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# CORPORATE GOVERNANCE

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

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

## CORPORATE GOVERNANCE STATEMENT 2014

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

This statement was prepared in accordance with recommendation 54 of the Corporate Governance Code and is issued separately from the Report of the Board of Directors. L&T's Audit Committee has reviewed this statement.

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

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

# GENERAL MEETING OF SHAREHOLDERS

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

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

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

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

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

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

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

## GENERAL MEETING IN 2014

The Annual General Meeting was held in Helsinki on 19 March 2014. The meeting was attended by shareholders representing 46.1 per cent of the votes. All Board members, the President and CEO, and the principal auditor attended the meeting.

# BOARD OF DIRECTORS

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

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

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

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

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

## DUTIES OF THE BOARD OF DIRECTORS

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

The duties of the Board are defined in a written charter adopted in 2014, which the Board complies with in addition to the Articles of Association and Finnish laws and regulations.

Duties of the Board of Directors:

- confirming the company's goals
- deciding on the corporate strategy and confirming divisional strategies
- establishing a dividend policy and being responsible for the development of the shareholder value
- deciding on the Group structure and organisation
- ensuring the operation of the management system
- handling and adopting interim reports, consolidated financial statements and annual reports

- confirming the Group's operating plan, budget and investment plan
- deciding on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements as well as financing arrangements and contingent liabilities
- confirming treasury, disclosure and risk management and insurance policies as well as internal control policy
- nominating and dismissing the President and CEO and monitoring and evaluating his work
- deciding on the nomination, remuneration and other financial benefits of the President and CEO's immediate subordinates

## **MEETING PRACTICE**

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

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

The President and CEO is responsible for ensuring that the Board is provided with sufficient information for assessing the operations and financial situation of the company. He also supervises and reports to the Board on the implementation of the Board's decisions.

## **THE BOARD OF DIRECTORS IN 2014**

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

The Board of Directors met 13 times during 2014. The average attendance rate of the members at the meetings was 97.3 per cent.

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

## BOARD MEMBER MEETING PARTICIPATION 1 JAN.-31 DEC. 2014

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	Board	Audit Committee	Remuneration Committee
Heikki Bergholm	13/13		4/4
Eero Hautaniemi	11/13	5/5	
Hille Korhonen	13/13		4/4
Laura Lares*	10/10	4/4	
Sakari Lassila	13/13	5/5	
Miikka Maijala**	13/13	1/1	3/3

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The Board of Directors met three times before 19 March 2014 and 10 times thereafter. The Audit Committee met once before 19 March 2014 and four times thereafter. The Remuneration Committee met once before 19 March 2014 and three times thereafter.

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\* Member of the Board of Directors and the Audit Committee since 19 March 2014

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\*\* Member of the Audit Committee until 19 March 2014 and member of the Remuneration Committee since 19 March 2014

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# BOARD MEMBERS

## **Heikki Bergholm**

born 1956, M.Sc. (Eng.)

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

Work experience:

Suominen Corporation Oyj: President and CEO 2002–2006

The former Lassila & Tikanoja Group: President and CEO 1998–2001, Vice President 1997–1998, President of business units 1986–1997

Lassila & Tikanoja Oy: CFO 1985–1986

Industrialisation Fund of Finland Ltd: Researcher and development manager 1980–1985

Other key positions:

Solidium Oy (2013–), Lakan Betoni Oy (1986–, COB), Maillefer International Oy (2010–2014), Seniorirahasto Oy (2010–), Finnish Foundation for Cardiovascular Research (2013–), Yrjö-Koskinen Family Association (2013–), Duckies Kindergarten (2012–), Institutum Romanum Finlandiae (2011–), Etua Oy (2008–), Association for the Foundation for Economic Education (2005–), Henna and Pertti Niemistö Ars Fennica Art Foundation (2005–), Tehokkaan Tuotannon Tutkimussäätiö (2003–), MB Funds (2002–), Spa Hotel Ikaalinen Holding Oy (2010–2014), Forchem Oy (2007–2013), Componenta (2003–2012, COB), L&T Recoil Ltd (2010–2012, COB), Helsinki Bourse Club (2003–2010), Kemira Oyj (2004–2007), Pohjola-Yhtymä Oyj (2003–2005), Sponda Oyj (1998–2004) and Suominen Corporation (2006–2011)

## **Eero Hautaniemi**

born 1956, M.Sc. (Econ.)

President and CEO of Oriola-KD Corporation 2006–

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

Work experience:

GE Healthcare Finland Oy: President 2004–2005

GE Healthcare IT: General Manager, Oximetry, Supplies and Accessories business area 2003–2004

Instrumentarium Corporation: positions in financial and business management 1990–2003

Other key positions:

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



**Hille Korhonen**

born 1961, Lic. Tech.

President and CEO of Alko Oy 2013–

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

Work experience:

Fiskars Corporation: Vice President, Operations (responsible for manufacturing, sourcing and logistics strategies) 2008–2012; Iittala Group: Group Director, Operations 2003–2009

Executive positions within worldwide delivery chain strategies and processes at Nokia Corporation 2000–2003, Nokia Networks 1998–2000 and Nokia Mobile Phones 1996–1997

Outokumpu Copper: positions in logistics and marketing development 1993–1996

Other key positions:

Nokian Tyres plc (2006–), Ilmarinen Mutual Pension Insurance Company, Supervisory Board (2014–), Federation of Finnish Commerce (2014–), Mint of Finland Group (2008–2010)

**Laura Lares**

born 1966, Ph.D in Technology

Managing Director of Woimistamo Oy 2012–

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

Work experience:

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

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

Other key positions:

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

**Sakari Lassila**

born 1955, M.Sc. (Econ.)

Managing Director and partner of Indcrea Oy

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

Work experience:

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

Carnegie Investment Bank AB, Finland Branch: executive positions 2002–2005

Alfred Berg Finland Oyj: executive positions within investment banking 1994–2002

Citibank Oy: head of corporate bank 1991–1994

Union Bank of Finland: supervisory and executive positions 1983–1991

Other key positions:

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

**Miikka Maijala**

born 1967, M.Sc. (Eng.)

CEO of Clinius Ltd 2006–

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

Work experience:

GE Healthcare Finland Oy: Business Segment Manager 2004–2006

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

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

# BOARD COMMITTEES

The Board has an Audit Committee and a Remuneration Committee.

## AUDIT COMMITTEE

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

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

The duties of the Audit Committee include:

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

As from 19 March 2014, the members of the Audit Committee are Eero Hautaniemi, Chairman, and members Laura Lares and Sakari Lassila. The Audit Committee met five times in 2014. The attendance rate of the members at the meetings was 100 per cent.

## REMUNERATION COMMITTEE

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

The duties of the Remuneration Committee include:

- handling, evaluating and making statements on the salary structure of the Group management and personnel as well as remuneration and incentive schemes
- monitoring the functionality of the remuneration systems to ensure that the management's incentive schemes promote the achievement of the company's targets and are based on personal performance
- handling and preparing other questions related to management and personnel remuneration and drafting statements to the Board regarding them
- handling and preparing executive appointment issues for consideration by the Board of Directors

As from 19 March 2014, the Remuneration Committee comprises Heikki Bergholm, Chairman and Hille Korhonen and Miikka Maijala as members. The Remuneration Committee met four times in 2014. The attendance rate of the members at the meetings was 100 per cent.



# CEO AND GROUP EXECUTIVE BOARD

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

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

## BOARD MEMBERS



### PEKKA OJANPÄÄ

born 1966, M.Sc. (Econ.)

#### **President and CEO since 2011**

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

Other key positions:

Ilmarinen Mutual Pension Insurance Company: Supervisory Board member (2012–), Kiinteistöyönantajat ry: Board member (2013–), Technopolis Oy: Board member (2014–)



### TIMO LEINONEN

born 1970, M.Sc. (Admin.)

#### **Chief Financial Officer since 2013**

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



## PETRI SALERMO

born 1970, QBA

### **Vice President, Environmental Services since 2013**

Lassila & Tikanoja plc: Business Director, Environmental Services 2009–2012, Sales Director, Environmental Services 2003–2009, Sales Manager, Environmental Services 2001–2003

Europress Oy: Sales Director 1998–2001, sales managerial positions 1995–1998



## ANTTI TERVO

born 1978, M.Sc. (Econ.)

### **Vice President, Industrial Services since 1 January 2015**

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

Siemens, North West Europe: Head of Commodity Management 2009–2012, Work Stream Lead, Procurement & Supply Chain Management 2008–2009

Siemens Oy: Director, Procurement 2005–2009, Procurement Manager 2003–2005, Supply Chain Consultant 2001–2003



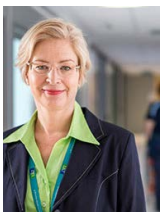
## PETRI MYLLYNIEMI

born 1964, M.Sc. (Econ.)

### **Vice President, Facility Services since 2013**

ISS Palvelut Oy: Business Director, Uusimaa region customer accounts 2011–2012, Business Director, Technical Service and Building Management 2005–2011

Are Oy: Executive Vice President and Vice President, Maintenance and Service Business 1999–2005, Service Manager 1995–1999, managerial and planning positions at Onninen-Termo Oy 1989–1994



## KIRSI MATERO

born 1968, M.Sc. (Econ.)

### **HR Director since 2012**

Atria plc: Group Vice President, Human Resources 2010–2011

Pfizer Oy: HR Director 2007–2010

Nokia Mobile Phones: Senior Business HR Manager 2004–2007 Nokia Mobile Phones and Nokia Networks: Business HR Manager and

Competence Development Manager 1998–2003

Adulta Oy: Program Manager 1996–1998

Shell Oil Products: Product Manager 1994–1995



## TUOMAS MÄKIPESKA

born 1978, M.Sc. (Econ.)

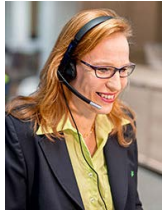
**Business Development Director since 2012 and Vice President, Renewable Energy Sources since 1 January 2015**

Deloitte: Management Consultant, Strategy & Operations 2005–2012

Fiskars Corporation: Project Manager 2004–2005

Rieter Automotive Management AG: Market Analyst 2003

Tapiola Group: Finance Assistant 2000–2002



## TUTU WEGELIUS-LEHTONEN

born 1970, Lic. Tech.

**Director, Supply Chain since 16 February 2015**

Hartwall Oy: Operations and Supply Chain Director 2014

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

YIT: managerial positions in procurement and logistics 2004–2008 and in YIT's

Building Services and Building and Industrial Services divisions 2009–2011

Ensto: Director, Production and Logistics 1998–2004

## AUDITOR

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

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

In 2014, the fees paid for statutory auditing to KPMG group totalled EUR 102,761. The fees paid to the auditing company and companies belonging to the same group for non-audit services such as tax, IFRS and due diligence services totalled EUR 43,488.

## INSIDER GUIDELINES

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

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

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

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



# FINANCIAL REPORTING

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

## AUDIT COMMITTEE

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

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

## L&T'S FINANCIAL REPORTING PROCESS

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

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

L&T's Group financial management is responsible for preparing and updating the Group accounting policies and instructions, and for preparing reporting schedules. The financial

management department consolidates subsidiaries' financial statements into consolidated financial statements, which include notes to the financial statements, and prepares interim reports and financial statement releases, official financial statements and the annual

## **INTERNAL CONTROL**

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

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

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

## **RISK MANAGEMENT**

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

# KEY RISK MANAGEMENT PRINCIPLES

Risk management aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the company's objectives are achieved. Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors.

## RESPONSIBILITIES

The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management. The principles for financial risk management are defined in the Group's Financial Policy. The principles for insurance risk management are specified in the Insurance Policy.

## IDENTIFICATION, ASSESSMENT AND REPORTING OF RISKS

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

## INTERNAL AUDIT

The company's own internal audit organisation started its operations in early 2014. Its task is to support the company and its senior management in the achievement of goals by providing a systematic approach to assessing and developing the effectiveness of the organisation's internal control, risk management and governance system. In its operations, the internal audit complies with generally accepted international professional standards concerning internal audit and ethical principles, as well as the operating guidelines confirmed by L&T's Board of Directors.

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

# REMUNERATION STATEMENT

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

## REMUNERATION AND SHAREHOLDING OF THE BOARD MEMBERS

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

In 2014, the following annual fees were decided to be paid: Chairman EUR 46,250, Vice Chairman EUR 30,500 and each member EUR 25,750. The fees are paid so that 40% of the annual fee is in Lassila & Tikanoja's shares held by the company or, if this is not feasible, shares acquired from the markets, and 60% in cash. Shares are to be issued to Board members and, where necessary, acquired directly from the markets on behalf of Board members within the next 14 trading days, free from restrictions on trading, from the Annual General Meeting. In addition, meeting fees are paid to the members of the Board of Directors as follows: EUR 1,000 to the Chairman, EUR 700 to the Vice Chairman and EUR 500 to each member for each meeting. Meeting fees are also paid to the Chairmen and members of committees established by the Board of Directors: EUR 700 to the Chairman of a committee and EUR 500 to each member for each meeting.

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

In 2014, the Board of Directors met 13 times, the Audit Committee five times and the Remuneration Committee four times.

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

In 2014, the fees decided by the Annual General Meeting were paid to the Board of Directors.



## REMUNERATION PAID TO THE MEMBERS OF THE BOARD OF DIRECTORS 1 JAN.-31 DEC. 2014

	Annual fee, EUR*	Meeting fee, EUR	2014 total, EUR	2013 total, EUR
Heikki Bergholm	46 250	15 800	<b>62 050</b>	64 050
Eero Hautaniemi	30 500	11 200	<b>41 700</b>	45 000
Hille Korhonen	25 750	8 500	<b>34 250</b>	34 250
Laura Lares	25 750	7 000	<b>32 750</b>	-
Sakari Lassila	25 750	9 000	<b>34 750</b>	36 450
Miikka Majjala	25 750	8 500	<b>34 250</b>	36 250

## SHARES HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

	31 Dec. 2014	Percentage of shares and voting power	1 Jan. 2014
Heikki Bergholm	<b>824 800</b>	<b>2,13 %</b>	796 247
Eero Hautaniemi	<b>11 620</b>	<b>0,03 %</b>	9 268
Hille Korhonen	<b>5 033</b>	<b>0,01 %</b>	4 314
Laura Lares	<b>719</b>	<b>0,00 %</b>	-
Sakari Lassila	<b>10 002</b>	<b>0,03 %</b>	9 283
Miikka Majjala	<b>71 906</b>	<b>0,19 %</b>	71 187

# REMUNERATION AND SHAREHOLDING OF THE GROUP EXECUTIVE BOARD MEMBERS

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

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

The President and CEO and the other members of the Group Executive Board are included in the share-based incentive programmes directed to the key personnel of the company. The basis for the determination of the reward is decided annually by the Board of Directors. Rewards to be paid for the year 2015 will be based on the Group's EVA result. The maximum share-based payment may equal 4–12 months' salary depending on the responsibilities of the member of the Group Executive Board. The decision on the remuneration is made by the Board of Directors based on the statement drafted by the Remuneration Committee.

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

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

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

## SERVICE CONTRACT OF THE PRESIDENT AND CEO

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is six months should the company terminate the contract, and six months should the President and CEO terminate the contract. In the event that the company terminates the contract, the President and CEO will be paid compensation

amounting to twelve (12) months' salary. The company has taken out statutory pension and accident insurance for the President and CEO.

## REMUNERATION OF THE PRESIDENT AND CEO AND OTHER MANAGEMENT IN 2014

In 2014 the salary of the President and CEO totalled EUR 858,000, which includes EUR 742,000 in salaries and benefits and EUR 116,000 in bonuses. The salary and fringe benefits of the President and CEO include EUR 318,000 in share rewards.

The salaries paid to the other members of the Group Executive Board totalled EUR 2,017,000, which includes EUR 1,807,000 in salaries and benefits and EUR 210,000 in bonuses. The salaries and fringe benefits of the Group Executive Board include EUR 642,000 in share rewards. The figures include salaries for the period during which the persons in question were members of the Group Executive Board.

Share-based payments of 6,965 shares will be paid to the President and CEO and a total of 10,885 shares to other members of the Group Executive Board for the year 2014.

In 2014, EUR 12,000 arising from the pension agreement of Jari Sarjo, who served as the President and CEO until 13 June 2011, was recognised in the income statement.

## SHARES HELD BY THE GROUP EXECUTIVE BOARD

	31 Dec. 2014	1 Jan. 2014
Pekka Ojanpää	23 527	12 775
Timo Leinonen	2 821	200
Petri Salermo	6 550	2 182
Antti Tervo	2 664	984
Petri Myllyniemi	4 368	0
Kirsi Matero	3 384	763
Tuomas Mäkipeska	2 964	1 284

# LONG AND SHORT-TERM INCENTIVE PROGRAMMES

Lassila & Tikanoja has a one-year share-based incentive programme that was initiated in 2015. The one-year share-based incentive programme that started in 2014 ended at the close of the financial year. The company also has a bonus scheme, which is described in greater detail under Remuneration and Shareholdings of the Group Executive Board.

## SHARE-BASED INCENTIVE PROGRAMME 2015

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 17 December 2014 on a new one-year share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel.

The earnings period began on 1 January 2015 and ends on 31 December 2015. Potential rewards will be paid during the year following the earnings period partly as shares and partly in cash. Rewards to be paid for the year 2015 will be based on the Group's EVA result.

No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme must be held for a minimum period of two years following the payment. After that, the members of the Group Executive Board are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

A maximum total of 37,560 Lassila & Tikanoja plc shares may be paid out on the basis of the programme.

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

## SHARE-BASED INCENTIVE PROGRAMME 2014

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

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



No reward will be paid if a key person's employment ends before the reward payment. Any shares earned through the incentive programme must be held for a minimum period of two years following the payment. After that, the members of the Group Executive Board are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

A maximum of 39,105 Lassila & Tikanoja plc shares may be paid out on the basis of the programme.

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

A total of 17,850 shares for 2014 were transferred within the programme.

# REPORT BY THE BOARD OF DIRECTORS

## STRATEGY

L&T's strategy is built on our mission to transform the consumer society into an efficient recycling society. This means a society in which existing materials and buildings are used as efficiently as possible, efforts are made to optimise energy consumption, and jobs and well-being are created through sustainable growth. This will be achieved by improving our customers' material, energy and cost efficiency.

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

In 2014, L&T updated its strategy for the period 2014–2018. The update is a clear continuation of the strategy announced in 2012, which involved an extensive restructuring of operations and a redefinition of the focus areas in business operations as well as financial targets.

The update of the strategy kept the big picture unchanged, but certain revisions were made based on changes observed in our business environment. A new element in the strategy is that we now look further into the future and see the recycling society as only an interim phase in the move towards a circular economy.

Our financial targets remain unchanged, but the time horizon for achieving the growth targets has been extended somewhat and, in addition to organic growth, we will also seek growth through targeted acquisitions.

In the short term, our focus is on strengthening our market position and further improving our profitability. In the longer term, our goal is to create profitable growth for our customers as well as ourselves.

## STRATEGY IMPLEMENTATION 2014

Our strategic key priorities and the related multi-year programmes and projects play a significant role in the implementation of strategy. In 2014, we moved forward with our strategic programmes as planned.

### Development of customer service

- The programme is aimed at achieving a better customer experience, cost efficiency and additional sales.

- These goals can be achieved by harmonising operating methods, increasing automation and centralising services and functions.
- In 2014, we implemented a uniform operating model for our customer service functions and centralised operations from over 20 locations to three locations. We also revised online service forms provided for our customers and introduced national customer service telephone numbers.

### **Workforce management**

- The Workforce Management Programme is aimed at ensuring that the use of our human resources is as efficient as possible, and that our customers have the right number of competent people available to them, in the right place at the right time.
- These goals can be achieved by developing our information systems and personnel competencies, and by harmonising our operating methods. The programme consists of many sub-projects that will have a concrete effect in the coming years in the form of new ways of operating and working.
- In 2014, we completed sub-projects on digital working hours recording systems for cleaning and support services and salaried employees, and a working hours management project in waste management. These projects extended electronic working hours monitoring to some 5,000 L&T employees. Also during the year, new workforce management projects were launched in areas such as improving work shift planning in property maintenance and increasing flexibility in the use of the workforce.

### **Leadership development**

- The aims of the programme are to expedite the implementation of strategy, strengthen supervisory skills and harmonise management practices. Going forward, we want to be the industry leader in managing people and the customer experience.
- In 2014, we continued our extensive supervisor coaching programme, which involved all L&T supervisors attending at least six training days in 2013–2014. We also launched a sales coaching programme that was completed by all L&T sales personnel.

### **Enterprise resource planning in Facility Services**

- The aim of the programme is to create a consistent operating model for service production in Facility Services, and to implement systems solutions that support this model. In 2014, we defined our uniform operating model and created specifications to support the implementation of an enterprise resource planning system.

## FINANCIAL TARGETS

	Target 2018	2014	2013	2012
Organic growth	5 %	<b>-4,3 %</b>	-0,9 %	2,9 %
Return on investment	20 %	<b>16,9 %</b>	15,7 %	14,4 %
Operating profit	9 %	<b>8,4 %</b>	7,8 %	7,0 %
Gearing	30–80 %	<b>25,2 %</b>	30,4 %	35,3 %
* Operative				

## GROUP NET SALES AND FINANCIAL PERFORMANCE

Lassila & Tikanoja's net sales for the year 2014 amounted to EUR 639.7 million (2013: 668.2; 2012: 674.0), a decrease of 4.3% from the comparison period. Operating profit was EUR 48.5 million (33.2; 48.4). Operating profit excluding non-recurring items was EUR 53.8 million (51.8; 47.4), representing 8.4% (7.8; 7.0) of net sales. Earnings per share were EUR 0.47 (0.57; 0.89).

Comparable net sales grew in the Environmental Services and Industrial Services divisions, but decreased in the Facility Services and Renewable Energy Sources divisions.

The figures for the comparison period include EUR 16.6 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, most of which is allocated to the Environmental Services division.

The operating profit for 2014 includes non-recurring items at a net amount of EUR 5.3 million. Of these, EUR 6.4 million were 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. The operating profit was also affected by non-recurring capital gains on the divestment of the FinBin business operations and the sale of equipment in the Renewable Energy Sources division, totalling EUR 2.2 million, and non-recurring restructuring costs of EUR 1.4 million.

Business acquisitions made during 2014 had an effect of EUR 0.6 million on the company's full-year operating profit.

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.

### INCOME STATEMENT BY QUARTER

EUR million	10-12/ 2014	7-9/ 2014	4-6/ 2014	1-3/ 2014	10-12/ 2013	7-9/ 2013	4-6/ 2013	1-3/ 2013
<b>Net sales</b>								
Environmental Services	64,8	64,6	64,2	60,9	65,7	65,4	66,6	60,2
Industrial Services	20,3	21,8	19,7	16,0	20,9	20,9	20,0	13,7
Facility Services	68,8	68,6	68,3	69,0	71,7	71,6	73,4	75,8
Renewable Energy Sources	12,0	6,1	10,3	15,8	15,8	7,4	13,0	21,8
Group administration and other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Inter-division net sales	-3,5	-3,1	-2,7	-2,4	-4,4	-3,5	-4,1	-3,8
L&T Total	162,3	158,1	159,8	159,4	169,7	161,9	168,9	167,7
<b>Operating profit</b>								
Environmental Services	10,8	10,7	9,3	6,6	2,9	11,9	9,1	6,2
Industrial Services	1,6	3,1	1,9	-0,1	1,6	2,3	1,9	-0,5
Facility Services	1,7	6,3	2,1	0,6	-5,6	6,7	2,8	0,4
Renewable Energy Sources	1,0	-0,5	0,3	0,8	0,6	-0,2	0,1	1,0
Group administration and								

other	<b>-1,2</b>	-0,1	-0,6	-5,7	-1,1	-0,7	-5,4	-0,8
L&T Total	<b>14,0</b>	19,4	12,9	2,1	-1,6	20,0	8,5	6,3
<b>Operating margin</b>								
Environmental Services	<b>16,6</b>	16,5	14,4	10,9	4,4	18,2	13,6	10,3
Industrial Services	<b>8,0</b>	14,2	9,8	-0,9	7,5	10,9	9,5	-3,8
Facility Services	<b>2,5</b>	9,1	3,0	0,8	-7,8	9,4	3,9	0,6
Renewable Energy Sources	<b>8,7</b>	-8,1	2,5	5,2	3,7	-2,7	0,7	4,4
L&T Total	<b>8,6</b>	12,3	8,1	1,3	-1,0	12,4	5,0	3,8
Finance costs, net	<b>-3,5</b>	-1,0	-58,5	-17,7	-0,7	-1,1	-0,6	-0,4
Profit before tax	<b>10,6</b>	18,5	12,9	-15,5	-2,3	18,9	7,9	5,9

## NET SALES OF INTERNATIONAL OPERATIONS BY COUNTRY

EUR million	2014	2013	2012
Sweden	<b>23,8</b>	30,9	36,0
Latvia*	<b>2,8</b>	16,5	16,7
Russia	<b>9,3</b>	7,6	8,1

\* The company divested it's Latvian business on 13 March 2014



# DIVISION REVIEWS

## Environmental Services

The Environmental Services division's net sales for 2014 amounted to EUR 254.5 million (257.9; 265.7), showing a decrease of 1.3%. Operating profit totalled EUR 37.3 million (30.1; 34.3) and operating profit excluding non-recurring items was EUR 35.9 million (35.1; 30.6).

Demand in the recycling business was weakened particularly by the decrease in the volume of recyclable materials due to the slowdown in construction and commerce. Demand grew particularly in waste management and Russian operations.

Comparable net sales increased by 1.5%. 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.

The profitability of operations improved due to factors including synergies achieved through business acquisitions and continuous improvements in operational efficiency, although the weakened profitability of municipal contracts weighed down on the division's operating profit.

## Industrial Services

The Industrial Services division's net sales for 2014 totalled EUR 77.8 million (75.5; 70.0), showing an increase of 3.0%. Operating profit was EUR 6.5 million (5.2; 3.9) and operating profit excluding non-recurring items was EUR 7.1 million (6.7; 4.4).

Net sales increased in hazardous waste management, sewer maintenance and process cleaning. In environmental construction, net sales were lower than in the previous year.

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

## Facility Services

The Facility Services division's net sales for 2014 amounted to EUR 274.7 million (292.5; 299.5), showing a decrease of 6.1%. Operating profit totalled EUR 10.6 million (4.4; 13.0). Operating profit excluding non-recurring items totalled EUR 11.7 million (11.9; 14.7).

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

The division's profitability was decreased by the lower demand for additional services in the cleaning and property maintenance businesses and by the weak profitability of damage repair services. In maintenance of technical systems, profitability developed favourably

during the year due to higher volume.

The demand for the division's additional services declined, which had a negative impact on both net sales and profitability. The entire division is undergoing a major reorganisation process in order to adapt operations to the changes in market conditions, which weighs down on profitability.

### Renewable Energy Sources

The net sales of Renewable Energy Sources (L&T Biowatti) in 2014 were down by 23.8% to EUR 44.2 million (58.0; 55.9). Operating profit was EUR 1.6 million (1.4; -0.1) and operating profit excluding non-recurring items was EUR 1.4 million (1.1; 0.1).

The decrease in net sales was primarily attributable to the short heating season early in the year, the delayed start to the heating season compared to the previous year, and the downsizing of unprofitable operations.

As a result of efficiency improvement measures, relative profitability improved year-on-year.

## NET SALES BY DIVISION

EUR million	2014	2013	Change %
Environmental Services	254,5	257,9	-1,3
Industrial Services	77,8	75,5	3,0
Facility Services	274,7	292,5	-6,1
Renewable Energy Sources	44,2	58,0	-23,8
Eliminations	-11,6	-157,9	
Total	639,7	668,2	-4,3

## OPERATING PROFIT BY DIVISION

EUR million	2014	%	2013	%	Change %
Environmental Services	37,3	14,7	30,1	11,7	24,0
Industrial Services	6,5	8,4	5,2	6,9	24,3
Facility Services	10,6	3,9	4,4	1,5	139,6

Renewable Energy Sources	<b>1,6</b>	<b>3,7</b>	1,4	2,5	11,9
Group administration and other	<b>-7,6</b>		-8,0		
<b>Total</b>	<b>48,5</b>	<b>7,6</b>	33,2	5,0	46,1

# FINANCING AND CAPITAL EXPENDITURE

Cash flows from operating activities amounted to EUR 79.6 million (86.4; 80.5). A total of EUR 2.2 million in working capital was released (7.9 released; 6.4 released).

At the end of the period, interest-bearing liabilities amounted to EUR 96.0 million (122.8; 96.9).

Net interest-bearing liabilities amounted to EUR 52.0 million (64.4; 82.3) and decreased by EUR 12.3 million in the final quarter.

Net financial expenses in 2014 amounted to EUR 21.9 million (2.9; 5.4). Net financial expenses were 3.4% (0.4; 0.8) 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% (1.7; 2.2). Long-term loans totalling EUR 24.8 million will mature in 2015.

The equity ratio was 46.3% (43.7; 49.4) and the gearing rate was 25.2 (30.4; 35.3). Liquid assets at the end of the period amounted to EUR 44.0 million (58.5; 14.6).

Of the EUR 100 million commercial paper programme, EUR 0 (35.0; 12.0) was in use at the end of the period. A committed limit totalling EUR 30.0 million was not in use, as was the case in the comparison period.

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.

The Group has granted internal loans to its subsidiaries in Russia totalling RUB 270 million (EUR 3.7 million). Approximately 86% of the loans are hedged against fluctuations in the rouble exchange rate.

## Capital expenditure

In 2014, gross capital expenditure totalled EUR 44.7 million (32.7; 49.4), consisting mainly of machine and equipment purchases and small targeted acquisitions.

## Loans, liabilities and contingent liabilities to related parties

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

## KEY FIGURES FOR FINANCING

	2014	2013	2012
Interest-bearing liabilities, EUR million	96,0	122,8	96,9
Net interest-bearing liabilities, EUR million	52,0	64,4	82,3

Interest expenses, EUR million	<b>1,3</b>	1,1	4,8
Net finance costs, EUR million	<b>-21,9</b>	2,9	5,4
Net finance costs, % of net sales	<b>3,4</b>	0,4	0,8
Net finance costs, % of operating profit	<b>45,2</b>	8,6	11,1
Equity ratio, %	<b>46,3</b>	43,7	49,4
Gearing, %	<b>25,2</b>	30,4	35,3
Cash flows from operating activities, EUR million	<b>79,6</b>	86,4	80,5
Change in working capital in the cash flow statement, EUR million	<b>2,2</b>	7,9	6,4

## INVESTED CAPITAL

EUR million	31 Dec. 2014	31 Dec. 2013	31 Dec. 2012
Non-current assets	<b>296,5</b>	311,0	336,1
Inventories and receivables	<b>117,8</b>	126,5	130,6
Liquid assets	<b>44,5</b>	58,5	14,6
Deferred tax liability	<b>-24,7</b>	-25,8	-31,3
Trade and other payables	<b>-120,4</b>	-120,0	-112,9
Provisions	<b>-7,5</b>	-9,5	-4,4
Other non-interest-bearing liabilities	<b>-3,4</b>	-6,4	-2,8
Invested capital	<b>302,9</b>	334,3	329,9

## CAPITAL EXPENDITURE BY BALANCE SHEET ITEM

EUR million	2014	2013	2012
Real estates	<b>1,4</b>	1,9	7,4
Machinery, equipment and other property, plant and equipment	<b>31,2</b>	26,1	31,8
Goodwill and other intangible rights arising from business acquisitions	<b>6,8</b>	0,0	1,3

Other intangible assets	<b>4,6</b>	2,6	2,1
Other non-current assets	<b>0,7</b>	2,0	6,7
Total	<b>44,7</b>	32,7	49,4

## CAPITAL EXPENDITURE BY DIVISION

<b>EUR million</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Environmental Services	<b>26,6</b>	15,7	16,1
Industrial Services	<b>6,6</b>	3,2	11,3
Facility Services	<b>11,3</b>	11,3	14,7
Renewable Energy Sources	<b>0,2</b>	0,2	0,5
Group administration and other	<b>0,0</b>	2,2	6,8
Total	<b>44,7</b>	32,7	49,4

# CHANGES IN THE GROUP STRUCTURE

The Group acquired the business operations of the following companies: Kiinteistöhuolto Rytkönen Oy and J A Tauriainen Oy.

In addition, the Group acquired the share capital of the following companies: Paperitiikerit Oy and Joutsan Kuljetus Oy.

The Group divested the Molok and FinBin businesses, which were reported under the Environmental Products service area.

The shares in the Group's subsidiary in Latvia, SIA "L & T", were sold.

L&T Kierrätys Oy merged with Lassila & Tikanoja plc.

Two companies were dissolved during the financial year: Hansalaiset Oy, Kiinteistöpalvelu Hansalaiset Oy, which was a subsidiary of Hansalaiset Oy, and Tikrut Oy, which was a subsidiary of Paperitiikerit Oy.

On 31 December 2014, Paperitiikerit Oy and Joutsan Kuljetus Oy were in voluntary liquidation.



# MAIN EVENTS DURING THE REPORTING PERIOD

**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. 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 that 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](http://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.

**On 23 October 2014**, the company announced that Antti Tervo, M.Sc. (Econ.), born 1978, has been appointed as Vice President of Industrial Services from 1 January 2015. Tervo has served as the company's Chief Officer responsible for procurement and supply chain since 2012. L&T's Development Director since 2012, Tuomas Mäkipeska, M.Sc. (Econ.), born 1978, will take care of, in addition to his current duties, the duties of Vice President of Renewable Energy Sources from 1 January 2015.

**On 27 October 2014**, the company announced that its Board of Directors has resolved to exercise the authorisation by the Annual General Meeting on 19 March 2014 to repurchase a maximum of 150,000 of the company's own shares, which corresponds to approximately 0.4% of the total number of issued shares. The repurchased shares will be used for the company's near-term incentive programs.

**On 18 December 2014**, the company announced that Tutu Wegelius-Lehtonen, Lic.Sc. (Tech.), born 1970, is the new Director responsible for the supply chain at Lassila & Tikanoja plc, starting 16 February 2015.

# PERSONNEL, CORPORATE RESPONSIBILITY, RESEARCH AND DEVELOPMENT

## PERSONNEL

In 2014, the average number of employees converted into full-time equivalents was 7,257 (8,267; 8,399). The total number of full-time and part-time employees at the end of the period was 7,830 (8,847; 8,962). Of them, 7,076 (7,088; 7,035) worked in Finland and 754 (1,759; 1,927) in other countries. The number of employees working in other countries was mainly decreased by the divestment of the Latvian business operations.

## EMPLOYEES BY COUNTRY AT YEAR END

Full-time and part-time, total	2014	2013	2012
Finland	7 076	7 088	7 035
Latvia*	-	939	912
Sweden	507	582	783
Russia	247	238	232
Total	7 830	8 847	8 962

\* The company divested it's Latvian business on 13 March 2014

## CORPORATE RESPONSIBILITY

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

Corporate responsibility and the achievement of goals is managed and monitored by a dedicated corporate responsibility steering group, which is chaired by the President and

CEO. Each year, the corporate responsibility steering group confirms the company's corporate responsibility programme, which specifies key responsibility themes and related targets in accordance with a materiality assessment based on stakeholder interaction and a stakeholder survey.

In 2014, we updated our Corporate Responsibility Programme for the period 2014–2018. The Corporate Responsibility Programme describes the key objectives related to responsibility as well as major achievements and actions in 2014. The programme is built around the expectations of our key stakeholders, and we have taken into account the particular nature of the business operations and operating environment of a service business in the environmental sector. The programme is updated annually and the corporate responsibility steering group monitors its implementation on a regular basis.

The key revisions to the Corporate Responsibility Programme are related to changes in our systematic reputation and stakeholder relations work, and setting even more ambitious environmental targets. The new programme also takes supply chain requirements into account in more detail. In the area of personnel, the focus remains on successfully implementing programmes related to work ability and occupational safety.

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

L&T's corporate responsibility programme and activities are described in more detail in the 2014 corporate responsibility report, which is published as part of the company's Annual Report 2014. The report is produced in accordance with the recommendations of the Global Reporting Initiative (GRI) guidelines.

## **RESEARCH AND DEVELOPMENT**

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

The company's current capitalised development expenditure is mainly related to software and system projects. Development expenditure of EUR 2.3 million on software projects was capitalised in the balance sheet (2.1; 1.7).

Costs of software projects are capitalised starting from the time when the projects move out of the research phase into the development phase and the outcome of the project is an itemisable intangible asset.

For the most part, the goal of product development recognised as an expense in the income statement is to give L&T's service offering a competitive edge and thereby to help

the company achieve its growth targets.

L&T also participated in many research projects in 2014. The objectives of these projects were to develop waste recycling and recovered fuels, to assess and reduce environmental impacts and to develop new environmental business activities.

# RISKS AND RISK MANAGEMENT

Risk management at L&T aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the company's objectives are achieved. Comprehensive risk management serves to manage the Group's risk as a whole and not just individual risk factors.

## Responsibilities

The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management. The principles for financial risk management are defined in the Group's Financial Policy. The principles for insurance risk management are specified in the Insurance Policy.

## Identification, assessment and reporting of risks

The risk management process is defined in L&T's Integrated Management System. As part of the annual strategy process, risks are assessed at the Group and division levels, in units outside Finland as well as within centralised functions defined as being critical. In each responsibility area, the executive management assesses its strategic, financial, operational and damage-related risk factors. L&T evaluates risks using a risk matrix, thereby also assigning monetary values to risks.

Contingency plans are prepared for significant risks. Responsibility for the risk management measures is assigned to the relevant parties. The most significant risks identified and preparations for them are reported to the President and CEO and the Board of Directors.

## Risk analysis

The section Strategic and operative risks describes the most important strategic, operational and damage-related risks of L&T's business which, if realised, can endanger or prevent the achievement of business objectives. Financial risks and their management are described in Note 37 Financial Risk Management.

## STRATEGIC AND OPERATIVE RISKS

### Risks relating to information and communications systems

If realised, risks associated with information and communications systems can cause interruptions in L&T's operations and customer service. In 2014, determined work continued in order to develop the system environment and secure the IT environment's reliability.

## **Market-related risks**

Key market-related risks include a continuance of the economic recession and the resulting decline in customers' operating volumes, the entry of new competitors into the market, and legislative changes. Market price development for emission rights, secondary raw materials or oil products may affect the company's business operations. Future developments are difficult to predict due to the continuing general economic uncertainty. Major changes in the markets may have a negative impact on business growth and cause profitability to decline. L&T is not dependent on single large customers, which, together with L&T's extensive service offering, helps reduce market-related risks. As a means of standing out from its competitors and creating value-adding elements other than price, L&T is continuously developing and launching new service products. To prepare for market risks, L&T pays special attention to profitability improvement and customer care.

## **Acquisitions**

L&T seeks growth both organically and through acquisitions. The success of acquisitions affects the achievement of the company's growth and profitability targets. Failures in acquisitions may impact the company's competitiveness and profitability and may change the company's risk profile. Risk related to acquisitions is managed through contracts of sale, strategic and financial analysis of acquisition targets, comprehensive audits of due diligence, and particularly by carrying out an efficient integration programme after the realisation of a deal.

## **Operations in developing markets**

L&T has business operations in countries such as Russia. Business operations in developing markets make the company vulnerable to political and financial risks as well as risks relating to changes in social conditions. For example, the free pricing of services could be restricted in these countries. L&T endeavours to minimise these risks by familiarising itself with the international market situation and the business culture through means such as commissioning studies of the country-specific risks of developing markets.

## **Availability of competent personnel**

L&T's business is labour-intensive. Seasonal changes in job markets might increase employee turnover, posing challenges to the availability of personnel. Due to the age structure of the population, competition for skilled employees will become tougher. L&T runs several human resources management programmes aimed at ensuring the efficient use, availability and competence of personnel, including the recruitment of foreign personnel. We focus on fostering a good work community, management and leadership, improving multicultural skills, work rotation and occupational safety. L&T endeavours to be the most attractive employer in its sector.

## **Damage-related risks**

To cover for unexpected damage risks, L&T has continuous insurance coverage in all of the operating countries, including policies for injuries, property damage, business interruption, third-party liability, environmental damage and transport damage.

## **Risk of fire**



The manufacture of recycled fuels within the Environmental Services business constitutes a fire risk. A fire at a recycling plant may result in a momentary or extended interruption of the plant's operations. However, the significance of the risk is reduced by the fact that individual plants or production lines have no substantial impact on L&T's overall profitability. In addition to taking out insurance, the company endeavours to minimise the risks of fire damage by carrying out systematic contingency planning, constructing automated extinguishing systems, and training personnel to prepare for emergencies.

### **Risk of environmental damage**

L&T's business includes the collection and transport of hazardous waste, as well as processing at the company's own plants. Incorrect handling of hazardous waste or damage to equipment may result in harmful substances being released into the environment or injuries through explosion or poisoning. L&T may become liable for damages due to this. In addition to taking out insurance, the company manages environmental damage risks through systematic environmental surveys of its plants, preventive equipment maintenance plans, audits, long-span training for personnel and emergency drills.

### **Early retirement of personnel**

An increase in the personnel's disability and accident pension costs may materially affect competitiveness and profitability, particularly in Facility Services. As a major employer, L&T is liable for the full pension costs arising from its employee disabilities. L&T's Sirius programme is designed to promote the health of employees and to manage occupational health care services. It aims to minimise sickness-related absences and disability pensions as well as manage their related costs.

# CORPORATE GOVERNANCE

## Corporate Governance Statement

The Corporate Governance Statement for the financial year 2014 is provided as a separate report.

## Administrative bodies

In accordance with Lassila & Tikanoja plc's Articles of Association, the management of the company and the proper arrangement of its operations are the responsibility of a Board of Directors comprising a minimum of three (3) and a maximum of seven (7) members appointed by the General Meeting of Shareholders. The term of each member of the Board of Directors expires at the end of the next Annual General Meeting of Shareholders following his/her election.

The Company has a President and CEO appointed by the Board of Directors. In accordance with the Companies Act, the General Meeting of Shareholders shall decide on any amendments to the Articles of Association. According to a written service contract with the President and CEO, the period of notice is six months if the company terminates his employment.

The Annual General Meeting held on 19 March 2014 confirmed the number of members of the Board of Directors as six (6). 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. At its constitutive meeting after the Annual General Meeting, the Board of Directors elected Heikki Bergholm as Chairman of the Board and Eero Hautaniemi as Vice Chairman. Eero Hautaniemi was elected as the Chairman of the Audit Committee and Laura Lares and Sakari Lassila as members of the committee. Heikki Bergholm was elected as the Chairman of the Remuneration Committee and Hille Korhonen and Miikka Maijala as members of the committee.

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

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

## Group Executive Board members

The Group Executive Board membership of Ville Rantala, Vice President, Industrial Services and Renewable Energy Sources, ended on 5 December 2014 as a result of his resignation from the company.

On 31 December 2014, the members of the Group Executive Board were Pekka Ojanpää, President and CEO; Timo Leinonen, CFO; Petri Salermo, Vice President, Environmental Services; Petri Myllyniemi, Vice President, Facility Services; Kirsi Matero, HR Director;

Tuomas Mäkipeska, Business Development Director; and Antti Tervo, Chief Officer responsible for procurement and supply chain.

Antti Tervo has been appointed Vice President, Industrial Services, from 1 January 2015. Tuomas Mäkipeska has been appointed Vice President, Renewable Energy Sources, from 1 January 2015. Mäkipeska also continues as the company's Business Development Director. Tutu Wegelius-Lehtonen has been appointed the Director responsible for supply chain from 16 February 2015.

# SHARES AND SHAREHOLDERS

## Share capital and number of shares

There were no changes in Lassila & Tikanoja's share capital and number of shares in 2013 and 2014. The registered share capital of the company is EUR 19,399,437. The number of shares is 38,798,874. In 2014, the average number of shares excluding the shares held by the company totalled 38,728,721. Each share carries one vote. The Articles of Association do not set an upper limit on the share capital and number of shares. A share has neither a nominal value nor a book equivalent value.

The company's shares are included in the book-entry system of securities maintained by Euroclear Finland Ltd. Euroclear Finland maintains the company's official list of shareholders.

## Shareholders

Lassila & Tikanoja plc had 10,152 registered shareholders at the end of 2014 (9,320; 9,382). Nominee-registered shares and shares in direct foreign ownership accounted for 17.9% of the stock (21.7; 17.2).

## Holdings of the Board of Directors and President and CEO

The members of the Board, the President and CEO, and organisations under their control held a total of 970,358 shares in the company on 31 December 2014. They represent 2.5% of the number of shares and votes.

## Trading in shares in 2014

The company's shares are quoted on the mid-cap list of the NASDAQ OMX Helsinki Ltd in the Industrials sector. The trading code is LAT1V and the ISIN code is FI0009010854.

The volume of trading in Lassila & Tikanoja plc shares excluding the shares held by the company on the NASDAQ OMX Helsinki during 2014 was 10,191,394, which is 26.3% (18.7%; 25.8%) of the average number of outstanding shares. The value of trading was EUR 145.2 million (99.5; 105.1). The highest share price was EUR 15.84 and the lowest EUR 13.31. The closing price was EUR 15.14. The market capitalisation excluding the shares held by the company was EUR 584.7 million (589.5; 450.4) at the end of the period.

## Own shares

At the beginning of the period, the company held 92,247 of its own shares and at the end of the period 180,894, representing 0.5% of all shares and votes.

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

### Restrictions in voting power

According to the Articles of Association, at a General Meeting of Shareholders no shareholder may cast more than one fifth of the total number of votes represented at the meeting.

## BREAKDOWN OF SHAREHOLDING BY SECTOR AT YEAR END

	Number of shareholders		Number of shares	Percentage of shares and votes
		Percentage		
Non-financial corporations and housing corporations	551	5,4 %	2 772 544	7,1 %
Financial and insurance corporations	65	0,6 %	8 558 378	22,1 %
General Government	23	0,2 %	3 534 991	9,1 %
Non-profit institutions serving households	228	2,2 %	5 036 839	13,0 %
Households	9 242	91,0 %	11 734 557	30,2 %
Foreign shareholders	43	0,4 %	156 711	0,4 %
Own shares			180 894	0,5 %
Shares registered in a nominee's name			6 964 318	18,0 %
Shares not transferred to the book-entry securities system			40 536	0,1 %
Total			38 798 874	100,0 %

## BREAKDOWN OF SHAREHOLDING BY SIZE OF HOLDING AT YEAR END

Number of shares	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
1-1 000	8 686	85,6 %	2 312 794	6,0 %
1 001-5 000	1 037	10,2 %	2 319 816	6,0 %
5 001-10 000	175	1,7 %	1 301 601	3,4 %
10 001-100 000	199	2,0 %	5 600 444	14,4 %
100 001-500 000	39	0,4 %	7 343 227	18,9 %
over 500 000	16	0,2 %	19 880 456	51,2 %
	10 152	100,0 %	38 758 338	99,9 %
Own shares			6 964 318	17,9 %
Shares registered in a nominee's name			40 536	0,1 %
Shares not transferred to the book-entry securities system			180 894	0,5 %
Total			38 798 874	100,0 %

## MAJOR SHAREHOLDERS AT YEAR END

Shareholder	Number of shares	Percentage of shares and votes
1 Evald and Hilda Nissi Foundation	2 413 584	6,2
2 Mandatum Life Insurance Company Limited	2 277 000	5,9
3 Nordea investment funds	2 181 238	5,6
4 Maijala Juhani	1 529 994	3,9
5 Ilmarinen Mutual Pension Insurance Company	1 162 803	3,0
6 Bergholm Heikki	824 800	2,1
7 Maijala Mikko	720 000	1,9
8 Evli investment funds	667 562	1,7
9 Danske Invest funds	664 996	1,7

10	Elo Mutual Pension Insurance Company	614 073	1,6
11	Varma Mutual Pension Insurance Company	600 690	1,6
12	Turjanmaa Kristiina	585 842	1,5
13	The State Pension Fund	562 000	1,5
14	Aktia investment funds	523 280	1,4
15	Fondita investment funds	442 300	1,1
16	Visio Allocator Fund	350 000	0,9
17	Maijala Eeva	345 000	0,9
18	Oy Chemec Ab	340 000	0,9
19	SEB Gyllenberg investment funds	324 244	0,8
20	Veikko Laine Oy	255 153	0,7
	Total	17 384 559	44,8



# PROFIT DISTRIBUTION

## Dividend policy

The amount of dividend is tied to the results for the financial year. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders.

In 2014, the Group's earnings per share were EUR 0.47 (0.57; 0.89) and cash flow from operating activities per share amounted to EUR 2.06 (2.23; 2.08). The Board of Directors will propose a dividend of EUR 0.75 per share to the Annual General Meeting to be held on 18 March 2015.

A dividend of EUR 0.50 per share was paid for the financial year 2014. A capital repayment of EUR 0.60 per share, an additional dividend of EUR 0.35 per share, and an additional capital repayment of EUR 0.15 per share were paid for 2012.

# NEAR-TERM UNCERTAINTIES AND OUTLOOK FOR 2015

## Near-term uncertainties

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

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.

## Outlook for 2015

Full-year net sales and operating profit excluding non-recurring items in 2015 are expected to remain at the 2014 level.

# EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

# KEY FIGURES

## KEY FIGURES ON FINANCIAL PERFORMANCE

	2014	2013	2012	2011	2010
Net sales, EUR million	<b>639,7</b>	668,2	674,0	652,1	598,2
Operating profit, EUR million	<b>48,5</b>	33,2	48,4	25,6	40,2
% of net sales	<b>7,6</b>	5,0	7,2	3,9	6,7
Profit before tax, EUR million	<b>26,6</b>	30,3	43,0	21,0	36,0
% of net sales	<b>4,2</b>	4,5	6,4	3,2	6,0
Profit for the period, EUR million	<b>18,1</b>	22,2	34,5	17,0	26,2
% of net sales	<b>2,8</b>	3,3	5,1	2,6	4,4
Profit for the period attributable to the equity holders of the parent company, EUR million	<b>18,1</b>	22,2	34,5	17,0	26,2
% of net sales	<b>2,8</b>	3,3	5,1	2,6	4,4
EVA, EUR million	<b>29,1</b>	12,4	24,1	-2,2	10,1
Cash flow from operating activities, EUR million	<b>79,6</b>	86,4	80,5	74,5	63,8
Balance sheet total, EUR million	<b>458,3</b>	496,0	481,3	494,3	483,7
Return on equity, % (ROE)	<b>8,7</b>	10,0	15,3	7,7	11,9
Return on invested capital, % (ROI)	<b>15,4</b>	10,6	14,4	7,6	11,6
Equity ratio, %	<b>46,3</b>	43,7	49,4	44,5	46,5
Gearing, %	<b>25,2</b>	30,4	35,3	58,3	50,3
Net interest-bearing liabilities, EUR million	<b>52,0</b>	64,4	82,3	127,2	112,3
Capital expenditure, EUR million	<b>44,7</b>	32,7	49,4	70,6	39,3
% of net sales	<b>7,0</b>	4,9	7,3	10,8	6,6
Average number of employees in full-time equivalents	<b>7 257</b>	8 267	8 399	8 513	7 835
Total number of full-time and part-time employees at year end	<b>7 830</b>	8 847	8 962	9 357	8 732

## KEY FIGURES ON SHARES

	2014	2013	2012	2011	2010
Earnings per share (EPS), EUR	<b>0,47</b>	0,57	0,89	0,44	0,68
Earnings per share (EPS), diluted, EUR	<b>0,47</b>	0,57	0,89	0,44	0,68
Equity per share, EUR	<b>5,34</b>	5,46	6,01	5,63	5,75
Dividend per share, €	<b>0,75</b>	0,50	0,35	-	0,55
Payout ratio, %	<b>160,0</b>	87,2	39,3	-	81,38
Capital repayment per share, EUR	-	-	0,75	0,55	-
Payout ratio, %	-	-	84,2	125,6	-
Effective dividend yield, %	<b>5,0</b>	3,3	6,4	-	3,73
Effective capital repayment yield, %	-	-	5,2	4,8	
P/E ratio, %	<b>32,3</b>	26,6	13,1	26,2	21,79
Cash flow from operating activities per share, EUR	<b>2,06</b>	2,23	2,08	1,92	1,65
Share price:					
lowest, EUR	<b>12,75</b>	11,60	8,59	9,49	12,85
highest, EUR	<b>15,84</b>	15,59	12,15	15,18	16,20
average, EUR	<b>14,31</b>	13,81	10,55	12,13	14,36
closing, EUR	<b>15,14</b>	15,23	11,64	11,49	14,73
Market capitalization, EUR million	<b>587,4</b>	589,5	450,4	444,5	570,61
Number of shares:					
average during the year	<b>38 728 721</b>	38 703 933	38 688 373	38 721 908	38 748 649
at year end	<b>38 617 980</b>	38 706 627	38 692 064	38 685 569	38 738 116
average during the year, diluted	<b>38 739 668</b>	38 720 630	38 701 004	38 762 194	38 772 906
Number of shares traded during the year	<b>10 191 394</b>	7 206 872	9 967 494	8 965 140	7 816 454
As a percentage of the average	<b>26,3</b>	18,7	25,8	23,2	20,2
Volume of shares traded, EUR million	<b>147,2</b>	99,5	105,1	108,7	112,3
* Proposal by the Board of Directors					

# CALCULATION OF THE KEY FIGURES

## Key figures on shares

Earnings per share (EPS)	=	profit attributable to equity holders of the parent company	
		adjusted average basic number of shares	
Earnings per share (EPS), diluted	=	profit attributable to equity holders of the parent company	
		adjusted average diluted number of shares	
Equity per share	=	equity attributable to equity holders of the parent company	
		adjusted basic number of shares at the balance sheet date	
Dividend per share	=	dividend for the financial period	
		share issue adjustment factor for issues made after the financial period	
Payout ratio, % *	=	dividend per share	x 100
		earnings per share	
Effective dividend yield, % *	=	dividend per share	x 100
		closing price of the financial period	
P/E ratio, %	=	closing price of the financial period	
		earnings per share	
Cash flow from operating activities per share	=	cash flows from operating activities as in the cash flow statement	
		adjusted average basic number of shares	
Market capitalization	=	basic number of shares at the balance sheet date x closing price of the financial period	

\* The calculations are also applied with capital repayment.

## Key figures on financial performance

EVA	=	operating profit - cost calculated on invested capital (average of four quarters) before taxes	
		The cost of invested capital is calculated using the Group's weighted average cost of capital (WACC).	
		WACC 2014: 6,58 %	
		WACC 2013: 6,52 %	
		WACC 2012: 7,10 %	
		WACC 2011: 7,70 %	
		WACC 2010: 8,70 %	
Return on equity, % (ROE)	=	profit for the period	x 100
		equity (average)	

Return on invested capital, % (ROI)	=	$\frac{\text{profit before tax + finance costs}}{\text{Balance sheet total - non-interest-bearing liabilities (average)}} \times 100$
Equity ratio, %	=	$\frac{\text{equity}}{\text{balance sheet total - advances received}} \times 100$
Gearing, %	=	$\frac{\text{net interest-bearing liabilities}}{\text{equity}} \times 100$
Net interest-bearing liabilities	=	Interest-bearing liabilities - cash and cash equivalents

# FINANCIAL STATEMENTS

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

## CONSOLIDATED INCOME STATEMENT

1 January - 31 December EUR million	2014	%	2013	%	Note
<b>Net sales</b>	<b>639,7</b>	100,0	668,2	100,0	1
<b>Cost of sales</b>	<b>-561,6</b>	-87,8	-597,3	-89,4	
<b>Gross profit</b>	<b>78,1</b>	12,2	70,9	10,6	
Other operating income	<b>7,0</b>	1,1	4,3	0,6	6
Sales and marketing expenses	<b>-14,2</b>	-2,2	-14,5	-2,2	
Administrative expenses	<b>-12,7</b>	-2,0	-13,0	-1,9	
Other operating expenses	<b>-9,7</b>	-1,5	-2,5	-0,4	6
Impairment, property, plant and equipment	<b>0,0</b>	0,0	-5,0	-0,8	16, 14
Impairment, goodwill and other intangible assets	<b>0,0</b>	0,0	-7,0	-1,0	13
<b>Operating profit</b>	<b>48,5</b>	7,6	33,2	5,0	
Financial income	<b>0,4</b>	0,1	0,5	0,1	8
Financial costs	<b>-22,3</b>	-3,5	-3,4	-0,5	8
<b>Profit before tax</b>	<b>26,6</b>	4,2	30,3	4,5	
Income taxes	<b>-8,4</b>	-1,3	-8,1	-1,2	9
<b>Profit for the period</b>	<b>18,1</b>	2,8	22,2	3,3	
<b>Attributable to:</b>					
Equity holders of the company	<b>18,1</b>		22,2		
Non-controlling interest	<b>0,0</b>		0,0		
<b>Earnings per share attributable to equity holders of the parent company:</b>					
Basic earnings per share, EUR	<b>0,47</b>		0,57		10
Diluted earnings per share, EUR	<b>0,47</b>		0,57		

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 January - 31 December EUR million	2014	2013	Note
<b>Profit for the period</b>	<b>18,1</b>	22,2	
<b>Items not to be recognised through profit or loss</b>			
Items arising from re-measurement of defined benefit plans	-0,1	0,1	25
Items not to be recognised through profit or loss, total	-0,1	0,1	
<b>Items potentially to be recognised through profit or loss</b>			
Hedging reserve, change in fair value	-0,6	-0,4	
Currency translation differences	-2,1	-0,4	
Currency translation differences recognised in profit or loss	0,3	0,0	
Currency translation differences, non-controlling interest	-0,1	0,0	
Items potentially to be recognised through profit or loss, total	-2,4	-0,8	
<b>Total comprehensive income, after tax</b>	<b>15,6</b>	21,4	
<b>Attributable to:</b>			
Equity holders of the company	15,7	21,5	
Non-controlling interest	-0,1	0,0	

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

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

# CONSOLIDATED BALANCE SHEET

31 December EUR million	2014	%	2013	%	Note
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets					12
Goodwill	109,9		112,8		
Customer contracts arising from acquisitions	5,3		5,1		
Agreements on prohibition of competition	0,1		0,4		
Other intangible assets arising from acquisitions	0,7		0,0		
Other intangible assets	9,7		8,0		
	125,7	27,4	126,3	25,5	
Property, plant and equipment					14
Land	3,3		3,8		
Buildings and constructions	44,3		49,7		
Machinery and equipment	112,2		115,8		
Other	0,1		0,1		
Prepayments and construction in progress	2,2		2,2		
	162,1	35,4	171,5	34,6	
Other non-current assets					
Available-for-sale investments	0,6		4,3		17, 30
Finance lease receivables	3,2		3,7		18, 30
Deferred tax assets	2,7		2,8		9
Other receivables	2,3		2,4		30
	8,7	1,9	13,2	2,7	
<b>Total non-current assets</b>	<b>296,5</b>	<b>64,7</b>	<b>311,0</b>	<b>62,7</b>	
<b>Current assets</b>					
Inventories	22,6		26,1		19
Trade and other receivables	94,7		100,0		20, 30
Derivative receivables	0,1		0,1		30, 31
Prepayments	0,5		0,3		
Available-for-sale investments	10,0		0,0		21, 30
Cash and cash equivalents	34,0		58,5		22, 30
<b>Total current assets</b>	<b>161,8</b>	<b>35,3</b>	<b>185,0</b>	<b>37,4</b>	



<b>Total assets</b>	<b>458,3</b>	<b>100,0</b>	496,0	100,0
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The notes are an integral part of these consolidated financial statements.

<b>31 December EUR million</b>	<b>2014</b>	<b>%</b>	<b>2013</b>	<b>%</b>	<b>Liite</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Equity attributable to equity holders of the company					23
Share capital	<b>19,4</b>		19,4		
Other reserves	<b>-3,9</b>		-1,5		
Unrestricted equity reserve	<b>0,3</b>		0,3		
Retained earnings	<b>172,2</b>		170,9		
Profit for the period	<b>18,1</b>		22,2		
	<b>206,2</b>		211,2		
Non-controlling interests	<b>0,2</b>		0,2		
<b>Total equity</b>	<b>206,3</b>	<b>45,0</b>	211,5	42,6	
<b>Liabilities</b>					
Non-current liabilities					
Deferred tax liabilities	<b>24,7</b>		25,8		9
Retirement benefit obligations	<b>1,0</b>		0,8		25
Provisions	<b>4,2</b>		6,1		26
Borrowings	<b>71,2</b>		65,9		27, 30
Other liabilities	<b>0,3</b>		0,5		28, 30
	<b>101,4</b>	<b>22,1</b>	99,0	20,0	
Current liabilities					
Borrowings	<b>24,8</b>		57,0		27, 30
Trade and other payables	<b>120,4</b>		120,0		29, 30
Derivative liabilities	<b>1,4</b>		0,5		30, 31
Current tax liabilities	<b>0,7</b>		4,7		
Provisions	<b>3,3</b>		3,4		26
	<b>150,7</b>	<b>32,9</b>	185,5	37,4	
<b>Total liabilities</b>	<b>252,0</b>	<b>55,0</b>	284,5	57,4	
<b>Total equity and liabilities</b>	<b>458,3</b>	<b>100,0</b>	496,0	100,0	

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

# CONSOLIDATED CASH FLOW STATEMENT

1 January - 31 December EUR million	2014	2013	Note
<b>Cash flows from operating activities</b>			
Profit for the period	18,1	22,2	
Adjustments	71,0	68,8	33
Net cash generated from operating activities before change in working capital	89,1	91,0	
Change in working capital			
Change in trade and other receivables	-1,4	2,8	
Change in inventories	3,6	-1,2	
Change in trade and other payables	0,0	6,3	
Change in working capital	2,2	7,9	
Interest paid	-3,0	-3,6	
Interest received	0,4	0,5	
Income tax paid	-9,1	-9,3	
<b>Net cash generated from operating activities</b>	<b>79,6</b>	<b>86,4</b>	
<b>Cash flows from investing activities</b>			
Acquisitions of subsidiaries and businesses, net of cash acquired	-9,8	0,0	2
Proceeds from sale of subsidiaries and businesses, net of sold cash	13,5	0,0	33
Purchases of property, plant and equipment and intangible assets	-34,1	-28,1	
Proceeds from sale of property, plant and equipment and intangible assets	0,4	1,2	
Purchases of available-for-sale investments	-0,2		
Change in other non-current receivables	0,3	0,4	
Dividends received	0,0	0,0	
<b>Net cash used in investing activities</b>	<b>-29,8</b>	<b>-26,5</b>	
<b>Cash flows from financing activities</b>			
Changes in short-term borrowings	-32,2	22,9	
Proceeds from long-term borrowings	29,9	30,0	
Repayments of long-term borrowings	-24,8	-26,2	
Capital repayments paid	-19,4	-42,5	
Repurchase of own shares	-1,9	-	
Guarantee commitment to L&T Recoil	-16,7	-	

Other financial items	0,9	-	
<b>Net cash generated from financing activities</b>	<b>-64,2</b>	-15,9	
<b>Net change in liquid assets</b>	<b>-14,4</b>	44,1	
Liquid assets at beginning of period	58,5	14,6	
Effect of changes in foreign exchange rates	-0,2	-0,2	
<b>Liquid assets at end of period</b>	<b>44,0</b>	58,5	22

The notes are an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Currency translation differences	Revaluation reserve	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity	Note
Equity at 1 January 2013	19,4	-0,8	0,0	0,0	29,4	184,7	232,7	0,3	233,0	
Amendment in IAS19						-0,2	-0,2		-0,2	
Equity at 1 January 2013, adjusted	19,4	-0,8	0,0	0,0	29,4	184,5	232,5	0,3	232,8	
Comprehensive income										
Profit for the period						22,2	22,2	0,0	22,2	
Items arising from remeasurement of defined benefit plans						0,1	0,1		0,1	
Hedging reserve, change in fair value				-0,4			-0,4		-0,4	
Current available-for-sale financial assets			0,0				0,0		0,0	
Currency translation differences		-0,4					-0,4	0,0	-0,5	
Total comprehensive income		-0,4	0,0	-0,4		22,3	21,5	0,0	21,4	
Transactions with equity holders of the company										
Expense recognition of share-based benefits					-0,1	0,4	0,4		0,4	24
Dividend payment						-13,5	-13,5		-13,5	
Dividend returned						0,0	0,0		0,0	
Capital repayment					-29,0		-29,0		-29,0	
Total transactions with equity holders of the company					-29,1	-13,1	-42,2		-42,2	
Other changes						-0,6	-0,6		-0,6	
Equity at 31 December 2013	19,4	-1,2	0,0	-0,3	0,3	193,1	211,2	0,2	211,5	
EUR million	Share capital	Currency translation differences	Revaluation reserve	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity	Note
Equity at 1 January 2014	19,4	-1,2	0,0	-0,3	0,3	193,1	211,2	0,2	211,5	

Comprehensive income

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

More information on equity is shown in Note 23 Equity, and on taxes recognised in equity in Note 9 Income taxes.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## GENERAL INFORMATION

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

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

Lassila & Tikanoja plc is listed on the NASDAQ OMX Helsinki.

The consolidated financial statements are available on the company website at [www.lassila-tikanoja.com](http://www.lassila-tikanoja.com) or from the parent company's head office, address Sentnerikuja 1, 00440 Helsinki, Finland.

These consolidated financial statements have been approved for issue by the Board of Directors of Lassila & Tikanoja plc on 3 February 2015. Under the Finnish Limited Liability Companies Act, the shareholders may accept or reject the financial statements at the general meeting of shareholders held after their publication. The meeting also has the power to make a decision to amend the financial statements.

## BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), with application of the IFRS and IAS standards as well as IFRIC and SIC interpretations in effect on 31 December 2014. In the Finnish Accounting Act and regulations enacted by virtue of it, International Financial Reporting Standards refer to standards and related interpretations approved for adoption within the EU according to the procedure described in regulation (EC) 1606/2002. The notes to the consolidated financial statements also comply with the Finnish accounting and community legislation supplementing the IFRS regulations.

The financial statements have been prepared under the historical cost convention, with the exception of available-for-sale investments for which a fair value can be determined from market prices, and derivative contracts, which have been measured at fair value. Share-based payments have been recognised at fair value on the grant date.

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

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

## **APPLICATION OF NEW OR AMENDED IFRS STANDARDS**

As of 1 January 2014, the Group has applied the following new and amended standards and interpretations in preparing these consolidated financial statements:

- IFRS 10 Consolidated Financial Statements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard had no impact on the consolidated financial statements.
- IFRS 11 Joint Arrangements and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard had no impact on the consolidated financial statements.
- IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard had no impact on the consolidated financial statements.
- IAS 27 Separate Financial Statements (revised 2011) and subsequent amendments (in the EU effective for financial years beginning on or after 1 January 2014): The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised standard had no impact on the consolidated financial statements.
- IAS 28 Investments in Associates and Joint Ventures (revised 2011) (in the EU effective for financial years beginning on or after 1 January 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard had no significant impact on the consolidated

financial statements.

- Amendments to IAS 32 Financial Instruments: Presentation (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of presentation requirements for offsetting financial assets and financial liabilities on the statement of financial position and give more related application guidance. The amendments had no significant impact on the consolidated financial statements.
- Amendments to IAS 36 Impairment of Assets (effective for financial years beginning on or after 1 January 2014): The objective of the amendments is to clarify that the scope of the disclosures of information about the recoverable amount of assets, where that amount is based on fair value less costs of disposal, is limited to impaired assets. The amended standard had no significant impact on the consolidated financial statements.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 January 2014): The amendments made to IAS 39 provide an exception to the requirement to discontinue hedge accounting in certain circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The amendments had no impact on the consolidated financial statements.
- IFRIC 21 Levies (effective for financial years beginning on or after 1 January 2014; in the EU to be applied at the latest, as from the commencement date of its first financial year starting on or after 17 June 2014): The interpretation clarifies the accounting treatment of levies. A liability for a levy is recognised when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation is applicable to all levies other than income taxes, fines, penalties and outflows that are in scope of other standards. The interpretation had no significant impact on the consolidated financial statements.

## **ACCOUNTING POLICIES**

### **Consolidation**

### **Subsidiaries**

The consolidated financial statements include the parent company Lassila & Tikanoja plc and all subsidiaries in which the Group exercises control. The criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

Intra-Group shareholdings have been eliminated using the acquisition method.

Consideration given and the identifiable assets and liabilities of an acquired company are recognised at fair value on the date of acquisition. Any costs associated with the acquisition, with the exception of costs arising from the issuance of debt securities or equity instruments, have been recorded as expenses. Any conditional additional sale price has been measured at fair value on the date of acquisition and classified as a liability or as



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

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

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

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

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

## **Associates**

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

## **Joint ventures**

Joint ventures are entities over which the Group, together with another party, exercise joint, contractually agreed control. A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement. The Group did not have holdings in joint ventures and was not a party to joint arrangements on the balance sheet date, 31 December 2014.

## **Foreign currency translation**

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

### **Transactions in foreign currencies**

Any transactions in foreign currencies have been recognised in the functional currency using the exchange rate in effect on the transaction date. In practice, it is customary to use a rate that is close enough to the transaction day rate. Monetary assets denominated in foreign currency are translated into euros using the exchange rates in effect on the balance sheet date. Non-monetary assets are translated using the exchange rate in effect on the transaction date. L&T has no non-monetary assets denominated in foreign currency that are measured at fair value. Exchange rate gains and losses arising from foreign-currency transactions and the translation of monetary items are recognised in the income statement. Foreign exchange gains and losses on business transactions are included in the respective items above operating profit. Foreign exchange gains and losses on financial assets and liabilities are included in financial income and costs.

The income statements of the Group entities whose functional currency is not the euro are translated into euros at average exchange rates for the period, and the statements of financial position at the exchange rates in effect on the balance sheet date. The difference in exchange rates applicable to the translation of profit in the income statement and statement of comprehensive income result in a translation difference recognised in the translation reserve within equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries, as well as translation differences in equity items accumulating after the acquisition, are recognised in the translation difference reserve.

Goodwill and fair value adjustments to the carrying amounts of the assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into euros at the closing rate.

### **Goodwill and other intangible assets**

Goodwill represents the portion of the acquisition cost by which the aggregate of the consideration given, the share of non-controlling owners in the acquired entity and the previously owned share exceed the fair value of the acquired entities at the time of acquisition. Goodwill is not amortised, but is tested annually for impairment. Goodwill is presented in the statement of financial position at original cost less impairment losses, if any.

Intangible assets acquired in a business combination are measured at fair value. The useful lives of intangible assets are estimated to be either finite or indefinite. In L&T, the intangible assets recognised in business combinations include items such as customer relations, non-competition agreements and environmental permits. They have finite useful lives, varying between three and thirteen years.

Other intangible assets consist primarily of software and software licences.

The costs of software projects are recognised in other intangible assets starting from the time when the projects move out of the research phase into the development phase and the outcome of a project is an identifiable intangible asset. Such an intangible asset must provide L&T with future economic benefit that exceeds the costs of its development. The cost comprises all directly attributable costs necessary for preparing the asset to be capable of operating in the manner intended by the management. The largest cost items are consultancy fees paid to third parties, as well as salaries and other expenses for the Group's personnel.

The depreciation period for computer software and software licences is five years.

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

### **Property, plant and equipment**

Property, plant and equipment are recognised at acquisition cost less accumulated depreciation and impairment losses. The historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment. Borrowing costs immediately arising from the acquisition, construction or manufacture of property, plant and equipment that meet the conditions are capitalised as part of the asset's acquisition cost.

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

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

Depreciation in the financial statements is based on the following expected useful lives:

Buildings and structures 5–30 years

Vehicles 6–15 years

Machinery and equipment 4–15 years

For completed landfills the Group applies the units of production method, which involves depreciation on the basis of the volume of waste received. Land is not depreciated.

When an asset included in property, plant and equipment consists of several components with different estimated useful lives, each component is treated as a separate asset. Ordinary repair and maintenance costs are recognised in the income statement during the period in which they are incurred. Costs of significant modification and improvement projects are capitalised if it is probable that the projects will result in future economic benefits to the Group. When a tangible asset is classified as held for sales in accordance with IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations, depreciation

will no longer be recorded. Gains and losses on sales and disposal of property, plant and equipment are recognised through profit or loss and are presented in other operating income or expenses.

### **Impairment of tangible and intangible assets**

On each closing day of a reporting period, the Group assesses the balance sheet values of its assets for any impairment. If any indication exists, an estimate of the asset's recoverable amount is made. The need for recognition of impairment is assessed at the level of cash generating units – that is, the lowest level of unit that is primarily independent of other units and that generates cash flows that are separately identifiable.

The recoverable amount is the higher of an asset's fair value less selling costs and its value in use. Value in use refers to the estimated future net cash flows available from an asset or cash-generating unit, discounted to the present value. The discount rate used is the pre-tax rate, which reflects the market view of the time value of money and the risks associated with the asset.

An impairment loss is recognised in the income statement when an asset's carrying amount exceeds its recoverable amount. Impairment losses attributable to a cash-generating unit are used for deducting first the goodwill allocated to the cash-generating unit and, thereafter, the other assets of the unit on an equal basis.

An impairment loss for an asset other than goodwill recognised in prior periods is reversed if there is a change in circumstances and the recoverable amount has changed. An impairment loss recognised for goodwill is not reversed.

Goodwill is tested for impairment annually or whenever there is any indication of impairment. Recoverable amount calculations based both on values in use and on the net sales price are made for the cash-generating units to which the goodwill has been allocated.

Intangible assets under construction are software projects that cannot be tested separately for impairment, as they do not generate separate cash flow. There is no need for impairment if, at the end of the financial period, it is clear that the projects will be completed and the software will be introduced. Intangible assets under construction are, however, tested for impairment as part of the cash generating unit to which they belong.

### **Leases**

#### **The Group as a lessee**

Assets leased under a finance lease are recognised in property, plant and equipment at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. They are depreciated over the term of the lease or over their expected useful lives, if shorter. However, when there is reasonable assurance that the ownership of the leased asset will transfer to L&T by the end of the lease term, the asset will be depreciated using the method applied for a corresponding asset owned by the company. Liabilities arising from the leases are recorded under loans. Each lease payment is apportioned between financial cost and loan repayment. Financial costs are allocated to

each period of the leasing term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### **The Group as a lessor**

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

Leases of assets and premises that do not transfer the material risks and rewards associated with ownership to the lessee are classified as operating leases. The lease payments are recognised on a straight-line basis over the term of the lease as income or cost, depending on whether L&T is the lessor or the lessee. Assets leased out under operating leases are recognised in property, plant and equipment and are depreciated over their expected useful lives using the method applied for corresponding property, plant and equipment owned by the company.

### **Non-current assets held for sale and discontinued operations**

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

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

### **Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The inventories of L&T Biowatti and Environmental Products are measured using the weighted average cost method. The value of other inventories is determined using the FIFO method.

At its recycling plants, L&T processes recyclable materials into secondary raw materials for sale. The cost of the inventories of these materials comprises raw materials, direct labour costs, other direct costs of manufacturing and a proportion of variable and fixed production overheads based on normal operating capacity.

### **Financial assets and liabilities**

Financial assets and liabilities are classified as loans and receivables, available-for-sale investments, financial assets and liabilities at fair value through profit or loss, and as other financial liabilities. This classification is performed when the asset or liability is acquired and is based on the purpose of the acquisition.

A financial asset is derecognised when the rights to the cash flows from the asset expire, or when all material risks and rewards of the ownership of the asset have been transferred outside L&T.

Borrowings and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are included in this category and are recognised in the statement of financial position at historical cost less credit adjustments and impairment losses.

Available-for-sale investments include rahasto-osuuksia as well as certificates of deposit and commercial papers. By definition, the category includes financial assets that do not belong to actual business and are not in production use on the one hand, and financial assets that can be sold to obtain working capital for business operations on the other hand.

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

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

date.

Financial assets and liabilities at fair value through profit or loss are derivative financial instruments to which hedge accounting is not applied. Accounting policies applied to them are described below under Derivative financial instruments and hedge accounting.

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

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

### **Derivative instruments and hedge accounting**

As specified in its financial policy, L&T uses derivative instruments to reduce the financing risks associated with interest rate, commodity and exchange rate fluctuations. L&T's derivative instruments include interest rate swaps to hedge the cash flow of variable-rate borrowings against interest rate risk, commodity swaps made to balance price fluctuations in future diesel purchases, and currency forward contracts made to hedge purchases in foreign currencies against foreign exchange risk.

Derivatives are recognised initially in the statement of financial position at fair value. After acquisition, they are measured at fair value on each balance sheet date. The fair values are based on market quotations on the balance sheet date. Any gains and losses arising from measurement at fair value are accounted for in the manner determined by the purpose of the derivative instrument.

All interest rate, commodity and currency hedges meet the criteria set for efficient hedging in the Group's risk management policy. The profits and losses from derivatives covered by hedge accounting are recorded consistently with the underlying commodity. Derivative agreements are defined as hedging instruments for future cash flows and anticipated purchases (cash flow hedging), or as derivative agreements to which hedge accounting is not applied (financial hedging).

L&T applies cash-flow hedge accounting to all interest rate and currency swaps and commodity derivatives. When hedge accounting is initiated, L&T documents the relationship between the hedged item and the hedging instrument, as well as the Group's risk management objectives and hedging strategy. The Group does not use derivatives to hedge net investments made in independent foreign units.

When hedging begins and in connection with each interim report, L&T documents and estimates the effectiveness of the hedging relationships by assessing the hedging instrument's ability to cancel any changes in the cash flows of the hedged item.

To the extent that cash flow hedging is efficient, changes in fair values of hedging instruments are recognised in the hedging reserve within equity. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, the gain or loss on the hedging instrument remains in equity

until the hedged cash flow materialises. If the hedged cash flow is no longer expected to materialise, the gain or loss incurred on the hedging instrument is recognised in the income statement immediately. The ineffective portion of hedging relationship is also recognised immediately in the income statement.

Hedge accounting in accordance with IAS 39 was not applied to foreign currency forward instruments and changes in the fair values of these items were recognised in the income statement as financial income or costs. Derivatives to which hedge accounting is not applied are categorised as financial assets and liabilities held for trading.

The positive fair values of all derivatives are recorded in the statement of financial position under derivative receivables. Similarly, the negative fair values of derivatives are recorded under derivative payables. All fair values of derivatives are included in current assets or liabilities.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits redeemable on demand and other short-term liquid investments. Their maturity is no longer than three months from the acquisition date. They are recognised as of the settlement date and measured at historical cost. Foreign currency transactions are translated into euros using the exchange rates prevailing on the balance sheet date.

### **Impairment of financial assets**

The Group assesses on each balance sheet date whether there is objective evidence that any financial asset item is impaired. If there is evidence of impairment, the cumulative loss in the fair value reserve is recognised in profit or loss. Impairment losses on shares classified as financial assets available for sale are not reversed through profit or loss, as is the case with impairment losses recognised on fixed income instruments that are subsequently reversed.

Doubtful debts are reviewed each month. If there is objective evidence that the balance sheet values of the receivables exceed their recoverable amounts, the difference is recognised as an impairment loss in other operating expenses in the income statement. The criteria for recognising an impairment loss on a receivable include the debtor's substantial financial difficulties, corporate restructuring, a credit loss recommendation issued by a collection agency or extended default on payments. If the difference between the balance sheet value of receivables and the recoverable amounts is reduced later, the impairment loss shall be reversed through profit or loss.

### **Borrowing costs**

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be included in the acquisition cost of that asset.

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



## **Equity**

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

## **Provisions**

A provision is recognised when the Group has a legal or actual obligation toward a third party resulting from past events and the event involves a probable payment obligation in an amount that can be estimated reliably. A liability of uncertain timing and amount is recognised as a provision. In other cases, the item is recognised in accrued expenses.

Environmental provisions are recognised when it is probable that an obligation has arisen and its amount can be estimated reliably. Environmental provisions related to the restoration of sites are made at the commencement of each project. The costs recognised as a provision, as well as the original acquisition cost of assets, are depreciated over the useful life of the asset. Provisions are discounted to their present value and the increase in provisions due to the passage of time is recognised as interest expense. Changes in provisions are recognised in the income statement in the same item in which the provision is originally recognised. The most significant provisions recognised in the statement of financial position are the site restoration provisions for landfills and the contaminated soil processing site.

## **Revenue recognition**

Sales of services are recognised after the services have been provided. At plants producing materials for sale, the cost of materials is recognised in inventories. When the processed materials have no sales price, cost provisions are recognised in accrued expenses.

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

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

Interest income is recognised using the effective interest method. The Group's dividend income is minor and is recognised when the right becomes vested, if information on dividends is available at that time. Otherwise it is recognised on the date of payment.

## **Gross profit**

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

## **Operating profit**

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

## **Long-term projects**

Contract revenue and contract costs are recognised on the basis of the stage of completion, once the outcome of the project can be estimated reliably. Landfill closure contracts are recognised using the percentage-of-completion method. Their initiation and completion generally take place in different financial periods. The stage of completion of a contract is determined as the proportion of costs incurred from work completed up to the time of review in relation to the estimated total contract costs. If the incurred costs and recognised profits exceed the project billings, the difference is presented in the statement of financial position under trade and other receivables. If the incurred costs and recognised profits are less than the project billings, the difference is presented under advances received.

When the outcome of a construction contract cannot be estimated reliably, the costs incurred are recognised as an expense for the period in which they are incurred, and revenue is recognised only up to the amount of recoverable contract costs incurred. If it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as expense immediately.

The outcome of the projects related to the collection of contaminated soil cannot be estimated reliably.

In these projects, revenue is recognised to the amount of costs incurred.

The Group had no long-term projects in progress during the period ended on 31 December 2012 or in the previous period.

## **Research and development**

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

## **Government grants**

Government grants or other grants relating to actual costs are recognised in the income statement when the group complies with the conditions attached to them and there is reasonable assurance that the grants will be received. They are presented in other operating income. Government grants directly associated with the recruitment of personnel, such as employment grants, apprenticeship grants and the like, are recognised as reductions in personnel expenses.

Grants for acquisition of property, plant and equipment are recognised as deductions of historical cost. The grant is recognised as revenue over the economic life of a depreciable asset, by way of a reduced depreciation charge.

## **Employee benefits**

## **Pension benefit obligations**

Pension plans are categorised as defined benefit and defined contribution plans. Under defined contribution plans, the Group pays fixed contributions for pensions, and it has no legal or factual obligation to pay further contributions. All pension arrangements that do not fulfil these conditions are considered defined benefit plans. Contributions to defined contribution plans are recognised in the income statement in the financial period to which they relate. L&T operates pension schemes in accordance with local regulations and practices in the countries in which it operates, and these are mainly defined contribution plans.

L&T operates some minor defined benefit plans originating mainly from business acquisitions. The Group is responsible for some of these defined benefit pension plans, while others are covered by pension insurance. The obligations have been calculated for each plan separately, using the projected unit credit method. Pension costs are recognised in the income statement over employees' periods of service, in accordance with actuarial calculations. When calculating the present value of pension obligations, the discount rate is based on the market yield of the high-quality bonds issued by the company, whose maturity materially corresponds to the estimated maturity of the pension obligation. The risk premium is based on bonds issued by companies with an AAA credit rating. The pension plan assets measured at fair value on the balance sheet date are deducted from the present value of the pension obligation to be recognised in the balance sheet. The net liabilities (or assets) associated with a defined benefit pension plan are recorded in the balance sheet.

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

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

### **Share-based payment**

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

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

On 18 December 2013, Lassila & Tikanoja plc's Board of Directors decided on a share-based incentive programme with a duration of one year. The earnings period began on 1 January 2014 and ended on 31 December 2014. Any rewards paid for 2014 will be based on the Group's EVA result. Potential rewards will be paid partly in shares and partly in cash. The programme permits the transfer of a maximum of 39,105 Lassila & Tikanoja plc shares. 10 people are included in the programme.

### **Non-recurring items**

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

### **Income taxes**

The Group's income taxes consist of current tax and deferred tax. Tax expenses are recognised in the income statement, with the exception of items directly recognised in equity, in which case the tax effect is recognised correspondingly in equity. Current tax is determined for the taxable profit for the period according to prevailing tax rates in each country. Taxes are adjusted by current tax rates for previous periods, if any.

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts. Calculation of deferred taxes is based on the tax rates in effect on the closing day. If the rates change, it is based on the new tax rate. No deferred tax is recognised for impairment of goodwill that is not tax-deductible. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised.

Temporary differences arise e.g. from goodwill amortisation performed under FAS; depreciation on property, plant and equipment; revaluation of derivative instruments and measurement at fair value in business combinations.

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

The Group's management makes judgements when making decisions on the choice and application of accounting policies. In particular, this concerns cases in which valid IFRS standards provide for alternative methods of recognition, measurement or presentation.

### **Critical accounting estimates and judgements**

The preparation of financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the carrying amounts on the balance sheet date for assets and liabilities and the amounts of revenues and expenses. Actual results may differ from the estimates and assumptions. The items wherein critical estimates and judgements have been made are described below.

## **Fair value measurement of assets and liabilities acquired in business combinations**

Assets and liabilities acquired in business combinations are measured at fair value according to IFRS 3. Whenever possible, the management uses available market values when determining the fair values. When this is not possible, the measurement is based on the historical revenues from the asset. In particular, the measurement of intangible assets is based on discounted cash flows and requires the management to make estimates on future cash flows. Although these estimates are based on the management's best knowledge, actual results may differ from the estimates (Note 2 Business acquisitions). The carrying amounts of assets are reviewed continuously for impairment. More information on this is provided in the section "Impairment of assets" under the accounting policies.

## **Goodwill impairment testing**

In testing of goodwill for impairment, the recoverable amounts of the cash-generating units to which the goodwill belongs are determined on the basis of value-in-use calculations. These calculations require management judgements. Though the assumptions used are appropriate according to the management's judgement, the estimated cash flows may differ fundamentally from those realised in the future. More information on the sensitivity of recoverable amounts is provided in the notes to the financial statements (Note 13 Goodwill impairment tests).

## **Distribution of dividend**

The dividend liability to the company's shareholders is recognised as a liability in the consolidated financial statements, after the Annual General Meeting has decided on the dividend distribution.

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

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

\*= The provisions had not been approved for application in the EU by 31 December 2014.

- Amendments to IAS 19 Employee Benefits - Defined Benefit Plans: Employee Contributions\* (effective for financial years beginning on or after 1 July 2014): The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments are not assessed to have an impact on the consolidated financial statements.
- Annual Improvements to IFRSs (2011-2013 cycle and 2010-2012 cycle\*, December 2013) (effective for financial years beginning on or after 1 July 2014): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be

grouped together and issued in one package annually. The amendments cover in total four (2011-2013 cycle) and seven (2010-2012 cycle) standards. Their impacts vary standard by standard but are not significant.

- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative\* (effective for financial years beginning on or after 1 January 2016). The amendments are designed to encourage companies to apply judgement in determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures. The interpretation are not assessed to have an impact on the consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation\* (effective for financial years beginning on or after 1 January 2016): The amendments clarify IAS 16 and IAS 38 that revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in limited circumstances to amortise intangible assets. The amendments will have no impact on the consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Bearer Plants\* (effective for financial years beginning on or after 1 January 2016): These amendments require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment and included in the scope of IAS 16, instead of IAS 41. These amendments will have no impact on the consolidated financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture\* (effective for financial years beginning on or after 1 January 2016): The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are not assessed to have an impact on the consolidated financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities: Applying the Consolidation Exception\* (the amendments can be applied immediately; mandatory for financial years beginning on or after 1 January 2016): The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 clarify the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards. The amendments will not have an impact on the consolidated financial statements.
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations\* (effective for financial years beginning on or after 1 January 2016): The

amendments add new guidance to IFRS 11 on how to account for the acquisition of an interest in a joint operation that constitutes a business, i.e. business combination accounting is required to be applied. The amendments are not assessed to have an impact on the consolidated financial statements.

- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements\* (effective for financial years beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an impact on the consolidated financial statements.
- New IFRS 14 Regulatory Deferral Accounts\* (effective for financial years beginning on or after 1 January 2016): IFRS 14 is first specific IFRS guidance on accounting for the effects of rate regulation. It is an interim standard. IFRS 14 allows first-time adopters of IFRS, whose activities are subject to rate-regulation, to continue using previous GAAP (“grandfathering”) while the IASB completes its comprehensive project in this area. IFRS 14 is an optional standard. The new standard will not have an impact on the consolidated financial statements.
- Annual Improvements to IFRSs, 2012-2014 cycle\* (effective for financial years beginning on or after 1 January 2016): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in four standards. Their impacts vary standard by standard but are not significant.

New IFRS 15 Revenue from Contracts with Customers\* (effective for financial years beginning on or after 1 January 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

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

# 1. SEGMENT REPORTING

As from 1 January 2013, the Group's business operations and reporting segments were reorganised to support the changes in core business functions and operational focuses. The reporting segments in 2013 and 2014 were: Environmental Services, Industrial Services, Facility Services and Renewable Energy Sources. The comparison figures have been adjusted to correspond to the new segment structure.

Transactions between segments are based on market prices. Segment information is reported to the highest operational decision-maker, consistent with internal reporting. The highest operational decision-maker is Lassila & Tikanoja plc's President and CEO. Group Administration and Other segment includes expenses associated with Group management, as well as costs incurred from operating as a public company, and the assets and liabilities corresponding to this income and expenses. Group administration assets also include available-for-sale investments.

Segment assets are those operating assets that are employed by a segment in its operating activities and that can be allocated to the segment on a reasonable basis. Segment liabilities are those operating liabilities that result from the operating activities of the segment and can be allocated to the segment on a reasonable basis. Segment assets consist of intangible assets, property, plant and equipment, finance lease receivables, inventories and trade and other receivables excluding accrued receivables from interests and tax receivables. Segment liabilities consist of provisions and retirement benefit obligations and such non current liabilities as prepayments, accrued liabilities and acquisition price liabilities, and such current liabilities as trade and other payables excluding accrued liabilities related to interests and tax liabilities.

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

The Group's operating segments during the financial year:

## Environmental Services division consists of the waste management and recycling business

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

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

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

## 2014

EUR million	Environmental Services	Industrial Services	Facility Services	Renewable Energy Sources	Group administration and other	Eliminations	Group
<b>Net sales</b>							
External net sales	250,9	74,3	270,6	44,0			639,7
Inter-division net sales	3,7	3,5	4,2	0,2		-11,6	0,0
Total net sales	254,5	77,8	274,7	44,2		-11,6	639,7
Operating profit	37,3	6,5	10,6	1,6	-7,6		48,5
Operating margin, %	14,7	8,4	3,9	3,7			7,6
Financial income and expenses							-21,9
Profit before tax							26,6
Income taxes							-8,4
Profit for the period							18,1
<b>Assets</b>							
Assets	212,4	72,6	98,8	24,6	1,1		409,4



Unallocated assets						48,9
<b>Total assets</b>						<b>458,3</b>
<b>Liabilities</b>						
Liabilities	50,5	21,9	48,3	6,2	1,9	128,9
Unallocated liabilities						123,2
<b>Total liabilities</b>						<b>252,0</b>
<b>Capital expenditure</b>	26,6	6,6	11,3	0,2	0,0	44,7
<b>Depreciation and amortisation</b>	20,1	6,9	13,0	0,2	0,0	40,2
<b>Impairment</b>						

## 2013

EUR million	Environmental Services	Industrial Services	Facility Services	Renewable Energy Sources	Group administration and other	Eliminations	Group
<b>Net sales</b>							
External net sales	254,1	72,1	287,8	54,1			668,2
Inter-division net sales	3,8	3,4	4,7	3,9		-15,8	0,0
<b>Total net sales</b>	<b>257,9</b>	<b>75,5</b>	<b>292,5</b>	<b>58,0</b>		<b>-15,8</b>	<b>668,2</b>
Operating profit	30,1	5,2	4,4	1,4	-8,0		33,2
Operating margin, %	11,7	6,9	1,5	2,5			5,0
Financial income and expenses							-2,9
<b>Profit before tax</b>							<b>30,3</b>
Income taxes							-8,1
<b>Profit for the period</b>							<b>22,2</b>
<b>Assets</b>							
Assets	214,5	70,0	103,4	29,4	7,5		424,7
Unallocated assets							71,3
<b>Total assets</b>							<b>496,0</b>
<b>Liabilities</b>							
Liabilities	51,8	21,5	49,6	5,5	2,1		130,5
Unallocated liabilities							154,0
<b>Total liabilities</b>							<b>284,5</b>
<b>Capital expenditure</b>	15,7	3,2	11,3	0,3	2,2		32,7
<b>Depreciation and amortisation</b>	21,9	6,6	13,2	0,3	0,0		42,0
<b>Impairment</b>			7,0		5,0		12,0

### Reconciliation of reportable segments' assets to total assets

EUR million	2014	2013
Segment assets for reportable segments	408,4	417,2
Other segments' assets	1,1	7,5
	<b>409,4</b>	424,7
<b>Unallocated assets</b>		
Liquid assets	44,0	58,5

Tax assets	2,7	6,8
Other unallocated assets	2,2	6,0
Total	48,9	71,3
<b>Total assets</b>	<b>458,3</b>	496,0
<b>Reconciliation of reportable segments' liabilities to total liabilities</b>		
<b>EUR million</b>	<b>2014</b>	<b>2013</b>
Segment liabilities for reportable segments	126,9	128,4
Other segments' liabilities	1,9	2,1
	128,9	130,5
<b>Unallocated liabilities</b>		
Liabilities of interest rate and foreign currency derivatives	95,1	85,3
Accrued interest and other financing liabilities	2,7	38,2
Tax liabilities	25,4	30,5
Total	123,2	154,0
<b>Total liabilities</b>	<b>252,0</b>	284,5

## 1.2. GEOGRAPHICAL SEGMENTS

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

<b>EUR million</b>	<b>2014</b>	<b>2013</b>
Net sales		
Finland	589,1	599,2
Other countries	50,5	69,0
Total	639,7	668,2
<b>Assets</b>		
Finland	387,3	385,7
Other countries	22,1	39,0
Unallocated assets	48,9	71,3
Total	458,3	496,0
<b>Capital expenditure</b>		
Finland	43,1	30,1
Other countries	1,6	2,6
Total	44,7	32,7

## 2. BUSINESS ACQUISITIONS

In business combinations, all property, plant and equipment acquired is measured at fair value on the basis of the market prices of similar assets, taking into account the age of the assets, wear and tear and similar factors. Tangible assets will be depreciated over their useful life according to the management's estimate, taking into account the depreciation principles observed within the Group.

Intangible assets arising from business combinations are recognised separately from goodwill at fair value at the time of acquisition if they are identifiable. In connection with acquired business operations, the Group mostly has acquired agreements on prohibition of competition and customer relationships. The fair value of customer agreements and customer relationships associated with them has been determined on the basis of estimated duration of customer relationships and discounted net cash flows arising from current customer relationships. The value of agreements on prohibition of competition is calculated in a similar manner through cash flows over the duration of the agreement. Other intangible assets will be amortised over their useful life according to agreement or the management's estimate.

In addition to the skills of the personnel of the acquired businesses, goodwill arising from business combinations comprises other intangible items. These unidentified items include the potential for gaining new customers in the acquired businesses and the opportunities for developing new products and services, as well as the regionally strong position of an acquired business. All business combinations also create synergy benefits that consist primarily of savings in fixed production costs.

Changes in acquisition costs may arise on the basis of terms and conditions related to the acquisition price in the deeds of sale. In many acquisitions a small portion of the acquisition price is contingent on future events (less than 12 months). These conditional acquisition prices are recorded at fair value at the time of acquisition, and any changes will be recorded through profit or loss in the income statement for the period.

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

The figures for these acquired businesses are stated in aggregate, because none of them is of material importance when considered separately. Fair values have been determined as of the time the acquisition was realised. No business operations have been divested as a consequence of any acquisition. All acquisitions have been paid for in cash. With share acquisitions, L&T was able to gain 100% of the voting rights. The conditional consideration is tied to the transfer of the customer contracts to Lassila & Tikanoja plc, and the estimates of the fair values of considerations were determined on the basis of probability-weighted final acquisition price. The estimates for the conditional consideration have not changed between the time of acquisition and the balance sheet date. Trade and other receivables have been recorded at fair value at the time of acquisition. Individual acquisition prices have not been itemised because none of them is of material importance when considered separately.

Business acquisitions made during 2014 had an effect of EUR 3.1 million on the company's net sales and EUR 0.6 million on operating profit.

### Business combinations in aggregate

EUR million	2014	2013
Intangible assets	3,5	-
Property, plant and equipment	3,5	-
Non-current available-for-sale financial assets	0,0	-
Trade and other receivables	0,4	-
Cash and cash equivalents	0,8	-
Total assets	8,1	-
Non-current interest-bearing liabilities	0,2	-
Trade and other payables	0,5	-
Deferred tax liabilities	0,1	-
Total liabilities	0,8	-
Total identifiable net assets	7,3	-
Total consideration	10,6	-
Goodwill	3,3	-

Impact on cash flow		
Paid in cash	-10,6	-
Cash acquired	0,8	-
Cash flows from investing activities	-9,8	-

### 3. DISPOSALS OF BUSINESSES

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

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

No subsidiaries or business operations were divested in 2013.

#### Disposals in total

EUR million	2014	2013
Property, plant and equipment and intangible assets	10,7	-
Inventories	0,3	-
Trade and other receivables	2,1	-
Cash and cash equivalents	3,1	-
Financial liabilities	0,0	-
Trade and other payables	-2,3	-
Net assets	13,9	-
Total selling price	16,7	-
Capital gain	2,8	-

### 4. EMPLOYEE BENEFIT EXPENSES

EUR million	2014	2013
Wages and salaries	217,1	222,6
Pension costs		
Defined contribution plans	39,7	43,0
Defined benefit plans	0,0	0,0
Share-based payment	0,4	0,8
Other personnel expenses	12,1	12,2
Total	269,4	278,6

Details on share-based payment are presented in Note 24 Share-based payment.

The employee benefits of the top management are presented in Note 34 Related-party transactions.

Details on the items of defined benefit pension plans in the consolidated statement of financial position are presented in Note 25 Retirement benefit obligations.

## AVERAGE NUMBER OF EMPLOYEES IN FULL-TIME EQUIVALENTS

	2014	2013
White collar	1,276	1,307
Blue collar	5,981	6,960
Total	7,257	8,267
Finland	6,300	6,353
Other countries	957	1,914
Total	7,257	8,267

## 5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

### Depreciation and amortisation by function

EUR million	Intangible assets	Property, plant and equipment	Total
<b>2014</b>			
<b>Depreciation and amortisation</b>			
On procurements and manufacture	5,5	34,4	39,8
On sales and marketing	0,0	0,2	0,2
On administration	0,1	0,1	0,2
Total depreciation and amortisation	5,6	34,7	40,2
<b>Impairment</b>	0,0		0,0
<b>2013</b>			
<b>Depreciation and amortisation</b>			
On procurements and manufacture	6,8	34,7	41,5
On sales and marketing	0,0	0,3	0,3
On administration	0,2	0,1	0,2
Total depreciation and amortisation	7,0		42,0
<b>Impairment</b>	12,0		12,0

## 6. OTHER OPERATING INCOME AND EXPENSES

EUR million	2014	2013
<b>Other operating income</b>		
Gains on sales of property, plant and equipment	1,2	1,3
Gain on sale of businesses	2,8	0,0
Lease income	0,0	0,0
Reversals of impairment losses on trade receivables	0,4	0,2
Reimbursements and government grants	0,7	0,5

Income from commodity derivatives	0,0	0,0
Other	1,9	2,3
<b>Total</b>	<b>7,0</b>	<b>4,3</b>
<b>Other operating expenses</b>		
Losses on disposals and scrapping of property, plant and equipment	0,1	0,1
Impairment losses on trade receivables*	4,2	1,2
Other*	5,4	1,2
<b>Total</b>	<b>9,7</b>	<b>2,5</b>

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

## 7. RESEARCH AND DEVELOPMENT EXPENSES

EUR 1.6 million (EUR 1.9 million) research and development expenses arising from centralised development projects are included in the income statement.

## 8. FINANCIAL INCOME AND EXPENSES

EUR million	2014	2013
<b>Financial income</b>		
Dividend income on available-for-sale investments	0,0	0,0
Interest income on available-for-sale investments and other receivables	0,0	0,0
Interest income on loans and other receivables	0,4	0,5
Revaluations on financial assets at fair value through profit or loss (excl. derivative swaps under hedge accounting)	0,0	0,0
Sales profit on available-for-sale investments	0,0	0,0
Foreign exchange gains	0,0	0,0
<b>Total financial income</b>	<b>0,4</b>	<b>0,5</b>
<b>Financial expenses</b>		
Interest expenses on borrowings measured at amortised cost	-1,3	-0,9
Losses on non-hedging interest rate swaps, transferred from equity	-1,0	-0,9
Other financial expenses	-17,0	-0,3
Losses on foreign exchange	-3,0	-1,2
<b>Total financial expenses</b>	<b>-22,3</b>	<b>-3,4</b>

The other financial expenses include EUR 16.7 million arising from a payment made in the first quarter under the L&T Recoil guarantee commitment.

## 9. INCOME TAXES

### INCOME TAX IN THE INCOME STATEMENT

EUR million	2014	2013
Income tax for the period	-9,0	-10,4
Income tax for previous periods	-0,1	-2,2
Change in deferred tax	0,6	4,5
Total	-8,4	-8,1

The differences between income tax expense recognised in the income statement and income tax calculated at the statutory tax rate of 20 % (2013: 24.5%) in Finland, are as follows:

EUR million	2014	2013
Profit before tax	26,6	30,3
Income tax at Finnish tax rate 20 % (2013: 24,5 %)	-5,3	-7,4
Difference between tax rate in Finland and in other countries	0,1	0,0
Expenses not deductible for tax purposes	-4,1	-1,4
Goodwill impairment	0,0	-1,7
Tax exempt income	0,2	0,0
Income tax for previous periods	-0,1	-2,2
Change in deferred tax liabilities (amortisation on dissolution losses)	0,5	-0,1
Effect of change in Finnish tax rate, deferred tax	0,0	5,0
Other items	0,3	-0,3
Total	-8,4	-8,1

### TAX EFFECTS OF COMPONENTS OF OTHER COMPREHENSIVE INCOME

EUR million	2014			2013		
	Before tax	Tax expense/benefit	After tax	Before tax	Tax expense/benefit	After tax
Hedging reserve, change in fair value	-0,7	0,1	-0,6	-0,5	0,1	-0,4
Currency translation differences	-1,8	0,0	-1,8	-0,4	0,0	-0,4
Currency translation differences non-controlling interest	-0,1	0,0	-0,1	0,0		0,0
Components of other comprehensive income	-2,6	0,1	-2,4	-0,9	0,1	-0,8

## 10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of the parent company by the adjusted weighted average number of ordinary shares outstanding during the period excluding ordinary shares purchased by the company and held as treasury shares.

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

EUR million	2014	2013
Profit attributable to equity holders of the company	18,1	22,2
Adjusted weighted average number of ordinary shares outstanding during the year, million shares	38,7	38,7
Earnings per share, EUR	0,47	0,57
Dilutive effect of the share-based incentive programme, million shares	0,0	0,0
Adjusted average number of shares during the period, diluted, million shares	38,7	38,7
Earnings per share, diluted, EUR	0,47	0,57

## 11. DIVIDEND PER SHARE

At the Annual General Meeting on 18 March 2015, the Board of Directors will propose that a dividend of EUR 0.75 per share be paid for the 2014 financial year.

On the basis of a decision taken by the Annual General Meeting, the company paid a dividend of EUR 0.50 per share for 2013.

## 12. INTANGIBLE ASSETS

### 2014

EUR million	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Internally generated intangible assets	Intangible rights	Other intangible assets	Prepayments	Total
Acquisition cost, 1 Jan. 2014	127,8	24,0	23,8	9,4	5,6	13,6	16,8	0,4	221,4
Additions					1,0	0,1	0,4	2,9	4,5
Business acquisitions	3,3	2,7	0,1	0,7		0,1			6,9
Disposals	-5,6	-0,4	0,0		-0,1	-0,4	-0,2	0,0	-6,8
Transfers between items					0,0	0,0	2,2	-2,4	-0,1
Exchange differences	-0,8	-0,2	-0,1	0,0		-0,1	0,0	0,0	-1,2
Acquisition cost, 31 Dec.	124,7	26,0	23,8	10,1	6,6	13,2	19,2	1,0	224,6
Accumulated amortisation and impairment at 1 Jan. 2014	-15,0	-18,9	-23,4	-9,4	-3,6	-12,1	-12,6		-95,1
Accumulated amortisation on disposals and transfers		0,4	0,0		0,1	0,4	0,2		1,2
Amortisation charge		-2,5	-0,4	0,0	-0,9	-0,2	-1,5		-5,6
Impairment	0,0								0,0
Exchange differences	0,2	0,2	0,1	0,0		0,1	0,0		0,6
Accumulated amortisation and impairment at 31 Dec. 2014	-14,8	-20,8	-23,7	-9,4	-4,4	-11,9	-14,0		-99,0



Book value, 31 Dec. 2014	109,9	5,3	0,1	0,7	2,2	1,4	5,2	1,0	125,7
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Other intangible assets arising from acquisitions include mainly patents and permits.

## 2013

EUR million	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Internally generated intangible assets	Intangible rights	Other intangible assets	Prepayments	Total
Acquisition cost, 1 Jan. 2013	128,3	24,1	23,9	9,5	5,2	13,4	14,5	1,2	219,9
Additions					0,0	0,3	0,2	2,1	2,6
Business acquisitions	0,0	0,0	0,0						0,0
Disposals						0,0	0,0	0,0	0,0
Transfers between items					0,4		2,1	-2,8	-0,3
Exchange differences	-0,5	-0,1	0,0	0,0		0,0	0,0	0,0	-0,7
Acquisition cost, 31 Dec. 2013	127,8	24,0	23,8	9,4	5,6	13,6	16,8	0,4	221,4
Accumulated amortisation and impairment at 1 Jan. 2013	-8,1	-16,2	-22,1	-9,4	-2,9	-11,7	-11,2		-81,5
Accumulated amortisation on disposals and transfers						0,0			0,0
Amortisation charge		-2,8	-1,4	0,0	-0,8	-0,5	-1,5		-7,0
Impairment	-7,0								-7,0
Exchange differences	0,1	0,1	0,0	0,0		0,0	0,0		0,3
Accumulated amortisation and impairment at 31 Dec. 2013	-15,0	-18,9	-23,4	-9,4	-3,6	-12,1	-12,6		-95,1
Book value, 31 Dec. 2013	112,8	5,1	0,4	0,0	2,0	1,4	4,1	0,4	126,3

## 13. GOODWILL IMPAIRMENT TESTS

### Goodwill allocation

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

Allocation of book values of goodwill:

EUR million	2014	2013
Environmental Services, Finland	69,0	65,3
Industrial Services	18,8	18,9
Facility Services	5,6	5,5
Cleaning, Finland	13,9	13,9
Latvia*	N/A	5,6
Sweden	2,7	3,2
<b>Total</b>	<b>109,9</b>	<b>112,6</b>
Units for which the amount of goodwill allocated is not significant in proportion to the balance sheet value of the Group	0,0	0,3
<b>Total</b>	<b>109,9</b>	<b>112,8</b>

\* Latvian business operations were divested in 2014.

### Impairment tests

In impairment tests, recoverable amounts are estimated on the basis of an asset's value in use. Future cash flows are based on annual estimates of income statements and upkeep investments made by the management in connection with the budgeting process for a four-year period. The management bases its estimates on actual development and views on the growth outlook for the industry (general market development and unit profitability, pricing, municipalisation decisions, personnel costs and raw material costs). Approved investment decisions are taken into account in the growth estimates.

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

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

%	2014	2013
Environmental Services, Finland	1,0	3,0
Industrial Services	1,5	3,0
Facility Services	1,5	3,0
Cleaning, Finland	1,0	3,0
Latvia*	N/A	3,0
Sweden	0,5	2,0

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

\* Latvian business operations were divested in 2014.

#### Discount rates used in the calculations

%	2014	2013
Environmental Services, Finland	8,1	7,2
Industrial Services	8,5	8,1
Facility Services	10,1	10,0
Cleaning, Finland	9,8	9,6
Latvia*	N/A	10,6
Sweden	10,7	9,8

\* Latvian business operations were divested in 2014.

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

#### Value in use in relation to book value

	2014	2013
Environmental Services, Finland	Over 50 %	Over 50 %
Industrial Services	Over 50 %	Over 50 %
Facility Services	Over 50 %	Over 50 %
Cleaning, Finland	Over 50 %	Over 50 %
Latvia*	N/A	1-10 %
Sweden	25-50 %	25-50 %

\* Latvian business operations were divested in 2014.

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

#### EBITDA percentages used in the calculation of terminal values

%	2014	2013
Latvia*	N/A	10,0
Sweden	4,5	3,5

\* Latvian business operations were divested in 2014.

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

#### Key assumptions tested in the sensitivity analyses and their threshold values

%	2014		2013	
	Discount rate	EBITDA percentage used in the calculation of terminal value	Discount rate	EBITDA percentage used in the calculation of terminal value
Latvia*	N/A	N/A	11,3	9,5
Sweden	15,4	3,5	14,6	2,7

\* Latvian business operations were divested in 2014.

# 14. PROPERTY, PLANT AND EQUIPMENT

## 2014

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

Contractual commitments related to property, plant and equipment totalled EUR 3.4 million (2013: EUR 4.0 million).

## 2013

EUR million	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan. 2013	4,3	104,7	351,3	0,2	2,7	463,1
Additions	0,0	1,9	22,7		3,4	28,1
Business acquisitions		0,0	0,0			0,0
Disposals	-0,1	-0,1	-2,0			-2,2
Transfers between items	0,0	1,5	2,7		-3,9	0,3
Exchange differences	0,0	-0,4	-0,8	0,0	0,0	-1,3
Acquisition cost, 31 Dec. 2013	4,2	107,6	373,8	0,2	2,2	488,0
Accumulated depreciation at 1 Jan. 2013	-0,5	-52,3	-230,1	-0,1	0,0	-283,0
Accumulated depreciation on disposals and transfers			0,9			0,9
Depreciation for the period		-5,7	-29,3			-35,0
Impairment		0,0	0,0			0,0
Exchange differences		0,1	0,5	0,0		0,5
Accumulated depreciation at 31 Dec. 2013	-0,5	-57,9	-258,0	-0,1	0,0	-316,5
Net book value at 31 Dec. 2013	3,7	49,7	115,8	0,1	2,2	171,5

# 15. GROUP COMPANIES

Group holding of shares and votes, %

## Group's parent company

Lassila & Tikanoja Plc

## Finnish subsidiaries

L&T Relations Oy, Helsinki	100
L&T Toimi Oy, Helsinki	100
L&T Biowatti Oy, Helsinki	100
Kiinteistö Oy Vantaan Valimotie 33, Helsinki	100
L&T Hankinta Ky, Helsinki	100
Paperitiikerit Oy, in voluntary liquidation, Helsinki	100
Joutsan Kuljetus Oy, in voluntary liquidation, Joutsa	100

## Foreign subsidiaries

Lassila & Tikanoja Service AB, Stockholm, Sweden	100
L&T Östgöta AB, Norrköping, Sweden	100
Lassila & Tikanoja Services OÜ, Tallinn, Estonia	100
L&T Ecoinvest LLC, Dubna, Russia	100
L&T LLC, Dubna, Russia	100
The Russian-Finnish Company Ecosystem LLC, Dubna, Russia	90

## Associated companies

Suomen Keräystuote Oy	40
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## Joint ventures

The Group had no joint ventures in 2014 or 2013

## Structured entities

The Group had no structured entities in the 2014 and 2013 financial periods.

## Changes in the Group during the financial year

SIA L&T, Riga, Latvia	Divested
L&T Kierrätys Oy	Merger
Hansalaiset Oy	Dissolved
Kiinteistöpalvelu Hansalaiset Oy	Dissolved
Tikrut Oy	Dissolved

## 16. NON-CURRENT AVAILABLE-FOR-SALE INVESTMENTS

EUR million	2014	2013
Carrying amount at 1 Jan.	4,3	7,3
Additions	0,0	2,0
Disposals	-3,6	-5,0
Transfers between items	-0,1	0,0
Carrying amount at 31 Dec.	0,6	4,3

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

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

## 17. FINANCE LEASE RECEIVABLES

EUR million	2014	2013
<b>Maturity of minimum lease payments</b>		
Not later than one year	1,4	1,8
Later than one year and not later than five years	3,1	3,7
Later than five years	0,3	0,4
Gross investment in finance lease agreements	4,7	5,8
<b>Maturity of present value of minimum lease payments</b>		
Not later than one year	1,2	1,7
Later than one year and not later than five years	3,1	3,4
Later than five years	0,1	0,3
Total present value of minimum lease payments	4,4	5,4
Unearned finance income	0,3	0,5
Gross investment in finance lease agreements	4,7	5,8

Finance lease receivables result from leases of compactors, balers and other assets to customers. The minimum payments include the payment of the transfer of the title to the asset at the end of lease term if the option to purchase is such that it is reasonably certain at the commencement of the lease term that the option will be exercised or if a binding contract has been made on the purchase.

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

## 2014

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

## 2013

EUR million	At 1 January 2013	Recognised in income statement	Recognised in equity	Exchange differences	Acquired/sold businesses	At 31 December 2013
<b>Deferred tax assets</b>						
Pension benefits	0,2	0,0				0,1
Provisions	0,7	0,9				1,6
Fair value adjustments	0,0	0,0	0,2			0,1
Revenue recognition	0,0	0,0				0,0
Deferred depreciation	1,2	-0,4				0,8
Losses of subsidiaries	1,3	-1,3		0,0	0,0	0,0
Other tax deductible temporary differences	1,8	-0,4			0,0	1,4
<b>Total</b>	<b>5,3</b>	<b>-1,3</b>	<b>0,2</b>	<b>0,0</b>	<b>0,0</b>	<b>4,1</b>
<b>Deferred tax liabilities</b>						
Depreciation differences and dissolution losses	-32,1	5,6	0,0	0,0	0,0	-26,5
Finance leasing agreements	-0,5	0,1			0,0	-0,4
Share-based benefits	0,0	0,0				0,0
Foreign subsidiaries	-0,1	0,1			-0,2	-0,2
<b>Total</b>	<b>-32,7</b>	<b>5,9</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,2</b>	<b>-27,1</b>

Net deferred tax liability	-27,5	4,5	0,2	0,0	-0,2	-23,0
Deferred taxes in the statement of financial position						

<b>EUR million</b>	<b>2014</b>	<b>2013</b>
Deferred tax assets	2,7	2,8
Deferred tax liabilities	-24,7	-25,8
Net deferred tax liabilities	-22,0	-23,0

Deferred tax is recognised in the statement of financial position as tax assets and tax liabilities. Deferred tax assets and deferred tax liabilities are set off if both the assets and the liabilities relate to the same taxable entity and if the amount is not significant.

Other tax deductible temporary differences include a deferred tax asset related to revenue recognition of amortisation on dissolution losses, which amounts to EUR 1.9 million (2013: EUR 1.3 million).

## 19. INVENTORIES

<b>EUR million</b>	<b>2014</b>	<b>2013</b>
Raw materials and consumables	14,8	19,7
Unfinished goods	0,0	0,0
Finished goods	2,9	4,5
Other inventories	4,8	1,9
Total	22,6	26,1

Cost of inventory recognised as an expense under cost of sales in the income statement, totalled EUR 21.6 million (2013: EUR 24.5 million).

EUR 1.1 million (2013: EUR 0.6 million) of the carrying amounts of inventories was recognised as an expense, and a write-down of inventories to net realisable value was made respectively. The expense is included in the cost of sales.



## 20. TRADE AND OTHER RECEIVABLES

EUR million	2014	2013
Trade receivables	86,2	84,5
Current finance lease receivables	1,2	1,7
Loan receivables	0,3	3,7
Accruals	6,5	5,8
Tax receivables	0,0	4,0
Other receivables	0,3	0,2
<b>Total</b>	<b>94,7</b>	<b>100,0</b>
Accruals include the following:		
Interest	0,0	0,0
Employees' health care compensation	1,5	1,5
Statutory pension insurances	2,5	1,7
Insurances	0,1	0,1
Grants received	0,0	0,3
Indirect tax	0,1	0,2
Other	2,4	2,1
<b>Total</b>	<b>6,5</b>	<b>5,8</b>

The receivables are not collateralised. Impairment losses and their reversals recognised in trade receivables are shown in Note 6 Other operating income and expenses.

## 21. CURRENT AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR million	2014	2013
Bank deposits	6,0	0,0
Certificates of deposit and commercial papers	4,0	0,0
<b>Total</b>	<b>10,0</b>	<b>0,0</b>
At 1 Jan.	0,0	2,5
Additions/disposals	10,0	-2,5
Changes in fair values transferred into equity	0,0	0,0
<b>At 31 Dec</b>	<b>10,0</b>	<b>0,0</b>

## 22. CASH AND CASH EQUIVALENTS

EUR million	2014	2013
Cash on hand and in banks	34,0	58,5
Total	34,0	58,5

Cash and cash equivalents are presented in nominal values, which equal to their fair values.

Liquid assets in the consolidated statement of cash flows include the following:

EUR million	2014	2013
Cash	34,0	58,5
Certificates of deposit	10,0	0,0
Total	44,0	58,5

## 23. EQUITY

### SHARE CAPITAL AND SHARE PREMIUM FUND

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

EUR million	Number of outstanding shares, 1,000 shares	Share capital	Invested non-restricted equity reserve	Own shares	Total
At 1 Jan. 2013	38,692	19,4	29,4	-1,4	47,4
28 February 2013 Disposal of the company's own shares	10			0,2	0,2
22 March 2013 Capital repayment			-23,2		-23,2
25 March 2013 Disposal of the company's own shares	5			0,1	0,1
28 November 2013 capital repayment			-5,8		-5,8
Recognition of share-based benefits as expenses			-0,1		-0,1
At 31 Dec. 2013	38,707	19,4	0,3	-1,1	18,6

Lassila & Tikanoja plc has one share series. There is no maximum to the number of the shares and the share capital in the Articles of Association. A share has neither a nominal value nor a book equivalent value. All issued shares have been paid for in full.

At 31 December 2014 the company held 180,894 of its own shares (2013: 92,247).

Invested non-restricted equity reserve includes other equity type investments and share subscription prices to the extent that they are not expressly designated to be included in share capital.

#### Other reserves

##### Translation reserve

Translation differences arise from the translation of the equity and earnings of subsidiaries into euros. Furthermore, non-current loan receivables for which settlement is neither planned nor likely to occur in the foreseeable future are handled as part of the net investment in subsidiaries.

##### Revaluation and hedging reserves

Revaluation reserve includes a fair value fund for changes in fair values of available-for-sale investments. Hedging reserve includes effective changes in the fair values of derivative instruments used for hedging of cash flow.

#### Capital management

The objective of the Group's capital management is to secure the continuity of operations and maintain an optimal capital structure to enable investments, taking the cost of capital into account. The capital includes equity and liabilities less advances received.

The amount of annual dividend is linked to earnings. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders. The share capital shall be increased if extraordinarily rapid growth or large investments call for more capital.

The development of the capital structure is monitored quarterly using the equity ratio. This ratio is calculated by dividing the Group's equity by the balance sheet total less advances received.

EUR million	2014	2013
Equity in the consolidated statement of financial position	206,3	211,5
Statement of financial position total	458,3	496,0
Current advances received	-12,5	-11,3
Non-current advances received	-0,2	-0,3
Total	445,7	484,4
Equity ratio, %	46,3 %	43,7 %

## 24. SHARE-BASED PAYMENT

### Share-based incentive programme 2009-2011

Lassila & Tikanoja plc's Board of Directors decided on 24 March 2009 on a share-based incentive programme to form a part of the incentive and commitment scheme for the company's key personnel. Payment of the reward was subject to reaching the financial targets set by the Board. The criteria for the determination of the rewards were decided annually. Rewards paid were based on the EVA result of Lassila & Tikanoja Group. Rewards were paid for the year 2009 only.

The programme included three earnings periods one year each, of which the first one began on 1 January 2009 and the last one ended on 31 December 2011. Potential rewards were paid during the year following each earnings period partly as shares and partly in cash. The proportion paid in cash will cover taxes arising from the reward. No reward was paid if a key person's employment ended before the reward payment. Any shares earned through the incentive programme shall be held for a minimum period of two years following the payment of each reward. After that, the members of the Group Executive Board are still required to hold company shares with a value equal to their gross salary for six months and the other programme participants with a value equal to their gross salary for three months as long as they are employed by the company.

A maximum total of 180,000 Lassila & Tikanoja plc shares could have been paid out on the basis of the programme. The shares were obtained in public trading. In the starting phase the programme covered 28 persons.

The share component is measured at fair value at the grant date and the measurement will not be changed during the validity of the programme. Expenses from the share component are deferred to three years over vesting period and recognised as personnel expenses in the income statement and under the equity.

Cash components are measured at fair value based on the share price on the balance sheet date. Cash components of the share-based incentive programme are recognised under personnel expenses and liabilities and deferred over the earnings period.

In June 2010, the shares for the first earnings period 2009 were transferred. The obligation to hold shares earned through the incentive programme ceased on 31 May 2012.

### Share-based incentive programme 2012

Lassila & Tikanoja plc's Board of Directors decided on 14 December 2011 on a share-based incentive programme. Rewards were based on the EVA result of Lassila & Tikanoja group without L&T Recoil. In other respects the conditions were equal with the 2009–2011 programme. Based on the programme a maximum of 65,520 shares of the company could be granted.

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

### Share-based incentive programme 2013

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

Based on the programme a maximum of 53,300 shares of the company could have been granted. The shares paid out as rewards were transferred from the shares held by the company.

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

### Share-based incentive programme 2014

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 18 December 2013 on a new share-based incentive programme. Potential rewards will be based on the EVA result of Lassila & Tikanoja group. In other respects the conditions are equal with the 2009–2011, 2012 and 2013 programmes.

Based on the programme a maximum of 39,105 shares of the company can be granted. The shares to be paid out as potential rewards will be transferred from the shares held by the company.

Under the programme, an estimated total of 17,428 Lassila&Tikanoja Plc's shares will be granted in 2015. The programme covered 10 persons.

## SHARE-BASED INCENTIVE PROGRAMMES 2009-2011, 2012, 2013 AND 2014

Instrument	Share-based incentive programme			
	2011	2012	2013	2014
Grant date	3.1.2011	2.1.2012	17.12.2012	18.12.2013
Start of earnings period	1.1.2011	1.1.2012	1.1.2013	1.1.2014
End of earnings period	31.12.2011	31.12.2012	31.12.2013	31.12.2014
Average share price at grant date	14,99	11,60	11,62	14,88
Estimated realisation on closing date, shares	0	9 605	35 818	17 428
Obligation to hold shares, years	2	2	2	2
Release date of shares	31.3.2014	31.3.2015	31.3.2016	31.3.2017
Number of persons included	23	22	10	10

Expenses arising from share-based incentive programme, EUR million	2014	2013
Share component	0,2	0,2
Cash component	0,3	0,6
Total	0,4	0,8

## 25. RETIREMENT BENEFIT OBLIGATIONS

L&T operates some minor defined benefit plans concerning a few persons in Finland. Most of them originate from company acquisitions. These plans are administered either by insurance companies or by the company.

EUR million	2014	2013
Amounts recognised in the statement of financial position:		
Present value of funded obligations	0,7	0,6
Fair value of plan assets	-0,5	-0,4
	0,1	0,1
Present value of unfunded obligations	0,9	0,6
Closing net liability	1,0	0,8
<b>Changes in present value of obligation</b>		
Opening defined benefit obligation	1,6	1,5
Current service cost	0,0	0,1
Interest cost	0,0	0,1
Actuarial gain (-) and loss (+) on obligation	0,0	0,0
Benefits paid	0,0	0,0
Closing value of obligation	1,5	1,6
<b>Changes in fair value of plan assets</b>		
Opening fair value of plan assets	0,8	0,8
Interest income	0,0	0,0
Employers' contributions	0,0	0,0
Actuarial gain (+) and loss (-)	-0,2	0,0
Benefits paid	0,0	0,0
Closing fair value of plan assets	0,5	0,8

<b>Movements in the liability recognised in the statement of financial position</b>		
Opening liability	0,8	0,7
Expense recognised in the income statement	0,0	0,2
Employers' contributions	0,0	0,0
Actuarial gain (-) and loss (+)	0,2	-0,1
Contributions paid	0,0	0,0
Closing liability	1,0	0,8
<b>Amounts recognised in the income statement:</b>		
Current service cost	0,0	0,1
Interest cost	0,0	0,1
Interest income	0,0	0,0
Actuarial gain (-) and loss (+)	0,2	-0,1
Total	0,2	0,1

The Group estimates that it will contribute EUR 12 thousand to defined benefit plans in 2015.

<b>EUR million</b>	<b>2014</b>	<b>2013</b>
Present value of obligation	1,5	1,2
Fair value of plan assets	-0,5	-0,4
Deficit	1,0	0,8
<b>Principal actuarial assumptions used</b>		
Discount rate	1,8 %	3,0 %
Expected rate of return on plan assets	2,1 %	2,1 %
Expected rate of salary increase	4,5 %	4,5 %
Expected rate of inflation	2,0 %	2,0 %

#### **Defined contribution maturity of the obligation**

<b>EUR million</b>	<b>2014</b>	<b>2013</b>
Maturity of less than one year	0,0	0,0
1-5 years	0,3	0,4
5-10 years	0,4	0,5
10-15 years	0,3	0,3
15-20 years	0,3	0,4
20-25 years	0,2	0,2
25-30 years	0,2	0,2
over 30 years	0,2	0,2
Total	2,0	2,1

## 26. PROVISIONS

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

EUR million	Environmental provisions	Other provisions	Total
Provisions at 1 January 2013	4,4	0,1	4,4
Additional provisions	5,0	0,3	5,3
Used during the year	-0,2	-0,1	-0,3
Effect of discounting	0,1	0,0	0,1
Provisions at 31 December 2013	9,2	0,3	9,5

EUR million	2014	2013
Non-current provisions	4,2	6,1
Current provisions	3,3	3,4
Total	7,5	9,5

The environmental provisions cover the following obligations:

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

The Group has leased sites that it uses as landfills from the cities of Kerava and Kotka. In Varkaus the Group uses a site for intermediate storing, processing and final disposal of contaminated soil. At the expiry of the leases or at the discontinuation of operations, the Group is responsible for site restoration comprising landscaping and post-closure environmental monitoring called for in the terms and conditions of environmental permits.

The site restoration provision for the Kerava landfill is divided into three parts. For one part, future expenditure has been measured at the price level of the time of calculation adjusted by a change in cost index of civil engineering and by an annual inflation rate of 2% because the cost level will be higher at the moment when the provision will be used than during the construction of the landfill. The expenditure adjusted by inflation has been discounted to the date of construction of the landfill. The interest rate used is the yield expectation of a risk-free five-year government bond at the time of construction plus L&T's loan margin at the time in question. This part arising from the construction of the landfill is recognised at present value in the balance sheet as a part of the cost of the site and it is depreciated using the straightline method. A corresponding amount has been recognised as a provision in liabilities. This amount is increased annually by a discount interest recognised in finance costs. The second part of the provision is calculated on the basis of the tonnage taken to the landfill. The third portion of the provision is a part for post-closure environmental monitoring.

The site restoration provision for the Kotka landfill consists of two parts. For one part, the construction expenditure is recognised at present value in the balance sheet as a part of the cost of the site as the provision for the Kerava landfill. The accrual method, however, is applied to the depreciations on the Kotka landfill, and it will be depreciated on the basis of the volume of the waste taken to the site. The other part consists of a provision for post-closure environmental monitoring, which is based on depreciation where the straight-line method is used. Future expenditure is measured at the price level of the time of calculation adjusted by an annual inflation rate of 2%.

The principle applied for the Kerava site has been applied to the restoration provision of the processing and final disposal site of contaminated soil in Varkaus.

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

The Group also has provisions for the restoration of the site of the former L&T site in Varkaus that have been disposed of.

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## 27. BORROWINGS

EUR million	2014 Carrying amount	2013 Carrying amount
<b>Non-current</b>		
Bank borrowings and loans from pension institutions	71,2	65,9
Total	71,2	65,9
<b>Current</b>		
Repayments of long-term borrowings	24,8	22,1
Short-term borrowings	0,0	34,9
Total	24,8	57,0

Group emitted a bond on September 15th, 2014 which nominal value was 30 MEUR and which will due on 2019.

Fair values of financial liabilities are presented in Note 30 Financial assets and liabilities by category.

Maturity of long-term bank borrowings and financial lease liabilities is presented in Note 37. Financial risk management.

## 28. OTHER NON-CURRENT LIABILITIES

EUR million	2014	2013
Advances received	0,3	0,3
Other liabilities	0,0	0,2
Total	0,3	0,5

## 29. TRADE AND OTHER CURRENT PAYABLES

EUR million	2014	2013
Advances received	12,5	11,3
Trade payables	31,9	32,6
Other liabilities	22,5	21,4
Accrued expenses and deferred income	53,6	54,7
Total	120,4	120,0
<b>Accrued expenses and deferred income</b>		
Liabilities related to personnel expenses	52,5	53,3
Waste charges	0,0	0,4
Interest liabilities	0,3	0,2
Other accrued expenses	0,8	0,8
Total	53,6	54,7

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



# 30. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

## 2014

EUR million	Financial assets and liabilities at fair value through profit or loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Fair values by balance sheet item	Fair value hierarchy level
<b>Non-current financial assets</b>								
Available-for-sale investments			0,6			0,6		3
Finance lease receivables		3,2				3,2	3,2	2
Other receivables		2,3				2,3		
<b>Current financial assets</b>								
Available-for-sale investments			4,0			4,0		2
Trade and other receivables		93,1				93,1		
Derivative receivables	0,1					0,1		
Cash and cash equivalents		34,0				34,0		
<b>Total financial assets</b>	<b>0,1</b>	<b>132,6</b>	<b>4,6</b>		<b>0,0</b>	<b>137,3</b>	<b>3,2</b>	
<b>Non-current financial liabilities</b>								
Borrowings				71,2		71,2	71,6	2
Other liabilities				0,0		0,0		
<b>Current financial liabilities</b>								
Borrowings				24,8		24,8		
Trade and other payables				57,7		57,7		
Derivative liabilities	0,1				1,2	1,3		2
<b>Total financial liabilities</b>	<b>0,1</b>			<b>153,7</b>	<b>1,2</b>	<b>155,0</b>	<b>71,6</b>	

## 2013

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
<b>Non-current financial assets</b>								
Available-for-sale investments			4,3			4,3	4,3	3
Finance lease receivables		3,7				3,7	3,9	2
Other receivables		2,4				2,4	2,4	
<b>Current financial assets</b>								
Trade and other receivables		90,2				90,2	90,2	
Derivative receivables					0,1	0,1	0,1	2
Cash and cash equivalents		58,5				58,5	58,5	
<b>Total financial assets</b>		<b>154,7</b>	<b>4,3</b>		<b>0,1</b>	<b>159,1</b>	<b>159,3</b>	

<b>Non-current financial liabilities</b>					
Borrowings	65,9		65,9	66,0	2
Other liabilities	0,2		0,2	0,2	
<b>Current financial liabilities</b>					
Borrowings	57,0		57,0		
Trade and other payables	57,4		57,4		
Derivative liabilities		0,5	0,5	0,5	2
<b>Total financial liabilities</b>	<b>180,4</b>	<b>0,5</b>	<b>180,9</b>	<b>66,6</b>	

In the above tables, Non-current other liabilities do not include advances received, Trade and other receivables do not include tax receivables and accruals, and Trade and other payables do not include statutory liabilities (e.g. tax liabilities), as such classifications are required of financial instruments only.

Principles for determining fair values of financial assets and liabilities

#### **Available-for-sale financial assets**

Available-for-sale financial assets consist of unquoted shares, certificates of deposit and commercial papers. The unquoted equity instruments whose fair values are not available due to inactive markets, are measured at acquisition cost. The certificates of deposit are tradable on the secondary market and their fair value is based on the interest rate market quotations at the balance sheet date.

#### **Derivatives**

Fair values of interest rate swaps are valued using a technique based on present value of future cash flows, which is supported by market interest rates at the balance sheet date. Fair values describe the prices that the Group would gain or should pay, if the derivative financial instruments were cancelled at the balance sheet date.

#### **Bank and other borrowings**

Fair values of borrowings are based on discounted cash flows. The discount rate is defined to be the interest rate the Group would pay for an equivalent loan at the balance sheet date. The overall interest is composed of a risk-free market interest rate and a company-based risk premium.

#### **Finance lease liabilities**

Fair value of finance lease liabilities is calculated by discounting future cash flows. The discount rate is defined to be the interest rate with which the Group could enter into an equivalent lease contract at the balance sheet date.

#### **Trade and other receivables**

Trade and other receivables, which are non-derivative financial assets, are recognised in the balance sheet at historical cost less credit adjustments and impairment losses. This corresponds with their fair value as the periods for payment are short and thus the discounting effect is not essential.

#### **Trade and other payables**

Trade and other current non-interest-bearing payables are recognised in the balance sheet at historical cost which corresponds with their fair value, as the discounted effect is not essential considering the maturity of the payables.

#### **Fair value hierarchy of financial assets and liabilities measured at fair value**

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

# 31. DERIVATIVE FINANCIAL INSTRUMENTS

## CURRENCY FORWARDS

EUR million	2014		2013	
	Nominal value	Fair value	Nominal value	Fair value
Not later than one year	10,9	-0,1	0,0	0,0

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

## CROSS CURRENCY INTEREST RATE SWAPS

EUR million	2014		2013	
	Nominal value	Fair value	Nominal value	Fair value
<b>Maturity of cross currency interest rate swaps under hedge accounting</b>				
Not later than one year	0,0		7,2	
Later than one year and not later than five years	0,0		9,5	
Total	0,0	0,0	16,7	0,1

Loans denominated in other currencies were converted to euro-denominated loans in 2014.

## INTEREST RATE SWAPS

EUR million	2014		2013	
	Nominal value	Fair value	Nominal value	Fair value
<b>Maturity of interest rate swaps under hedge accounting</b>				
Not later than one year	9,0		14,0	
Later than one year and not later than five years	38,6		16,7	
Later than five years	0,0		0,9	
Total	47,6	-0,6	31,7	-0,4

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

The fixed interest rates of the interest rate swaps at 31 December 2014 varied between 0.499% and 1.91% (2013: 1.59% and 3.30%). The floating interest rate was 1-, 3- or 6-month Euribor.

## COMMODITY DERIVATIVES

Metric tonnes	2014		2013	
	Nominal value	Fair value	Nominal value	Fair value
<b>Maturity of diesel swaps under hedge accounting</b>				
Not later than one year	8,3		9,7	
Later than one year and not later than five years	0,0		0,8	
Total	8,3	-0,6	10,6	-0,1

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

## 32. OPERATING LEASES

EUR million	2014	2013
<b>Maturity of minimum lease payments of non-cancellable operating leases</b>		
Not later than one year	2,9	5,0
Later than one year and not later than five years	2,8	6,1
Later than five years	2,0	2,2
Total minimum lease payments	7,7	13,4

The Group has leased a part of the production and office premises, office equipment and vehicles. Most of the leases are index-linked and in conformity with local market practice.

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	2014	2013
<b>Adjustments to cash flows from operating activities</b>		
Taxes	8,4	8,1
Depreciation, amortisation and impairment	40,2	54,0
Finance income and costs	21,9	2,9
Profit/loss on sales of equipment	-1,5	-1,2
Provisions	0,4	5,2
Other	1,5	-0,2
Total	71,0	68,8
<b>Effect of subsidiaries and businesses disposed of on the Group's financial position</b>		
Property, plant and equipment	4,9	-
Goodwill and other intangible assets	5,9	-
Inventories	0,1	-
Trade and other receivables	2,1	-
Trade and other payables	-2,3	-
Total assets and liabilities	10,6	-
Received in cash	15,1	-
Cash and cash equivalents	-1,6	-
Net cash flow arising from disposals	13,5	-

## 34. RELATED PARTY TRANSACTIONS

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

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

The contributions paid by the parent company to the L&T sickness fund during the financial year amounted to EUR 1,0 million (2013: EUR 0,8 million).

### EMPLOYEE BENEFITS OF TOP MANAGEMENT

EUR million	2014	2013
Salaries and other short-term employee benefits	2,2	1,9
Post-employment benefits	0,0	0,0
Share-based payment	0,4	0,7
Total	2,6	2,7

Top management consists of the members of the Board of Directors, President and CEO and the Group Executive Board. An expense of EUR 0,4 million (EUR 0,7 million) was recognised in the income statement as the top managements' share of the share-based payment.

### SALARIES AND REMUNERATIONS PAID TO MEMBERS OF THE BOARD OF DIRECTORS

EUR 1,000	2014	2013
Heikki Bergholm, Chairman	62	64
Eero Hautaniemi, Vice Chairman	42	45
Hille Korhonen	34	34
Laura Lares	33	-
Sakari Lassila	35	36
Miikka Majjala	34	36

On 27 March 2014, 5,020 shares were transferred to the members of the Board of Directors as part of the remuneration of the Board (2013: 4,958)

In 2014, the remuneration paid to the President and CEO totalled EUR 540 thousand (2013: 677), consisting of salaries and benefits of EUR 424 thousand (2013: 456) and a bonus of EUR 116 thousand (2013: 221). In addition, the President and CEO was paid rewards amounting to EUR 318 thousand on the basis of the achievement of the targets of the share-based incentive programme in 2013 (2013: 31).

The remuneration paid to the other members of the Group Executive Board totalled EUR 1,374 thousand (2013: 1,049), which includes salaries and benefits of EUR 1,165 thousand (2013: 971) and bonuses of EUR 210 thousand (2013: 78). In addition, the other members of the Group Executive Board were paid rewards amounting to EUR 642 thousand on the basis of the achievement of the targets of the share-based incentive programme in 2013 (2013: 43). The figures include salaries for the period during which the persons in question were on the Group Executive Board.

The members of the Board of Directors have no pension contracts with the company. In 2014, EUR 12 thousand (2013: 12 thousand) arising from the pension agreement of the President and CEO, Jari Sarjo (President and CEO until 13 June 2011) was recognised in the income statement.

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

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

## 35. AUDITING COSTS

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

EUR million	KPMG	Other companies	Total
<b>2013</b>			
Auditing	0,1	0,0	0,1
Other assignments in accordance with the auditing act	0,0	0,0	0,0
Tax consulting services	0,0	0,0	0,0
Other services	0,0	0,0	0,0
<b>Total</b>	<b>0,2</b>	<b>0,0</b>	<b>0,2</b>

## 36. CONTINGENT LIABILITIES

EUR million	2014	2013
<b>Collaterals for own commitments</b>		
Mortgages on rights of tenancy	0,2	0,1
Company mortgages	0,5	0,6
Other securities	0,2	0,2
Bank guarantees required for environmental permits	8,4	9,5
Other securities are guarantee deposits		

## 37. FINANCIAL RISK MANAGEMENT

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

The Group's financing and liquidity management are handled centrally by the Group's financial management, which is managed by the CFO. Transactions related to financial risk management are carried out by the Group's financial management.

### Foreign exchange risk

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

### Transaction risk

The business operations of L&T's foreign subsidiaries are carried out almost completely in their functional currency. Financing for subsidiaries is generally provided through intra-Group loans that are denominated in the functional currency of each subsidiary. Group companies operating in Finland use the euro as the invoicing currency for sales almost exclusively, while minor amounts of purchases are also invoiced in Swedish kronas.

### Translation risk

L&T's exposure to translation risk consists of net investments in foreign subsidiaries, which include equity and comparable loans. The position of net investments in foreign subsidiaries is not hedged, as these holdings are considered long-term strategic investments.

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

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

Changes in exchange rates in 2014 resulted in translation differences of EUR -1.8 million in equity (2013: EUR -0.4 million). Net investments by currency are presented in the table below.

### TRANSLATION EXPOSURE OF NET INVESTMENTS

EUR million	2014	2013
SEK	7,7	7,9
LVL	-	7,4
RUB	5,7	8,6
Total	13,4	23,8

### Price risk of investments

L&T has not invested in listed securities, the value of which changes as the market prices change, and L&T is thus not exposed to securities price risk. L&T has only a minor holding in unlisted shares, and there is no substantial price risk related to these shares.

### Commodity price risk

The fluctuations of the world market price of crude oil are reflected in the price of fuel used in production equipment as well as in the purchase prices of environmental products through oil-based raw materials. In waste management, some customer contracts specify such invoicing periods and contract terms that the sales prices cannot be raised monthly. This means that the rise in fuel prices is passed on to service prices with a delay. The diesel price risk has been partly hedged with commodity derivatives. Hedge accounting under IAS 39 has been applied to these derivatives.

L&T manages the raw material price risk for environmental products through fixing sales prices for a period not exceeding the period for which the suppliers' purchase prices are valid.

### Interest rate risk

L&T's interest rate risk is primarily related to borrowings, which are tied to variable interest rates and create cash flows that vary with the interest rate level. As the demand for L&T's services or their prices are not significantly dependent on fluctuations in economic trends, L&T tries to keep interest costs steady. On account of this, over 50% of the cash flow associated with variable-rate borrowings is hedged against interest rate risk with interest rate swaps.

At 31 December 2014, 53% (2013: 40%) of the company's borrowings were either fixed interest rate borrowings or hedged with interest rate swaps. Variable-rate borrowings accounted for 47% (60%). Therefore changes in the interest rate level will not impact interest costs in full.

All interest rate swaps made to hedge the cash flow are hedges in accordance with the Group's risk management policy and hedge accounting in accordance with IAS 39 is applied to all contracts. Most of L&T's net sales are generated by long-term service agreements. Due to good cash flow predictability, L&T's treasury policy specifies that the company shall seek to minimise the amount of interest-bearing assets in proportion to the current short-term financing requirements, and to invest in relatively short-term instruments.

### Credit and counterparty risk

Financial instruments involve the risk of the counterparty being unable to fulfil its contractual commitments. Counterparty risk is managed by making financial and derivative contracts with major Nordic banks only and by making investments related to liquidity management only in certificates of deposit and commercial papers of issuers with a good credit standing in accordance with the counterparty list approved by the Board. No impairment is expected on any outstanding investments at the balance sheet date.

L&T has a wide customer base consisting of companies, industrial plants, office and business properties, institutional property owners, housing corporations, public sector organisations and households. Its accounts receivable consist mostly of a high number of relatively small receivables and there are no significant concentrations of credit risk. L&T has credit control guidelines to ensure that services and products are sold only to customers with an appropriate credit standing or, if a customer's creditworthiness is inadequate, prepayment is required. Most customer relationships are based on long-term service contracts, and customers are not generally required to provide collateral.

With regard to Finnish trade receivables, collection operations are managed centrally by the financial management function. The foreign subsidiaries manage the collection of their trade receivables locally. 92% of net sales originated from Finland in 2014. The total book value of financial assets at 31 December 2014 represents best the Group's maximum exposure to credit risk at the balance sheet date in case the counterparties are not able to fulfil their commitments related to the financial instruments.

## ANALYSIS OF TRADE RECEIVABLES BY AGE

EUR million	2014	2013
Trade receivables	77,0	73,8
Trade receivables past due 1-90 days	7,3	9,2
Trade receivables past due 91-180 days	0,8	0,7
Trade receivables past due 181-365 days	0,4	0,4
Trade receivables past due over 365 days	0,7	0,4
Total	86,2	84,5



Impaired trade receivables have been recognised as expenses in the income statement.

Impairment losses and reversals of impairment losses recognised in previous periods are shown in Note 6 Other operating income and expenses.

Financial assets are not collateralised. The criteria for recognising an impairment loss on a receivable include, based on the management's judgement, the debtor's substantial financial difficulties, corporate restructuring, a credit loss recommendation issued by a collection agency or extended default on payments. No impairment was recognised on other financial assets.

## CREDIT RISK RELATED TO FINANCIAL ASSETS

EUR million	2014 carrying amount	2013 carrying amount
Non-current available-for-sale investments	0,6	4,3
Non-current finance lease receivables	3,2	3,7
Other non-current receivables	2,3	2,4
Trade and other current receivables	86,2	84,5
Derivative receivables	0,1	0,1
Current available-for-sale investments	10,0	0,0
Cash and cash equivalents	34,0	58,5

### Liquidity and refinancing risk

Liquidity risk management ensures that L&T continuously will be able to answer for its financial obligations associated with operations at the lowest possible cost. L&T seeks to maintain good liquidity through efficient cash management and by investing in money market instruments that can be realised quickly. The liquidity situation is monitored in real time and predicted using cash flow forecasts. The netting of the Finnish Group companies' liquidity is done using Group bank accounts, and the Group's financial management is responsible for investing any excess liquidity. To ascertain the availability of funding, L&T uses several banks in its financial operations. Refinancing risk is managed by a broad-based maturity profile of loans and by maintaining the level of the average duration of the loan portfolio at two years.

L&T seeks to keep its cash assets fairly small, while ensuring sufficient credit limits for liquidity management purposes. To meet any temporary need for cash arising from cash flow fluctuations, L&T has committed credit limits (totalling EUR 30 million) and a commercial paper programme (EUR 100 million). At 31 December 2014, the Group's liquid assets and investments amounted to EUR 44.0 million (2013: EUR 58.5 million). EUR 0 of the commercial paper programme was in use (2013: EUR 35 million).

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

## MATURITY OF FINANCIAL LIABILITIES

31.12.2014

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

The Group has agreed with creditors on the temporary suspension of the interest cover covenant until 31 March 2015. The interest cover covenant applies to one loan from a financial institution amounting to EUR 10 million. In the first quarter, the Group made a payment of EUR 16.7 million on the basis of its guarantee commitment for L&T Recoil's loans, and it appeared possible that the Group would not meet its interest cover covenant as a result. The Group has met all effective covenant requirements during the financial year and on the balance sheet date.

31.12.2013

EUR million	Carrying amount	Contractual cash flows	2014	2015	2016	2017	2018	2019 and later
Bank borrowings and loans from pension institutions	87,9	90,1	23,0	25,5	35,3	2,7	2,6	0,9
Commercial paper liabilities	34,9	35,0	35,0					
Derivative liabilities	0,5	0,5	0,5					
Trade and other payables	54,0	54,0	54,0					
Guarantee liabilities	0,0	16,4	16,4					
<b>Total</b>	<b>177,2</b>	<b>195,9</b>	<b>128,9</b>	<b>25,5</b>	<b>35,3</b>	<b>2,7</b>	<b>2,6</b>	<b>0,9</b>

## BREAKDOWN OF BORROWINGS

EUR million	In use at 31.12.2014	Undrawn at 31.12.2014	Total	In use at 31.12.2013	Undrawn at 31.12.2013	Total
Bank borrowings and loans from pension institutions	65,8		65,8	87,9		87,9
Bonds	29,7		29,7			
Committed credit facility maturing in 2017	0,0	30,0	30,0	0,0	30,0	30,0
Non-committed credit facilities	0,0	0,0	0,0		8,0	8,0
Commercial paper programme		100,0	100,0	35,0	65,0	100,0
<b>Total</b>	<b>95,5</b>	<b>130,0</b>	<b>225,5</b>	<b>122,9</b>	<b>103,0</b>	<b>225,9</b>

### Sensitivity to market risks arising from financial instruments

The following sensitivity analysis required by IFRS 7 illustrates the sensitivity of the Group's profit for the period and equity to changes in the interest rate level and diesel oil price level with regard to financial instruments in the statement of financial position at 31 December 2014 (31 December 2013), including financial assets and liabilities as well as derivative contracts. Changes in the fair value of derivative contracts under hedge accounting are assumed to be allocated entirely to equity, while changes in the fair value of other derivative contracts are assumed to be allocated entirely to the income statement.

The following assumptions have been used in calculating sensitivity to changes in the interest rate level:

- The change in the interest rate level is assumed to be a rise of +0.5 percentage point and a decrease of -0.2 percentage point.
- The change in the interest rate level is assumed to be a rise of +0.5 percentage point and a decrease of -0.2 percentage point.
- The exposure underlying the calculation includes interest-bearing financial liabilities

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

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

EUR million	2014		2013	
	Profit after tax	Equity	Profit after tax	Equity
+ 0.5% change in market interest rates	-0,2	0,0	-0,3	0,3
- 0.2% change in market interest rates	0,1	-0,2	0,1	-0,3
+ 10% change in diesel oil CIF CARGO NWE price*)		0,0		0,4
- 10% change in diesel oil CIF CARGO NWE price*)		-0,2		-0,4
*) price level in euros				
+10% change in RUB exchange rate	0,2			
-10% change in RUB exchange rate	-0,4			

## 38. DISPUTES AND LITIGATION

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

## 39. EVENTS AFTER THE BALANCE SHEET DATE

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

# PARENT COMPANY INCOME STATEMENT

EUR million	2014	2013	Note
<b>Net sales</b>	<b>522,5</b>	523,1	1
Cost of goods sold	<b>-454,8</b>	-460,6	
<b>Gross profit</b>	<b>67,8</b>	62,5	
Sales and marketing expenses	<b>-12,4</b>	-12,1	
Administration expenses	<b>-10,7</b>	-10,5	3
Other operating income	<b>6,1</b>	4,1	5
Other operating expenses	<b>-9,4</b>	-7,0	5
<b>Operating profit before goodwill amortisation</b>	<b>41,4</b>	36,9	2,4
Goodwill amortisation	<b>-1,5</b>	-1,9	
<b>Operating profit</b>	<b>39,9</b>	35,0	
Financial income and expenses	<b>-18,3</b>	8,7	6
<b>Profit before extraordinary items</b>	<b>21,6</b>	43,7	
Extraordinary items	<b>0,0</b>	-23,7	7
<b>Profit before appropriations and income taxes</b>	<b>21,6</b>	20,1	
Appropriations			
Increase/decrease in accumulated depreciation	<b>0,8</b>	1,6	
Income tax	<b>-8,6</b>	-7,5	8
<b>Profit for the period</b>	<b>13,8</b>	14,2	

# PARENT COMPANY BALANCE SHEET

EUR million	2014	2013	Note
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets			9
Intangible rights	1,0	1,0	
Goodwill	5,8	2,4	
Other capitalised expenditure	6,1	5,2	
Advance payments and construction in progress	1,8	0,9	
	<b>14,7</b>	9,5	
Tangible assets			10
Land	2,9	2,9	
Buildings and constructions	38,6	40,8	
Machinery and equipment	110,7	110,3	
Other tangible assets	0,0	0,0	
Advance payments and construction in progress	2,0	1,8	
	<b>154,2</b>	155,8	
Financial assets			11
Shares in Group companies	23,8	24,8	
Shares in joint ventures	0,0	0,0	
Capital loan receivables from others	0,0	0,1	
Other shares and holdings	0,4	4,1	
	<b>24,3</b>	29,0	
<b>Total fixed assets</b>	<b>193,2</b>	194,3	
<b>Current assets</b>			
Inventories			
Raw materials and consumables	0,8	0,8	
Finished products/goods	1,1	1,5	
Other inventories	2,7	1,8	
	<b>4,6</b>	4,1	
Non-current receivables			
Loan receivables	1,7	2,1	

Current receivables		12
Receivables from Group companies	24,2	41,8
Trade receivables	76,0	71,1
Other receivables	0,6	3,7
Prepaid expenses and accrued income	5,7	7,8
	106,6	124,4
Cash and cash equivalents	41,2	51,6
<b>Total current assets</b>	<b>154,3</b>	<b>182,2</b>
<b>Total assets</b>	<b>347,5</b>	<b>376,5</b>

EUR million	2014	2013	Note
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			13
Share capital	19,4	19,4	
Fair value reserve	-0,4	-0,1	
Invested non-restricted equity reserve	0,4	0,4	
Retained earnings	65,3	71,8	
Profit for the period	13,8	14,2	
<b>Total shareholders' equity</b>	<b>98,5</b>	<b>105,7</b>	
<b>Accumulated appropriations</b>			
Depreciation difference	33,9	34,6	
<b>Obligatory provisions</b>			
Non-current	4,7	4,7	14
Current	2,7	3,4	
	7,5	8,1	
<b>Liabilities</b>			
15			
Non-current			
Loans from financial institutions	38,6	62,6	
Pension institution loans	2,3	3,1	
Accrued income	0,3	0,3	
	71,2	66,1	
Current			
Commercial paper liabilities	0,0	34,9	
Loans from financial institutions	24,8	22,1	
Advances received	9,2	8,7	

Trade payables	29,1	29,2
Liabilities to Group companies	3,7	2,4
Other liabilities	21,2	18,7
Accruals and deferred expenses	47,6	46,0
Accruals and deferred expenses on commodity derivatives	0,8	0,1
Tax liabilities	0,0	0,0
	136,4	162,1
<b>Total liabilities</b>	<b>207,6</b>	228,1
<b>Total shareholders' equity and liabilities</b>	<b>347,5</b>	376,5

# STATEMENT OF CASH FLOWS

EUR million	2 014	2013
<b>Operations</b>		
Operating profit	40,0	35,0
Adjustments:		
Depreciation and amortisation	37,3	37,0
Gains and losses on sales	-2,4	-0,4
Other adjustments	3,9	5,4
<b>Cash flow before change in working capital</b>	<b>78,8</b>	77,0
<b>Change in working capital</b>		
Increase/decrease in current non-interest-bearing receivables	-3,3	0,6
Increase/decrease in inventories	-0,5	0,5
Increase/decrease in current non-interest-bearing liabilities	6,7	6,4
<b>Cash flow from operations before financial income/expenses and tax</b>	<b>81,7</b>	84,6
Interest expenses and other financial expenses	-2,0	-2,2
Interest income from operations	0,4	0,8
Direct taxes paid	-4,6	-8,6
<b>Cash flow from operating activities</b>	<b>75,5</b>	74,5
<b>Investments</b>		
Investments in Group companies	-7,8	0,0
Proceeds from sale of Group companies, net of sold cash	1,8	0,0
Investments in tangible and intangible assets	-35,6	-26,2
Proceeds from sale of tangible and intangible assets	1,7	1,1
Granted capital loans	0,0	3,4
Dividends received from investments	0,1	10,1
<b>Cash flow from investing activities</b>	<b>-39,8</b>	-11,7
<b>Financing</b>		
Proceeds from/repayments of short-term borrowings	-32,2	22,9
Proceeds from/repayments of current liabilities to Group companies	18,8	-5,3
Proceeds from long-term loans	29,9	30,0
Repayments of long-term loans	-24,8	-26,2
Capital repayment and other distribution of profit paid	-19,3	-42,5



L&T Recoil Oy guarantee commitment	-16,7	
Acquisition of own shares	-1,9	0,0
<b>Cash flow from financing activities</b>	<b>-46,1</b>	<b>-21,2</b>
<b>Changes in cash and cash equivalents</b>	<b>-10,4</b>	<b>41,7</b>
<b>Cash and cash equivalents at 1 January</b>	<b>51,6</b>	<b>9,9</b>
<b>Cash and cash equivalents at 31 December</b>	<b>41,2</b>	<b>51,6</b>
<b>Cash and cash equivalents at 31 December</b>		
Cash and cash equivalents	31,1	51,5
Available-for-sale non-current financial assets	10,0	0,0
Overdraft facilities	0,1	0,1
	<b>41,2</b>	<b>51,6</b>

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

# SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Lassila & Tikanoja plc have been prepared in accordance with the Finnish Accounting Standards (FAS). Items in the financial statements are stated at cost.

## Fixed assets

Tangible and intangible assets are stated in the balance sheet at direct acquisition cost less planned depreciation. Planned straight-line depreciation is calculated from the historical cost on the basis of probable economic life except for new landfills. The depreciation and amortisation periods are as follows:

Buildings and structures 5-25 years

Vehicles 6-8 years

Machinery and equipment 4-10 years

Goodwill 5-10 years

Intangible rights and other capitalised expenditure 5-10 years

In 2008 the Group started to apply the units of production method to new landfills. Landfills are depreciated on the basis of the volume of waste received. This method reflects more closely than the straight-line method the expected future benefits to be derived from the landfills. As the Kerava landfill is about to be filled up, it will be fully depreciated using the straight-line method.

Depreciation on fixed assets acquired during the financial year is calculated from the day on which they become operational.

Lease payments are recognised as expenses in the income statement. The assets are not stated in the balance sheet.

Investments are measured at cost.

## Inventories

Inventories are measured at the variable cost of production or the probable lower replacement or sales price. The inventories of Environmental Products are measured using the weighted average cost method. The value of other inventories is determined using the FIFO method. The cost of inventories produced by the company comprises, in addition to direct costs, a share of production overheads.

## Items denominated in foreign currencies

Foreign currency transactions are recorded using the exchange rates for the dates of the transactions. Receivables and liabilities denominated in foreign currencies are translated into euros at the reference rate of the European Central Bank for the balance sheet date.

Exchange rate differences are recognised in the income statement.

### **Derivatives**

Swaps are used for hedging against the interest rate risk associated with variable-rate borrowings. Interest income and expenses arising from the swaps are allocated over the contract period and recognised as adjustments to the interest on the hedged item.

Commodity swap agreements are used for hedging against the commodity risk associated with cash flows from diesel purchases. As far as the ineffective portion of the hedging is concerned, changes in the fair values of these agreements are recorded in the income statement, and similarly when the agreements mature or the hedged risk materialises.

Currency forward agreements are used to hedge against foreign exchange risk. Changes in fair values are recorded in the income statement as financial income or expenses.

### **Net sales**

Sales are stated net of indirect sales taxes, discounts and exchange rate differences. Sales freights and other costs incurred in sales and deliveries are recognised as either costs of goods sold or sales expenses. Bad debt is recognised under other operating expenses.

### **Research and development expenditure**

Research and development expenditure is recognised as an expense.

### **Other operating income and expenses**

Other operating income and expenses consist of items not included in regular service and product sales, such as gains and losses on the sale or disposal of fixed assets, as well as the recognition and recovery of bad debt.

### **Income taxes**

Current income tax is determined for the taxable profit for the period according to prevailing tax rates. Taxes are adjusted by current tax rates for previous periods, if any. Deferred tax liabilities are stated in the notes to the financial statements.

# 1. NET SALES

EUR million	2014	%	2013	%
<b>Net sales by division</b>				
Environmental Services	220,6	42,2	217,0	41,5
Industrial Services	72,8	13,9	70,7	13,5
Facility Services	229,1	43,9	235,4	45,0
Total	522,5	100,0	523,1	100,0
<b>Net sales by market</b>				
Finland	510,1	97,6	511,6	97,8
Other countries	12,5	2,4	11,5	2,2
Total	522,5	100,0	523,1	100,0

# 2. PERSONNEL AND ADMINISTRATIVE BODIES

	2014	2013
<b>Average personnel</b>		
Salaried employees	1,090	1,025
Non-salaried employees	4,899	4,941
Total	5,989	5,966
<b>EUR million</b>	<b>2014</b>	<b>2013</b>
Personnel expenses		
Salaries and bonuses	190,3	186,4
Pension expenditure	32,4	32,5
Other salary-related expenses	11,6	11,5
Total	234,3	230,4
Personnel services invoiced from the Group	-0,3	-0,3
	234,0	230,1

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

## 3. AUDITOR'S FEES

EUR million	2014	2013
Auditing	0,1	0,1
Other assignments in accordance with the auditing act	0,0	0,0
Tax consulting services	0,0	0,0
Other services	0,0	0,0
<b>Total</b>	<b>0,1</b>	<b>0,1</b>

## 4. DEPRECIATION AND AMORTISATION

EUR million	2014	2013
<b>Depreciation and amortisation by function</b>		
Procurement and manufacture	35,4	34,6
Sales and marketing	0,2	0,2
Administration	0,2	0,2
Goodwill	1,5	1,9
<b>Total</b>	<b>37,3</b>	<b>37,0</b>

Depreciation and amortisation are itemised under intangible and tangible assets.

## 5. OTHER OPERATING INCOME AND EXPENSES

EUR million	2014	2013
<b>Other operating income</b>		
From Group companies		
Compensation for administration costs	0,4	0,8
From others		
Merger profit	0,4	0,2
Profit on sale of real estates	0,1	0,0
Profit on sale of shares	0,0	0,3
Profit on sale of other fixed assets	0,5	0,5
Government grants	0,7	0,0
Recovery of bad debt	0,4	0,1
Change in values commodity derivatives	0,0	0,1
Annual discounts	1,1	0,5
Other operating income	2,4	1,6
<b>Total</b>	<b>6,1</b>	<b>4,1</b>

### Other operating expenses

To others		
Losses on sale of fixed assets	0,8	0,1
Impairment of EcoStream Oy shares	3,6	5,0
Bad debt	4,1	0,8
Change in value of commodity derivatives	0,6	0,1
Other	0,3	1,0
<b>Total</b>	<b>9,4</b>	<b>7,0</b>

## 6. FINANCIAL INCOME AND EXPENSES

EUR million	2014	2013
Dividend income	0,0	10,0
Other interest and financial income	0,5	0,9
Other interest and financial costs	-18,8	-2,2
<b>Total financial income and costs</b>	<b>-18,3</b>	<b>8,7</b>
<b>Financial income and costs include:</b>		
Dividend income		
from Group companies	0,0	10,0
from others	0,0	0,0
Interest income		
from Group companies	0,2	0,6
from others	0,2	0,2
Interest costs		
to Group companies	0,0	0,2
to others	1,7	1,8

## 7. EXTRAORDINARY ITEMS

EUR million	2014	2013
<b>Extraordinary income</b>		
Group contribution received	2,4	1,6
<b>Extraordinary expenses</b>		
Group contribution paid	-2,4	-25,3
<b>Total extraordinary income and expenses</b>	<b>0,0</b>	<b>-23,7</b>

## 8. INCOME TAXES

EUR million	2014	2013
Income taxes on operations for the financial year	8,6	5,5
Income taxes for previous periods	0,0	2,0
Total	8,6	7,5
<b>Deferred tax liabilities/receivables</b>		
From depreciation differences	-6,8	-6,9
From other matching differences	1,5	1,6
Total	-5,3	-5,3

## 9. INTANGIBLE ASSETS

EUR million	Intangible rights	Goodwill	Other capitalised expenditure	Advance payments and construction in progress	Total
<b>2014</b>					
Cost at 1 January	9,4	119,5	17,2	0,9	147,0
Additions	0,2	4,7	0,5	3,6	9,0
Disposals					
Transfers between items			2,6	-2,7	-0,1
Cost at 31 December	9,6	124,2	20,3	1,8	155,9
Accumulated depreciation at 1 January	-8,4	-117,1	-12,0		-137,5
Accumulated depreciation on disposals and transfers					
Depreciation during the period	-0,2	-1,3	-2,2		-3,7
Accumulated depreciation at 31 December	-8,6	-118,4	-14,2		-141,2
Total book value	1,0	5,8	6,1	1,8	14,7
<b>2013</b>					
Cost at 1 January	9,5	119,5	14,7	1,6	145,3
Additions	0,2		0,2	1,9	2,4
Disposals	-0,3		0,0		-0,3
Transfers between items			2,3	-2,6	-0,3
Cost at 31 December	9,4	119,5	17,2	0,9	147,0
Accumulated depreciation at 1 January	-8,4	-115,2	-9,9		-133,5
Accumulated depreciation on disposals and transfers	0,3				0,4
Depreciation during the period	-0,4	-1,9	-2,1		-4,4
Accumulated depreciation at 31 December	-8,4	-117,1	-12,0		-137,5
Total book value	1,0	2,4	5,2	0,9	9,5

## 10. TANGIBLE ASSETS

EUR million	Land	Buildings	Machinery and equipment	Other	Advance payments and construction in progress	Total
<b>2014</b>						
Cost at 1 January	2,9	81,3	318,9		1,8	404,9
Additions		2,8	28,5		2,6	33,9
Disposals		-0,4	-9,9			-10,3
Transfers between items		1,1	1,4		-2,4	0,1
Cost at 31 December	2,9	84,8	338,9	0,0	2,0	428,6
Accumulated depreciation at 1 January		-40,6	-208,6			-249,2
Accumulated depreciation on disposals and transfers		-0,7	9,0			8,3
Depreciation during the period		-5,0	-28,6			-33,6
Accumulated depreciation at 31 December		-46,3	-228,2	0,0		-274,5
Total book value	2,9	38,5	110,7	0,0	2,0	154,2
<b>2013</b>						
Cost at 1 January	2,9	78,2	304,3	0,1	1,9	387,5
Additions		1,9	23,2		1,6	26,6
Disposals	-0,1	-0,2	-9,2	-0,1		-9,5
Transfers between items		1,5	0,6		-1,8	0,3
Cost at 31 December	2,9	81,3	318,9	0,0	1,8	404,9
Accumulated depreciation at 1 January		-36,3	-188,9	-0,1		-225,3
Accumulated depreciation on disposals and transfers		0,1	8,5	0,1		8,7
Depreciation during the period		-4,5	-28,1			-32,6
Accumulated depreciation at 31 December		-40,6	-208,6	0,0	0,0	-249,2
Total book value	2,9	40,8	110,3	0,0	1,8	155,8



# 11. INVESTMENTS

EUR million	Shares in Group companies	Capital loan receivables*	Other shares and holdings	Total
<b>2014</b>				
Cost at 1 January	24,8	0,1	4,1	29,0
Additions				
Transfers between items	-1,0	-0,1	-3,6	-4,7
Cost at 31 December	23,8	0,0	0,5	24,3
Total book value	23,8	0,0	0,5	24,3
<b>2013</b>				
Cost at 1 January	24,8	0,1	7,1	32,1
Additions				
Transfers between items			-5,0	-5,0
Cost at 31 December	24,8	0,1	4,1	29,0
Total book value	24,8	0,1	4,1	29,0
* Capital loan receivables include:				
Capital loan receivables				
From joint ventures	0,0			
From others	0,1			
	0,1			
<b>Holding of shares and votes %</b>				
<b>Holdings in Group companies</b>				
Kiinteistö Oy Vantaan Valimotie 33, Helsinki				100,0
L&T Biowatti Oy, Helsinki				100,0
L&T Relations Oy, Helsinki				100,0
L&T Toimi Oy, Helsinki				100,0
<b>Associated companies</b>				
Suomen Keräystuote Oy				40,0

## 12. RECEIVABLES

EUR million	2014	2013
<b>From Group companies</b>		
Loan receivables	22,6	40,0
Trade receivables	1,6	1,8
Total	24,2	41,8
<b>Prepaid expenses and accrued income</b>		
Interests	0,3	0,0
Employees' health care compensation	1,4	1,5
Statutory personnel insurance	2,1	1,4
Derivative financial instrument receivables	0,1	0,0
Tax receivables	0,0	3,6
Other	1,8	1,4
Total	5,7	7,8

## 13. SHAREHOLDERS' EQUITY

EUR million	2014	2013
Share capital at 1 January / 31 December	19,4	19,4
Fair value reserve 31 December	-0,4	-0,1
Invested non-restricted equity reserve 31 December	0,4	29,5
Capital repayment	0,0	-29,1
Invested non-restricted equity reserve 31 December	0,4	0,4
Retained earnings at 1 January	86,0	85,0
Dividend	-19,4	-13,5
Out-dated dividend	0,0	0,0
Purchase of own shares	-1,3	0,3
Retained earnings at 31 December	65,3	71,8
Profit for the period	13,8	14,2
Shareholders' equity at 31 December	98,5	105,7
<b>Distributable assets</b>		
Retained earnings	65,3	71,8
Profit for the period	13,8	14,2
Invested non-restricted equity reserve	0,4	0,4
Total distributable assets	79,5	86,4

## 14. OBLIGATORY PROVISIONS

EUR million	2014	2013
Environmental provision	6,8	7,2
Pension liabilities	0,6	0,6
Restructuring provisions	0,0	0,2
Other provisions	0,1	0,0
<b>Total</b>	<b>7,5</b>	<b>8,1</b>

Environmental provisions concern the site restoration costs of landfills.

## 15. LIABILITIES

### REPAYMENTS OF NON-CURRENT LIABILITIES IN COMING YEARS

EUR million	2015*	2016	2017	2018	2019	2020 and later
Loans from financial institutions	24,8	34,9	2,6	2,6	0,9	0,0

\* In the balance sheet under current liabilities

EUR million	2014	2013
<b>Liabilities to Group companies</b>		
Trade payables	0,3	0,3
Other liabilities	3,4	2,1
<b>Total</b>	<b>3,7</b>	<b>2,4</b>
<b>Accruals and deferred expenses</b>		
Personnel expenses	43,3	42,0
Interests	0,3	0,2
Waste charges	0,2	0,4
Other matched expenses	3,8	3,4
<b>Total</b>	<b>47,6</b>	<b>46,0</b>

## 16. CONTINGENT LIABILITIES

EUR million	2014	2013
<b>For own commitments</b>		
Mortgages on rights of tenancy	0,2	0,1
Other securities	0,2	0,2
<b>Liabilities related to leasing and leases</b>		
Falling due next year	2,9	5,0
Falling due in subsequent years	4,8	8,4
Total	7,7	13,4
<b>For Group companies</b>		
Guarantees	9,2	9,2
<b>For joint ventures</b>		
Guarantees		
Bank guarantees required for environmental permits	8,4	9,5

## 17. DERIVATIVES

### INTEREST RATE SWAP

EUR million	2014	2013
Nominal value	20,5	31,7
Fair value	-0,6	-0,4
<b>Cross currency interest rate swaps</b>		
Nominal value	-	16,7
Fair value	-	0,1

### COMMODITY DERIVATIVES

Metric tonnes	2014	2013
Nominal value	8,3	10,6
Fair value	-0,6	-0,1

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

### CURRENCY DERIVATIVES

EUR million	2014	2013
Nominal value	10,9	0,0
Fair value	-0,1	0,0

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

# PROPOSAL FOR THE DISTRIBUTION OF PROFIT

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

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amount to EUR 79,490,019.06 with the operating profit for the period representing EUR 13,766,442.62. 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 0.75 per share be paid on the basis of the balance sheet to be adopted for the financial year 2014.

The dividend will be paid to a shareholder who is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd on the record date for dividend payment, 20 March 2015. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 27 March 2015.

No dividend shall be paid on share held by the company on the record date of dividend payment, 20 March 2015.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 38,617,980, which means

the total amount of the dividend would be EUR 28,963,485.00

To be retained and carried forward EUR 50,526,534.06

Total EUR 79,490,019.06

Signatures to the Report of the Board of Directors and the Financial Statements for the year 2014:

Helsinki on 4 February 2015

Heikki Bergholm

Eero Hautaniemi

Hille Korhonen

Sakari Lassila

Miikka Maijala

Laura Lares

Pekka Ojanpää  
President and CEO

### **The Auditor's Note**

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

Helsinki, 24 February 2015

KPMG OY Ab  
Authorised Public Accountants

Lasse Holopainen  
APA

# AUDITOR'S REPORT

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

## **To the Annual General Meeting of Lassila & Tikanoja plc**

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Lassila & Tikanoja plc for the year ended December 31, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## **Responsibility of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of

financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### **Opinion on the company's financial statements and the report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

### **Other opinions**

We support that the financial statements and the consolidated financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 24 February 2015

KPMG OY AB

LASSE HOLOPAINEN

Authorized Public Accountant