-2.3

EUR million	1-9/ 2014			1-9/ 2013			Total net sales, change %
	External	Interdivi sion	Total	External	Interdivis ion	Total	
Environmental Services	187.2	2.5	189.7	189.7	2.6	192.2	-1.3
Industrial Services	55.1	2.4	57.5	51.9	2.7	54.7	5.2
Facility Services	202.9	3.1	206.0	217.7	3.2	220.8	-6.7
Renewable Energy Sources	32.1	0.2	32.2	39.3	2.9	42.2	-23.6
Eliminations		-8.1	-8.1		-11.4	-11.4	
Total	477.4	0.0	477.4	498.5	0.0	498.5	-4.2

**1-12/
2013**

EUR million	External	Interdivision	Total
Environmental Services	254.1	3.8	257.9
Industrial Services	72.1	3.4	75.5
Facility Services	287.8	4.7	292.5
Renewable Energy Sources	54.1	3.9	58.0
Eliminations		-15.8	-15.8
Total	668.2	0.0	668.2

Operating profit

EUR million	7-9/ 2014	%	7-9/ 2013	%	1-9/ 2014	%	1-9/ 2013	%	1-12/ 2013	%
Environmental Services	10.7	16.5	11.9	18.2	26.5	14.0	27.2	14.1	30.1	11.7
Industrial Services	3.1	14.2	2.3	10.9	4.9	8.5	3.7	6.7	5.2	6.9
Facility Services	6.3	9.1	6.7	9.4	8.9	4.3	10.0	4.5	4.4	1.5
Renewable Energy Sources	-0.5	-8.1	-0.2	-2.7	0.6	1.8	0.9	2.0	1.4	2.5
Group administration and other	-0.1		-0.7		-6.4		-6.9		-8.0	
Total	19.4	12.3	20.0	12.4	34.5	7.2	34.8	7.0	33.2	5.0

OTHER SEGMENT INFORMATION

EUR million	9/2014	9/2013	12/2013
Assets			
Environmental Services	208.7	217.3	214.5
Industrial Services	78.2	74.2	70.0
Facility Services	102.2	112.5	103.4
Renewable Energy Sources	24.8	30.8	29.4
Group administration and other	1.3	7.5	7.5
Unallocated assets	40.4	33.1	71.3
L&T total	455.6	475.4	496.0
Liabilities			
Environmental Services	50.5	46.0	51.8
Industrial Services	23.7	21.4	21.5
Facility Services	45.2	47.3	49.6
Renewable Energy Sources	7.1	7.4	5.5
Group administration and other	1.4	1.3	2.1
Unallocated liabilities	126.0	119.3	154.0
L&T total	253.9	242.6	284.5

EUR million	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Capital expenditure					
Environmental Services	4.2	3.9	15.0	11.3	15.7
Industrial Services	1.3	0.7	4.9	2.3	3.2
Facility Services	2.1	2.3	7.9	7.9	11.3
Renewable Energy Sources	0.0	0.1	0.1	0.2	0.3
Group administration and other	0.0	0.0	0.0	2.1	2.2
L&T total	7.6	7.1	27.9	23.7	32.7

Depreciation and amortisation

Environmental Services	5.0	5.4	15.2	16.5	21.9
Industrial Services	1.7	1.6	4.9	5.0	6.6
Facility Services	3.2	3.3	9.7	9.8	13.2
Renewable Energy Sources	0.1	0.1	0.2	0.2	0.3
Group administration and other	0.0	0.0	0.0	0.0	0.0
L&T total	10.0	10.4	30.1	31.5	42.0

Impairment

Environmental Services					
Industrial Services					
Facility Services					7.0
Renewable Energy Sources					
Group administration and other				5.0	5.0
L&T total	0.0	0.0	0.0	5.0	12.0

INCOME STATEMENT BY QUARTER

EUR million	7-9/ 2014	4-6/ 2014	1-3/ 2014	10-12/ 2013	7-9/ 2013
Net sales					
Environmental Services	64.6	64.2	60.9	65.7	65.4
Industrial Services	21.8	19.7	16.0	20.9	20.9
Facility Services	68.6	68.3	69.0	71.7	71.6
Renewable Energy Sources	6.1	10.3	15.8	15.8	7.4
Group administration and other					
Interdivision net sales	-3.1	-2.7	-2.4	-4.4	-3.5
L&T total	158.1	159.8	159.4	169.7	161.9
Operating profit					
Environmental Services	10.7	9.3	6.6	2.9	11.9
Industrial Services	3.1	1.9	-0.1	1.6	2.3
Facility Services	6.3	2.1	0.6	-5.6	6.7
Renewable Energy Sources	-0.5	0.3	0.8	0.6	-0.2
Group administration and other	-0.1	-0.6	-5.7	-1.1	-0.7
L&T total	19.4	12.9	2.1	-1.6	20.0
Operating margin					
Environmental Services	16.5	14.4	10.9	4.5	18.2
Industrial Services	14.2	9.8	-0.9	7.6	10.9
Facility Services	9.1	3.0	0.8	-7.8	9.4
Renewable Energy Sources	-8.1	2.5	5.2	3.7	-2.7
L&T total	12.3	8.1	1.3	-1.0	12.4
Financial income and expenses, net	-0.9	0.0	-17.7	-0.7	-1.1
Profit before tax	18.5	12.9	-15.5	-2.3	18.9

BUSINESS ACQUISITIONS, COMBINED**Fair value**

EUR million	
Intangible assets	0.6
Property, plant and equipment	0.5
Investments	0.0
Receivables	0.4
Cash and cash equivalents	0.8
Total assets	2.2
Interest-bearing liabilities	0.2
Other liabilities	0.5
Deferred tax liabilities	0.1
Total liabilities	0.8
Net assets acquired	1.4
Total consideration	2.8
Goodwill	1.4
Effect on cash flow	
Consideration paid in cash	-2.8
Cash and cash equivalents of the acquired company	0.8
Cash flow from investing activities	-2.0

Environmental Services acquired Paperitiikerit Oy on 1 February 2014 and Joutsan Kuljetus Oy on 1 March 2014.

The accounting policy concerning business combinations is presented under Note 2 of the financial statements and under accounting policies.

CHANGES IN INTANGIBLE ASSETS

EUR million	1-9/2014	1-9/2013	1-12/2013
Carrying amount at beginning of period	126.3	138.4	138.4
Business acquisitions	1.9		
Other capital expenditure	3.0	1.9	2.6
Disposals	-5.6		
Deprecation and impairment	-4.4	-5.3	-14.0
Transfers between items	-0.1		-0.3
Exchange differences	-0.4	-0.5	-0.4
Carrying amount at end of period	120.7	134.5	126.3

CHANGES IN PROPERTY, PLANT AND EQUIPMENT

EUR million	1-9/2014	1-9/2013	1-12/2013
Carrying amount at beginning of period	171.5	180.2	180.2
Business acquisitions	0.5		
Other capital expenditure	22.4	19.9	28.1
Disposals	-5.6	-0.7	-1.3
Deprecation and impairment	-25.7	-26.2	-35.0
Transfers between items	0.1		0.3
Exchange differences	-0.4	-0.2	-0.8
Carrying amount at end of period	162.8	172.9	171.5

CAPITAL COMMITMENTS

EUR million	9/2014	9/2013	12/2013
Intangible assets	0.0	0.0	0.0
Property, plant and equipment	3.7	5.1	4.0
Total	3.7	5.1	4.0

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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	0.6	3
	Finance lease receivables	3.4				3.4	3.4	2
	Other receivables	2.0				2.0	2.0	
Current financial assets								
	Trade and other receivables	96.2				96.2	96.2	
	Derivative receivables							
	Cash and cash equivalents	35.3				35.3	35.3	
	Total financial assets	137.0	0.6	0.0	0.0	137.6	137.6	
Non-current financial liabilities								
	Borrowings			74.8		0.0	0.1	2
	Other liabilities			0.2		0.2	0.2	
Current financial liabilities								
	Borrowings			24.8		24.8		
	Trade and other payables			60.0		60.0		
	Derivative liabilities				0.7	0.7	0.7	2
	Total financial liabilities			159.8	0.7	85.7	1.0	

CONTINGENT LIABILITIES**Securities for own commitments**

EUR million	9/2014	9/2013	12/2013
Mortgages on rights of tenancy	0.2	0.2	0.1
Company mortgages	0.9	0.6	0.6
Other securities	0.2	0.2	0.2
Bank guarantees required for environmental permits	8.1	8.7	9.5

Other securities are security deposits.

Operating lease liabilities

EUR million	9/2014	9/2013	12/2013
Maturity not later than one year	3.9	4.9	5.0
Maturity later than one year and not later than five years	3.6	5.6	6.1
Maturity later than five years	2.0	2.1	2.2
Total	9.6	12.7	13.4

Liabilities associated with derivative agreements**Cross currency interest rate swaps**

EUR million	9/2014	9/2013	12/2013
Maturity of cross currency interest rate swaps under hedge accounting			
Maturity not later than one year	0.0	11.2	7.2
Maturity later than one year and not later than five years	0.0	12.3	9.5
Total	0.0	23.5	16.7
Fair value		0.7	0.1

The contracts are used for the hedging of foreign currency loans. The changes in their fair values are shown on the consolidated statement of comprehensive income.

Interest rate swaps

EUR million	9/2014	9/2013	12/2013
Nominal values of interest rate swaps			
Maturity not later than one year	9.0	17.1	14.0
Maturity later than one year and not later than five years	42.3	19.5	16.7
Maturity later than five years	0.0	1.8	0.9
Total	51.4	38.4	31.7
Fair value	-0.7	-0.5	-0.4

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

Commodity derivatives

Metric tonnes	9/2014	9/2013	12/2013
Nominal values of diesel swaps			
Maturity not later than one year	3.3	4.5	9.7
Maturity later than one year and not later than five years	0.0	0.0	0.8
Total	3.3	4.5	10.6
Fair value	-0.1	0.0	-0.1

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

CALCULATION OF KEY FIGURES

Earnings per share:

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

Diluted earnings per share:

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

Cash flows from operating activities/share:

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

EVA:

operating profit - cost calculated on invested capital (average of four quarters)

WACC 2013: 6.52% and 2014: 6.58 %

Equity per share:

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

Return on equity, % (ROE):

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

Return on invested capital, % (ROI):

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

Equity ratio, %:

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

Gearing, %:

net interest-bearing liabilities / equity x 100

Net interest-bearing liabilities:

interest-bearing liabilities - liquid assets

Operating profit excluding non-recurring items:

operating profit +/- non-recurring items

Helsinki, 23 October 2014

LASSILA & TIKANOJA PLC
Board of Directors

Pekka Ojanpää
President and CEO

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Lassila & Tikanoja is a service company that is transforming consumer society into an efficient recycling society. In co-operation with our customers, we are reducing waste volumes, extending the useful lives of properties, recovering materials and decreasing the use of raw materials and energy. We help our customers to focus on their core business and protect the environment. Together, we can create well-being and jobs. With operations in Finland, Sweden and Russia, L&T employs 8,000 persons. Net sales in 2013 amounted to EUR 668.2 million. L&T is listed on Nasdaq Helsinki.

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