



Lassila & Tikanoja plc
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Lassila & Tikanoja plc: Half-Year Financial Report 1 January–30 June 2023

FACILITY SERVICES FINLAND CONTINUED POSITIVE DEVELOPMENT

Unless otherwise mentioned, the figures in brackets refer to the corresponding period in the previous year.

- Net sales for the second quarter were EUR 207.5 million (219.1). Net sales decreased by 5.3%, mainly due to the divestment of the renewable energy sources business in the previous financial year. Net sales excluding the renewable energy sources business were on a par with the comparison period.
- Adjusted operating profit for the second quarter was EUR 9.2 million (11.0) and operating profit was EUR 9.2 million (10.1). Earnings per share were EUR 0.21 (0.17).
- Net sales for January–June totalled EUR 400.2 million (429.5). Net sales excluding the renewable energy sources business grew by 1.6%. Adjusted operating profit was EUR 10.6 million (11.0) and operating profit was EUR 10.6 million (9.8). Earnings per share were EUR 0.24 (0.15).
- Net cash flow from operating activities after investments per share was strong at EUR 0.51 (-0.13).
- The result of Facility Services Finland improved clearly. Measures aimed at a turnaround in profitability continued in Facility Services Sweden.

Outlook for the year 2023

Net sales and adjusted operating profit in 2023 are estimated to be at the same level as in the previous year even though the comparison period includes net sales from the renewable energy sources business in the amount of EUR 35.4 million.

PRESIDENT AND CEO EERO HAUTANIEMI:

“Net sales excluding the renewable energy sources business grew in January–June by 1.6 per cent. Adjusted operating profit was EUR 10.6 million (11.0).

In the Environmental Services division, the focus was heavily on corporate customers and producer responsibility organisation customers, and their number grew during the period under review. Nevertheless, the slowing of general economic activity reduced waste volumes, particularly in the construction and retail segments. The prices of recycled raw materials were at a lower level than in the comparison period, which was reflected in the Environmental Services division mainly in the form of a decline in net sales, but also a slight decrease in operating profit.

The Industrial Services division achieved a strong result. Demand was strong in hazardous waste services and environmental construction business lines. New customer projects were started in the environmental construction business line. The business line has a strong position particularly in the market for demanding industrial soil remediation projects.

The measures initiated in Facility Services Finland in the second half of 2022 to streamline the cost structure and improve operational efficiency continued in the first half of the year and had a

positive impact on the result. The rising costs caused by high inflation were, for the most part, passed on to customer prices. In the cleaning business, the efficiency of production improved and personnel turnover continued to decrease in the second quarter. In Facility Services Sweden, the effort to simplify operating models and adapt them to the changed business environment continued as planned.

The wage-related decisions made in collective bargaining processes, including the one-off items involved, increased the cost level in all divisions in Finland from May onwards, and their impact was reflected in the Group's result in the second quarter. The increased costs will be compensated by operational efficiency improvements and price increases during the second half of the year.

Net cash flow from operating activities was strong, as was the company's financial position.

The new government programme of Finland, "A strong and committed Finland," includes several provisions promoting the circular economy and waste markets. The programme specifies the role of municipalities in waste management to household waste, and the activities of municipal companies in waste markets to be more regulated than before. Environmental permit processes will be streamlined by combining Regional State Administrative Agencies (AVI) and Centres for Economic Development, Transport and the Environment (ELY centres). The government programme aims to strengthen the markets for secondary raw materials and increase the use of secondary raw materials with market-based solutions."

GROUP NET SALES AND FINANCIAL PERFORMANCE

April–June

Net sales for the second quarter amounted to EUR 207.5 million (219.1), a decrease of 5.3% year-on-year. Excluding the effect of the renewable energy sources business, net sales increased by 0.3%, and the rate of organic growth was 0.3%. Adjusted operating profit was EUR 9.2 million (11.0), representing 4.4% (5.0%) of net sales. Operating profit was EUR 9.2 million (10.1), representing 4.4% (4.6%) of net sales. Earnings per share were EUR 0.21 (0.17).

Net sales increased in Industrial Services and decreased in Environmental Services (excluding the effect of the renewable energy sources business) and Facility Services Sweden. In Facility Services Finland net sales were on a par with the comparison period. Operating profit improved in Industrial Services and Facility Services Finland and declined in Environmental Services and Facility Services Sweden. The number of sickness-related absences was lower than in the comparison period, but still higher than usual.

The result for the interim period was affected positively by the fair value of EUR 1.3 million of an interest rate swap being recognised in financial items due to termination of the interest rate swap. In addition, the result for the second quarter was affected positively by L&T's EUR 0.7 million share of the profit of the joint venture Laania Oy.

January–June

Net sales for January–June amounted to EUR 400.2 million (429.5), a decrease of 6.8% year-on-year. Excluding the effect of the renewable energy sources business, net sales increased by 1.6%, and the rate of organic growth was 1.3%. Adjusted operating profit was EUR 10.6 million (11.0), representing 2.7% (2.6%) of net sales. Operating profit was EUR 10.6 million (9.8), representing 2.7% (2.3%) of net sales. Earnings per share were EUR 0.24 (0.15).

Net sales increased in Industrial Services ja decreased in Facility Services Finland. Net sales were on a par with the comparison period in Environmental Services (excluding the effect of the

renewable energy sources business) and Facility Services Sweden. Operating profit improved in Industrial Services and Facility Services Finland, and declined in Environmental Services and Facility Services Sweden. The number of sickness-related absences was lower than in the comparison period, but still higher than usual.

The result for the interim period was affected positively by the fair value of EUR 1.3 million of an interest rate swap being recognised in financial items due to termination of the interest rate swap. The result for the review period was also affected positively by L&T's EUR 2.2 million share of the profit of the joint venture Laania Oy.

Financial summary

	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Net sales, EUR million	207.5	219.1	-5.3	400.2	429.5	-6.8	844.1
Adjusted operating profit, EUR million	9.2	11.0	-16.8	10.6	11.0	-3.7	40.9
Adjusted operating margin, %	4.4	5.0		2.7	2.6		4.8
Operating profit, EUR million	9.2	10.1	-9.2	10.6	9.8	8.1	42.9
Operating margin, %	4.4	4.6		2.7	2.3		5.1
EBITDA, EUR million	23.2	24.2	-4.2	38.6	37.7	2.4	98.3
EBITDA, %	11.2	11.0		9.6	8.8		11.6
Earnings per share, EUR	0.21	0.17	26.3	0.24	0.15	63.8	0.83
Net cash flow from operating activities after investments per share, EUR	0.00	0.03	-83.2	0.51	-0.13		1.08
Return on equity (ROE), %				8.7	5.6		14.6
Capital employed, EUR million				416.9	431.3	-3.3	437.2
Return on capital employed (ROCE), % ¹				11.5	9.3		10.4
Equity ratio, % ¹				33.4	30.6		34.3
Gearing, %				86.7	102.4		75.9

¹ The figures for the first half of 2022 have been adjusted. More detailed information on the restatements is provided in the section on key figures in this half-year financial report.

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

April-June

The division's net sales for the second quarter decreased to EUR 74.4 million (87.8). Operating profit was EUR 8.5 million (10.0). Excluding the effect of the renewable energy sources business, net sales decreased by 2.0%.

January-June

The Environmental Services division's net sales for the first half of the year decreased to EUR 140.7 million (175.1). Operating profit was EUR 11.8 million (12.9). Excluding the effect of the renewable energy sources business, net sales were on a par with the comparison period. The renewable energy sources business was reported as a part of the Environmental Services division until the end of the second quarter of 2022.

The focus of the Environmental Services division is heavily on corporate customers and producer responsibility organisation customers, and their number grew during the period under review. The slowing of general economic activity led to a decrease in waste volumes. Waste streams decreased particularly in the construction and retail segments. The demand and prices of

recycled raw materials were at a low level. The market for household waste management open to free competition continued to decline due to the amendments to the Waste Act that entered into effect in 2021.

There is a significant systems renewal project under way in Environmental Services, which will also include the deployment of a new ERP system. The systems renewal project will be reflected in higher fixed costs in the division throughout the year. Industrial action in the transport sector made resource allocation more difficult, and increased overtime led to higher costs in the first quarter. The new collective agreement in the transport sector, and the one-off items involved, increased personnel expenses in the second quarter.

Industrial Services

April–June

The division's net sales for the second quarter increased to EUR 38.0 million (33.7). Operating profit was EUR 3.9 million (3.3).

January–June

The Industrial Services division's net sales for the first half of the year grew to EUR 64.1 million (56.8). Operating profit was EUR 4.0 million (3.5).

In Industrial Services, the hazardous waste business line saw strong demand. In the environmental construction business line, demand remained high and work on new customer sites started. The business line has a strong position particularly in the market for demanding industrial soil remediation projects. In the process cleaning business in Sweden, demand was lower when compared to the high level seen in the comparison period. The new collective agreement in Finland in the transport sector, and the one-off items involved, increased personnel expenses in the second quarter.

Facility Services Finland

April–June

The division's net sales for the second quarter were on a par with the comparison period at EUR 62.7 million (63.2). Operating profit was EUR -0.0 million (-1.0).

January–June

The net sales of Facility Services Finland for the first half of the year decreased to EUR 129.8 million (131.4). Operating profit improved to EUR 0.2 million (-3.3).

Unprofitable customer agreements ended in Facility Services Finland during the period under review. The measures initiated in the second half of 2022 to streamline the cost structure and improve operational efficiency continued in the first half of the year. In the cleaning business, the efficiency of production improved and personnel turnover continued to decrease in the second quarter. The rising costs caused by high inflation were, for the most part, passed on to customer prices. The increase in costs caused by the wage-related decisions reached in collective bargaining processes will be compensated by operational efficiency improvements and price increases by the end of the year.

Facility Services Sweden

April–June

The division's net sales for the second quarter decreased to EUR 33.8 million (35.9). Operating profit declined to EUR -2.0 million (-0.2). Operating profit before the amortisation of purchase price allocations of acquisitions was EUR -1.7 million (0.4).

January–June

The net sales of Facility Services Sweden amounted to EUR 68.3 million (68.8) during the first half of the year. Operating profit declined to EUR -3.0 million (-0.4). Operating profit before the amortisation of purchase price allocations of acquisitions was EUR -2.4 million (0.7).

Customer agreements in the Swedish business are mostly fixed-price contracts, and the division has not been able to pass on the increased production costs to customers in the form of price increases. The division has a programme under way to simplify operating models and adapt them to the changed business environment. The results are expected to become visible by the end of year 2024.

FINANCING

Net cash flow from operating activities amounted to EUR 38.5 million (22.5) in the first half of the year. Net cash flow after investments amounted to EUR 19.3 million (-4.9). In the comparison period, net cash flow after investments was reduced by acquisitions, which had a total impact of approximately EUR 13 million. A total of EUR 1.4 million in working capital was released (EUR 8.7 million committed).

At the end of the review period, interest-bearing liabilities amounted to EUR 209.6 million (234.8). Net interest-bearing liabilities totalled EUR 179.7 million (201.2). The average interest rate on long-term loans, excluding lease liabilities, with interest rate hedging, was 3.4% (2.4%). In the second quarter, the company refinanced a EUR 50 million bank loan that would have matured in the third quarter of 2024. The new bank loan totalling EUR 40 million will mature in the third quarter of 2026. In addition to the usual financial covenants, the new bank loan is linked to sustainability targets, namely L&T's carbon footprint and total recordable injury frequency. The interest rate swap used by the company to convert part of the EUR 50 million bank loan into a fixed interest loan was terminated in conjunction with the refinancing of the bank loan. The fair value of the interest rate swap, EUR 1.3 million, was recognised in financial income during the review period.

The EUR 100.0 million commercial paper programme was unused at the end of the review period (EUR 20.0 million in use). The account limit totalling EUR 10.0 million and the committed credit limit totalling EUR 40.0 million were not in use, as was the case in the comparison period.

Net financial expenses amounted to EUR -2.3 million (-2.7). Net financial expenses increased due to the rising general interest rate level, which was compensated by the fair value of EUR 1.3 million of an interest rate swap being recognised in financial items due to termination of the interest rate swap. The effect of exchange rate changes on net financial expenses was EUR -0.1 million (-0.1). Net financial expenses were 0.6% (0.6%) of net sales.

The equity ratio was 33.4% (30.6%) and the gearing ratio was 86.7% (102.4%). The Group's total equity was EUR 207.3 million (196.5). Translation differences caused by the depreciation of the Swedish krona affected equity by EUR -3.9 million. Cash and cash equivalents at the end of the period amounted to EUR 29.9 million (33.6).

DIVIDEND DISTRIBUTION

The Annual General Meeting held on 23 March 2023 resolved that a dividend of EUR 0.47 per share, totalling EUR 17.9 million, be paid on the basis of the balance sheet that was adopted for the financial year 2022. The dividend was paid to shareholders on 3 April 2023.

CAPITAL EXPENDITURE

Gross capital expenditure for the first half of the year totalled EUR 31.8 million (35.7). The capital expenditure consisted primarily of machine and equipment purchases, as well as investments in information systems. Acquisitions accounted for approximately EUR 21 million of the gross capital expenditure in the comparison period.

SUSTAINABILITY

Environmental responsibility

Climate benefits for customers created by L&T

	H1/2023	H1/2022	2022	Target
Carbon handprint (tCO ₂ e)	-230,800	-269,900	-534,500	growth faster than net sales

The carbon handprint illustrates the climate benefits of a product, process or service, i.e. the emission reduction potential for the user. L&T's carbon handprint reduces the customer's carbon footprint. Our services generated emission reductions for customers through, for example, customers replacing virgin raw materials with secondary raw materials, and fossil fuels with solid recovered fuels.

The carbon handprint of the renewable energy sources business and the joint venture Laania is not reported as part of L&T's carbon handprint for 2022.

Recycling rate and material recovery

	H1/2023	H1/2022	2022	Target	Target to be achieved by
Recycling rate of material flows managed by L&T, %	57.2	57.4	59.4	70	2030

The recycling rate is the weighted average of L&T's customers' recycling rates. It also includes materials that cannot yet be recycled. To increase the reuse and recycling rate, L&T actively looks for new material streams whose refining rate the company can increase. Reporting covers municipal waste collected from corporate customers, hazardous waste, industrial waste and construction waste in Finland. Slurry, contaminated soil and ash are excluded from reporting.

Progress towards science-based emission reduction targets, using 2018 as the baseline

	H1/2023	H1/2022	2022	Target	Target to be achieved by
Carbon footprint (tCO ₂ e)	15,200	17,000	34,200	24,400	2030

L&T's strategic objective is to halve the carbon footprint of its operations by 2030, using 2018 as the baseline, and to reduce the indirect emissions generated by its supply chain. The emission reduction target set by L&T has been validated by the Science Based Targets initiative. The achievement of this objective will be promoted by switching to zero-emission transport technologies and fuels and by opting for renewable energy at L&T's properties. Transport

operations account for 95 per cent of the emissions generated by L&T's own operations. The use of renewable fuels increased significantly in the first half of 2023, particularly in the Industrial Services division's fleet of heavy vehicles.

The fuel distribution obligation in Finland was adjusted in 2022 by reducing the biofuel component by 7.5 percentage points. The change was not taken into account in the emissions calculations reported in L&T's annual report published in March 2023, as Statistics Finland had not yet updated its fuel classification data in accordance with the change. Statistics Finland published the updated fuel classification data later in spring 2023, and they have been taken into account in the emission calculations in this report.

Social responsibility

Total recordable injury frequency (TRIF)

	H1/2023	H1/2022	2022	Target	Target to be achieved by
Total recordable injury frequency	22	24	23	15	2030

L&T eliminates safety hazards and improves its own safety as well as the safety of customers and other stakeholders through effective proactive measures, such as risk assessments, safety observations, Safety Walks and occupational safety sessions.

Well-being at work

	H1/2023	H1/2022	2022	Target	Target to be achieved by
Occupational health rate (proportion of employees with no sickness-related absences)	54	51	40	57	2026
Sickness-related absences (%)	5.3	5.8	5.6	4	2030

The objective of L&T's personnel policies and plans is to ensure that the number, competence and retention of personnel are at the level required for effective performance. For a labour-intensive company, employees' ability to work and function and maintain it throughout their careers until retirement on old-age pension is important.

Current issues related to sustainability

The company has started preparing for the implementation of the EU's sustainability reporting standards. L&T has begun to conduct a double materiality assessment, and the aim is to complete it before the end of 2023.

PERSONNEL

In January–June, the average number of employees converted into full-time equivalents was 6,891 (7,098). At the end of the review period, L&T had 9,124 (9,099) full-time and part-time employees. Of these, 7,753 (7,680) worked in Finland and 1,371 (1,419) in Sweden.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading in L&T's shares in January–June was 3.1 million shares, which is 8.0% (18.3%) of the average number of outstanding shares. The value of trading was EUR 32.3 million (79.3). The highest share price was EUR 11.84 and the lowest EUR 9.85. The closing price was EUR 9.97. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 380.4 million (409.7).

Own shares

At the end of the period, the company held 644,772 of its own shares, representing 1.7% of all shares and votes.

Share capital and number of shares

The company's registered share capital was EUR 19,399,437 and the number of outstanding shares was 38,154,102 at the end of the period. The average number of shares excluding the shares held by the company was 38,123,940.

Shareholders

At the end of the review period, the company had 25,121 (23,894) shareholders. Nominee-registered holdings accounted for 9.3% (8.1%) of the total number of shares.

Notifications on major holdings

On 26 June 2023, Lassila & Tikanoja plc received a notification indicating that Mandatum Life Insurance Company Limited's shareholding in Lassila & Tikanoja fell below the 5% threshold on 26 June 2023.

Authorisations for the Board of Directors

The Annual General Meeting held on 23 March 2023 authorised Lassila & Tikanoja plc's Board of Directors to decide on the repurchase of the company's own shares using the company's unrestricted equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on a share issue and the issuance of special rights entitling their holders to shares.

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

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

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of Lassila & Tikanoja plc was held on 23 March 2023. The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 23 March 2023.

BOARD OF DIRECTORS

The members of Lassila & Tikanoja plc's Board of Directors are Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Jukka Leinonen, Anni Ronkainen and Pasi Tolppanen. Lassila & Tikanoja plc's Annual General Meeting held on 23 March 2023 elected Jukka Leinonen as the Chairman of the Board and Sakari Lassila as the Vice Chairman.

In its constitutive meeting held after the Annual General Meeting, the Board of Directors elected the members of the Audit Committee and the Personnel and Sustainability Committee from amongst its members. Sakari Lassila (Chairman), Teemu Kangas-Kärki and Anni Ronkainen were elected to the Audit Committee. Jukka Leinonen (Chairman), Laura Lares and Pasi Tolppanen were elected to the Personnel and Sustainability Committee.

CHANGES IN THE GROUP EXECUTIVE BOARD

On 31 March 2023, the company announced that Tina Hellstadius, the Senior Vice President for Facility Services Sweden, will leave Lassila & Tikanoja on 31 March 2023.

On 18 April 2023, the company announced that Mikko Taipale (Master of Laws) has been appointed Senior Vice President, Facility Services Sweden and a member of the Group Executive Board effective from 19 April 2023.

NEAR-TERM RISKS AND UNCERTAINTIES

General economic uncertainty may affect the level of economic activity among customers, which may reduce the demand for L&T's services.

Higher costs, such as the rising prices of fuel and energy and potential interest rate hikes may have a negative impact on the company's financial performance.

The company has several ERP system renewal projects under way. Temporary additional costs arising from system deployments and establishing the operating model may weigh down the company's result.

Production costs may be increased by challenges related to employee turnover and labour availability.

The geopolitical situation involves continued uncertainty due to Russia's war of aggression. The indirect impacts on overall economic activity in Finland and Sweden may have a negative impact on net sales and profit.

The Group company Lassila & Tikanoja FM AB is a claimant and a defendant in legal proceedings in Sweden concerning unpaid receivables invoiced from a former customer of the Group. In June 2022, Lassila & Tikanoja FM AB took legal action in the District Court of Solna against the former customer company of L&T, demanding payment of approximately SEK 18 million for unpaid receivables. In March 2023, the former L&T customer company in question rejected Lassila & Tikanoja FM AB's claims and the payment obligation, and brought a counterclaim demanding compensation totalling approximately SEK 102 million from Lassila & Tikanoja FM AB. The dispute is still pending. Lassila & Tikanoja considers the counterclaim to be without merit.

More detailed information on Lassila & Tikanoja's risks and risk management will be provided in the 2022 Annual Review and in the Report by the Board of Directors and the consolidated financial statements.

Helsinki, 25 July 2023

LASSILA & TIKANOJA PLC

Board of Directors
Eero Hautaniemi
President and CEO

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Key figures of the Group

Key figures

	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Earnings per share, EUR	0.21	0.17	0.24	0.15	0.83
Diluted earnings per share, EUR	0.21	0.17	0.24	0.15	0.83
Net cash flow from operating activities after investments per share, EUR	0.00	0.03	0.51	-0.13	1.08
Adjusted operating profit, MEUR	9.2	11.0	10.6	11.0	40.9
Operating profit, MEUR	9.2	10.1	10.6	9.8	42.9
Gross capital expenditure, MEUR	17.9	7.2	31.8	35.7	58.2
Equity per share, EUR			5.43	5.15	5.78
Return on equity (ROE), %			8.7	5.6	14.6
Capital employed, MEUR			416.9	431.3	437.2
Return on capital employed (ROCE), % ¹			11.5	9.3	10.4
Equity ratio, % ¹			33.4	30.6	34.3
Gearing, %			86.7	102.4	75.9
Net interest-bearing liabilities, MEUR			179.7	201.2	167.3
Average number of employees in full-time equivalents			6,891	7,098	7,364
Total number of full-time and part-time employees at end of the period			9,124	9,099	8,371
Number of outstanding shares adjusted for issues, 1,000 shares					
average during the period			38,124	38,136	38,116
at the end of the period			38,154	38,146	38,146
average during the period, diluted			38,254	38,168	38,128

¹ In 2022, the unrecognised rental income of compactors and bales in Environmental services was reclassified from accrued expenses to current and non-current advances received. In addition, the formula for the return on capital employed was changed from the beginning of 2023 onwards. Previously, the income statement figures were annualised for the calculation and the average of the end and the beginning of the reporting period was used for the balance sheet items. The quarterly figures for 2022 have been adjusted accordingly.

Reconciliation of alternative performance measures

The company discloses certain other widely used performance measures that can for the most part be derived from the income statement and balance sheet. The formulas for these performance measures are provided in the section Calculation of key figures. In the company's view, these measures clarify the result of operations and financial position based on the income statement and balance sheet.

RECONCILIATION OF ADJUSTED OPERATING PROFIT TO OPERATING PROFIT

MEUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Operating profit	9.2	10.1	10.6	9.8	42.9
Items affecting comparability:					
- costs arising from the discontinuation of business	-	0.0	-	-0.2	-0.2
- gains or losses arising from business disposals ¹	-	-	-	-	-4.3
- costs arising from acquisitions	-	0.9	-	1.4	2.5
Adjusted operating profit	9.2	11.0	10.6	11.0	40.9

¹ In 2022, Lassila & Tikanoja ja Neova merged their fuel wood businesses into a joint venture named Laania. The transaction was finalised in the fourth quarter of year 2022 and L&T recognised a gain totalling EUR 4.3 million from the transaction.

RECONCILIATION OF GROSS CAPITAL EXPENDITURE

MEUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Intangible and tangible assets from business acquisitions	-	-0.7	-	21.9	22.9
- increases of right-of-use assets excl. heavy vehicles from business acquisitions	-	-	-	-1.4	-1.4
Other increases to intangible and tangible assets	20.8	10.9	39.9	24.9	55.2
- increases of right-of-use assets excl. heavy vehicles	-2.6	-2.1	-7.2	-8.0	-15.8
- other adjustments	-0.3	-0.9	-1.0	-1.7	-2.7
Gross capital expenditure	17.9	7.2	31.8	35.7	58.2

RETURN ON CAPITAL EMPLOYED (ROCE), %, BY SEGMENT¹

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Environmental Services			
Capital employed (MEUR)	210.0	215.8	211.3
Operating profit	29.1	30.3	30.3
+ financial income	0.2	0.1	0.1
Return on capital employed, MEUR	29.3	30.4	30.4
Return on capital employed (ROCE), %	13.9	14.1	14.4
Industrial Services			
Capital employed (MEUR)	90.7	77.1	81.7
Operating profit	13.3	9.2	12.7
+ financial income	0.0	0.0	0.0
Return on capital employed, MEUR	13.3	9.3	12.8
Return on capital employed (ROCE), %	14.7	12.0	15.6
Facility Services Finland			
Capital employed (MEUR)	28.2	32.3	28.4
Operating profit	3.0	0.2	-0.5
+ financial income	0.4	0.2	0.3
Return on capital employed, MEUR	3.4	0.4	-0.2
Return on capital employed (ROCE), %	12.1	1.2	-0.8
Facility Services Sweden			
Capital employed (MEUR)	61.1	64.6	64.6
Operating profit	-2.2	2.5	0.4
+ financial income	0.1	0.2	0.1
Return on capital employed, MEUR	-2.1	2.7	0.5
Return on capital employed (ROCE), %	-3.4	4.1	0.8

¹ The figures for the comparison period have been adjusted. More information on the restatements are provided in the following chapter Calculation of key figures.

Calculation of key figures

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

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

Net cash flow from operating activities after investments/share: Net cash flow from operating and investing activities / adjusted average basic number of shares

Adjusted operating profit: operating profit +/- items affecting comparability

Items affecting comparability: substantial costs arising from business restructurings or acquisitions, gains and losses from divestments and costs arising from the discontinuation of businesses

EBITDA: operating profit + depreciation, amortisation and impairment

Equity per share: equity attributable to the equity holders of the parent company / adjusted basic number of shares at the balance sheet date

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

Capital employed: equity + interest-bearing financial liabilities

Return on capital employed, % (ROCE)¹: (operating profit + financial income + share of result in associated companies and joint ventures, rolling 12 months) / equity + Interest bearing financial liabilities (average of the end of the period and at the end of the comparison period) x 100

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

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

Net interest-bearing liabilities: interest-bearing liabilities - cash and cash equivalents

Gross capital expenditure: Investments in intangible and tangible assets excluding right-of-use assets and other adjustments, including leased heavy vehicles and assets acquired through acquisitions.

Organic growth: (Net sales for the reporting period - net sales from business acquisitions during previous 12 months - net sales for the comparative period + net sales from divestments during previous 12 months) / (net sales for the comparative period - net sales from divestments during previous 12 months)

¹ The formula for the return on capital employed was changed from the beginning of 2023 onwards. Previously, the income statement figures were annualised for the calculation and the average of the end and the beginning of the reporting period was used for the balance sheet items. The comparative figures have been updated accordingly.

Primary financial statements

Consolidated income statement

MEUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales	207.5	219.1	400.2	429.5	844.1
Other operating income	0.9	0.9	1.8	1.4	8.7
Materials and services	-62.7	-72.5	-125.1	-153.8	-286.7
Employee benefit expenses	-92.8	-92.4	-179.6	-181.1	-353.1
Other operating expenses	-29.7	-30.9	-58.7	-58.4	-114.7
Depreciation, amortisation and impairment	-14.0	-14.1	-28.0	-27.9	-55.4
Operating profit	9.2	10.1	10.6	9.8	42.9
Financial income	1.4	0.0	1.9	0.0	0.4
Financial expenses	-2.1	-1.6	-4.1	-2.6	-6.0
Exchange rate differences (net)	-0.0	-0.1	-0.1	-0.1	-0.2
Financial income and expenses	-0.7	-1.7	-2.3	-2.7	-5.8
Share of the result of associated companies and joint ventures	0.7	0.0	2.2	0.0	0.7
Result before taxes	9.1	8.4	10.5	7.2	37.8
Income taxes	-1.0	-2.0	-1.2	-1.5	-6.3
Result for the period	8.1	6.4	9.3	5.7	31.5
Attributable to:					
Equity holders of the company	8.1	6.4	9.3	5.7	31.5
Earnings per share attributable to the equity holders of the parent company:					
Earnings per share, EUR	0.21	0.17	0.24	0.15	0.83
Diluted earnings per share, EUR	0.21	0.17	0.24	0.15	0.83

Consolidated statement of comprehensive income

MEUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Result for the period	8.1	6.4	9.3	5.7	31.5
Items not to be recognised through profit or loss					
Items arising from re-measurement of defined benefit plans	-	-	-	0.0	0.2
Items not to be recognised through profit or loss, total	-	-	-	0.0	0.2
Items potentially to be recognised through profit or loss					
Hedging reserve, change in fair value	0.1	0.3	0.1	0.7	1.3
Change in fair value of interest rate swap, reclassified to profit and loss	-1.0	-	-1.0	-	-
Currency translation differences	-2.9	-2.5	-3.9	-3.0	-5.7
Currency translation differences recognised through profit and loss	-	-	-	-	0.1
Items potentially to be recognised through profit or loss, total	-3.8	-2.2	-4.8	-2.3	-4.3
Other comprehensive income, total	-3.8	-2.2	-4.8	-2.3	-4.1
Total comprehensive income, after tax	4.3	4.2	4.5	3.4	27.4
Attributable to:					
Equity holders of the company	4.3	4.2	4.5	3.4	27.4

Consolidated statement of financial position

MEUR

30 Jun 2023 30 Jun 2022 31 Dec 2022

ASSETS

Non-current assets

Intangible assets

Goodwill	178.3	180.7	180.7
Other intangible assets	37.4	36.5	36.5

215.7 217.2 217.2

Tangible assets

Right-of-use assets	74.3	69.0	71.2
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231.9 225.5 226.6

Other non-current assets

Shares in associated companies and joint ventures	16.2	0.0	14.0
Other shares and holdings	0.2	0.3	0.2
Deferred tax assets	3.3	2.9	1.9
Other receivables	1.6	1.8	1.9

21.4 5.0 17.9

Total non-current assets

469.0 447.6 461.7

Current assets

Inventories	8.7	6.6	7.8
Trade receivables	80.5	89.8	91.0
Contract assets	39.9	33.4	30.8
Income tax receivables	3.0	5.8	8.7
Other receivables	8.2	11.1	11.0
Cash and cash equivalents	29.9	33.6	49.5

170.2 180.4 198.8

Assets classified as held for sale

- 31.7 -

Total current assets

170.2 212.1 198.8

Total assets

639.2 659.8 660.5

Consolidated statement of financial position

MEUR	30 Jun 2023	30 Jun 2022	31 Dec 2022
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the parent company			
Share capital	19.4	19.4	19.4
Other reserves	-15.4	-8.6	-10.6
Invested unrestricted equity reserve	0.6	0.6	0.6
Retained earnings	202.7	185.0	211.0
Total equity	207.3	196.5	220.4
Liabilities			
Non-current liabilities			
Deferred tax liabilities	27.2	27.1	28.1
Retirement benefit obligations	1.2	1.5	1.2
Provisions	7.2	8.1	7.4
Financial liabilities	169.8	194.2	177.5
Other liabilities	12.6	10.8	13.3
	218.0	241.7	227.5
Current liabilities			
Financial liabilities	39.8	40.6	39.3
Trade and other payables	171.7	169.0	170.5
Income tax liabilities	1.6	1.1	1.0
Provisions	0.8	2.3	1.7
	213.9	213.1	212.6
Liabilities related to assets classified as held for sale	-	8.5	-
Total liabilities	431.9	463.2	440.1
Total equity and liabilities	639.2	659.8	660.5

Consolidated statement of cash flows

MEUR	1-6/2023	1-6/2022	1-12/2022
Cash flow from operating activities			
Result for the period	9.3	5.7	31.5
Adjustments			
Income taxes	1.2	1.5	6.3
Depreciation, amortisation and impairment	28.0	27.9	55.4
Financial income and expenses	2.3	2.7	5.8
Gains and losses on sale of tangible and intangible assets	-0.7	-0.3	-1.2
Share of result of associated companies and joint ventures	-2.2	-0.0	-0.7
Gain from sale of subsidiary's net assets to joint venture	-	-	-4.3
Impact of the discontinuation of Russian operations	-	-0.2	-0.2
Other	-0.8	-0.1	-0.7
Net cash generated from operating activities before change in working capital	37.1	37.1	91.9
Change in working capital			
Change in trade and other receivables	1.3	-8.6	-7.0
Change in inventories	-0.9	0.3	-0.8
Change in trade and other payables	1.0	-0.4	1.7
Change in working capital	1.4	-8.7	-6.2
Interest and other financial expenses paid	-4.8	-2.3	-4.8
Interest and other financial income received	1.8	0.0	0.4
Income taxes paid	3.0	-3.7	-9.6
Net cash from operating activities	38.5	22.5	71.8
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	-	-13.2	-13.2
Proceeds from sale of subsidiaries and businesses, net of sold cash	-	-	-2.0
Purchases of tangible and intangible assets	-20.0	-14.8	-33.8
Proceeds from the sale of tangible and intangible assets	0.8	0.3	2.0
Repayment of loan receivables from joint venture	-	-	16.4
Change in other non-current investments	-	0.3	0.0
Net cash from investing activities	-19.2	-27.4	-30.6
Net cash flow from operating and investing activities	19.3	-4.9	41.1
Cash flow from financing activities			
Proceeds from short-term borrowings	-	20.0	35.0
Repayments of short-term borrowings	-	-	-35.0
Proceeds from long-term borrowings	40.0	75.0	75.0
Repayments of long-term borrowings	-50.3	-57.6	-58.1
Repayments of lease liabilities	-10.6	-9.9	-19.4
Dividends paid	-17.9	-17.5	-17.5
Net cash from financing activities	-38.9	9.9	-20.1
Net change in cash and cash equivalents	-19.5	5.0	21.0
Cash and cash equivalents at the beginning of the period	49.5	28.6	28.6
Effect of changes in foreign exchange rates	-0.1	0.0	-0.1
Cash and cash equivalents at the end of the period	29.9	33.6	49.5

Consolidated statement of changes in equity

MEUR	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Total equity
Equity 1 January 2023	19.4	-11.5	0.9	0.6	211.0	220.4
Total comprehensive income						
Result for the period					9.3	9.3
Other comprehensive income		-3.9	-0.9		-	-4.8
Total comprehensive income	-	-3.9	-0.9	-	9.3	4.5
Transactions with shareholders						
Share-based benefits					0.3	0.3
Dividends paid					-17.9	-17.9
Returned dividends					0.0	0.0
Transactions with shareholders, total	-	-	-	-	-17.6	-17.6
Equity 30 June 2023	19.4	-15.4	-	0.6	202.7	207.3
Equity 1 January 2022	19.4	-5.9	-0.4	0.6	196.7	210.4
Total comprehensive income						
Result for the period					5.7	5.7
Other comprehensive income		-3.0	0.7		0.0	-2.3
Total comprehensive income	-	-3.0	0.7	-	5.7	3.4
Transactions with shareholders						
Share-based benefits					0.2	0.2
Dividends paid					-17.5	-17.5
Returned dividends					0.0	0.0
Transactions with shareholders, total	-	-	-	-	-17.3	-17.3
Equity 30 June 2022	19.4	-8.9	0.3	0.6	185.0	196.5

Notes

1. Accounting policies

This Half-Year Financial Report is in compliance with the IAS 34 Interim Financial Reporting standard. The Half-Year Financial Report has been prepared with application of the IFRS standards and interpretations in effect on 31 December 2022 and the new and amended standards and interpretations entered into force on 1 January 2023. In 2022, the unrecognised rental income of compactors and bales in Environmental services was reclassified from accrued expenses to current and non-current advances received. In addition, the process for netting the deferred tax assets and liabilities was re-defined. The quarterly figures for 2022 have been adjusted accordingly. The information presented in this Half-Year Financial Report has not been audited.

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc as of 31 December 2022.

2. Segment information

MEUR	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Net sales							
Environmental Services	74.4	87.8	-15.2	140.7	175.1	-19.6	321.2
Industrial Services	38.0	33.7	12.7	64.1	56.8	12.8	132.0
Facility Services Finland	62.7	63.2	-0.7	129.8	131.4	-1.2	256.3
Facility Services Sweden	33.8	35.9	-5.8	68.3	68.8	-0.7	140.4
Interdivisional net sales	-1.5	-1.5		-2.7	-2.6		-6.0
The Group total	207.5	219.1	-5.3	400.2	429.5	-6.8	844.1
Operating profit							
Environmental Services	8.5	10.0	-15.0	11.8	12.9	-9.1	30.3
Industrial Services	3.9	3.3	19.2	4.0	3.5	15.7	12.7
Facility Services Finland	-0.0	-1.0		0.2	-3.3		-0.5
Facility Services Sweden	-2.0	-0.2		-3.0	-0.4		0.4
Group administration and other	-1.3	-2.0		-2.4	-2.9		0.1
The Group total	9.2	10.1	-9.2	10.6	9.8	8.1	42.9
Adjusted operating profit							
Environmental Services	8.5	10.0	-15.0	11.8	12.9	-9.1	30.3
Industrial Services	3.9	3.3	19.2	4.0	3.5	15.7	13.6
Facility Services Finland	-0.0	-1.0		0.2	-3.3		-0.5
Facility Services Sweden	-2.0	-0.2		-3.0	-0.4		0.4
Group administration and other	-1.3	-1.1		-2.4	-1.7		-2.8
The Group total	9.2	11.0	-16.8	10.6	11.0	-3.7	40.9
EBITDA							
Environmental Services	15.7	16.8	-7.0	26.0	26.5	-2.2	57.1
Industrial Services	7.1	6.3	13.2	10.4	9.3	12.5	25.0
Facility Services Finland	2.1	1.2	75.5	4.6	1.2	278.4	8.5
Facility Services Sweden	-0.8	1.5		-0.5	3.0		6.3
Group administration and other	-1.0	-1.7		-1.8	-2.3		1.4
The Group total	23.2	24.2	-4.2	38.6	37.7	2.4	98.3

%	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Operating margin					
Environmental Services	11.5	11.4	8.4	7.4	9.4
Industrial Services	10.3	9.7	6.3	6.1	9.6
Facility Services Finland	-0.0	-1.7	0.1	-2.5	-0.2
Facility Services Sweden	-5.8	-0.5	-4.4	-0.5	0.3
The Group total	4.4	4.6	2.7	2.3	5.1
Adjusted operating margin					
Environmental Services	11.5	11.4	8.4	7.4	9.4
Industrial Services	10.3	9.7	6.3	6.1	10.3
Facility Services Finland	-0.0	-1.7	0.1	-2.5	-0.2
Facility Services Sweden	-5.8	-0.5	-4.4	-0.5	0.3
The Group total	4.4	5.0	2.7	2.6	4.8
EBITDA margin					
Environmental Services	21.0	19.2	18.4	15.1	17.8
Industrial Services	18.8	18.7	16.3	16.3	18.9
Facility Services Finland	3.4	1.9	3.5	0.9	3.3
Facility Services Sweden	-2.2	4.2	-0.8	4.4	4.5
The Group total	11.2	11.0	9.6	8.8	11.6

Other segment information

MEUR	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Gross capital expenditure					
Environmental Services	12.9	4.2	23.1	8.0	20.3
Industrial Services	4.6	2.0	7.6	26.1	34.6
Facility Services Finland	0.1	0.6	0.4	0.9	1.5
Facility Services Sweden	0.1	0.1	0.2	0.3	0.4
Group administration and other	0.3	0.3	0.5	0.5	1.3
The Group total	17.9	7.2	31.8	35.7	58.2
Depreciation and amortisation					
Environmental Services	7.1	6.8	14.2	13.6	26.9
Industrial Services	3.2	3.0	6.4	5.8	12.3
Facility Services Finland	2.2	2.3	4.4	4.6	9.1
Facility Services Sweden	1.2	1.7	2.4	3.4	5.9
Group administration and other	0.3	0.3	0.6	0.6	1.3
The Group total	14.0	14.1	28.0	27.9	55.4

MEUR**30 Jun 2023 30 Jun 2022 31 Dec 2022****Assets¹**

Environmental Services	290.4	307.8	278.6
Industrial Services	147.4	138.7	145.3
Facility Services Finland	80.9	87.6	84.5
Facility Services Sweden	78.0	91.8	88.4
Group administration and other	42.6	33.9	63.7
The Group total	639.2	659.8	660.5

Liabilities¹

Environmental Services	86.4	91.8	81.3
Industrial Services	58.8	49.9	52.2
Facility Services Finland	56.6	55.3	56.2
Facility Services Sweden	22.4	25.2	26.4
Group administration and other	207.7	241.1	224.0
The Group total	431.9	463.2	440.1

Capital employed¹

Environmental Services	204.0	216.0	197.3
Industrial Services	90.2	91.3	95.2
Facility Services Finland	24.2	32.3	28.3
Facility Services Sweden	55.7	66.6	62.1
Group administration and other	42.9	25.1	54.4
The Group total	416.9	431.3	437.2

%**30 Jun 2023 30 Jun 2022 31 Dec 2022****Return on capital employed (ROCE)¹**

Environmental Services	13.9	14.1	14.4
Industrial Services	14.7	12.0	15.6
Facility Services Finland	12.1	1.2	-0.8
Facility Services Sweden	-3.4	4.1	0.8
The Group total	11.5	9.3	10.4

¹ The allocation of assets and liabilities to the Group's reporting segments was re-defined from the beginning of 2023 onwards. The figures for the comparison periods have been adjusted accordingly.

3. Segment information by quarter

MEUR	4-6/2023	1-3/2023	10-12/2022	7-9/2022	4-6/2022
Net sales					
Environmental Services	74.4	66.3	71.1	75.0	87.8
Industrial Services	38.0	26.1	36.3	38.9	33.7
Facility Services Finland	62.7	67.1	64.6	60.2	63.2
Facility Services Sweden	33.8	34.5	39.8	31.9	35.9
Interdivisional net sales	-1.5	-1.2	-1.8	-1.6	-1.5
The Group total	207.5	192.7	210.1	204.4	219.1
Operating profit					
Environmental Services	8.5	3.2	6.2	11.1	10.0
Industrial Services	3.9	0.1	2.3	7.0	3.3
Facility Services Finland	-0.0	0.2	0.8	2.0	-1.0
Facility Services Sweden	-2.0	-1.0	0.5	0.2	-0.2
Group administration and other	-1.3	-1.1	3.2	-0.2	-2.0
The Group total	9.2	1.4	12.9	20.2	10.1
Adjusted operating profit					
Environmental Services	8.5	3.2	6.2	11.1	10.0
Industrial Services	3.9	0.1	3.1	7.0	3.3
Facility Services Finland	-0.0	0.2	0.8	2.0	-1.0
Facility Services Sweden	-2.0	-1.0	0.5	0.2	-0.2
Group administration and other	-1.3	-1.1	-1.0	-0.1	-1.1
The Group total	9.2	1.4	9.6	20.3	11.0
EBITDA					
Environmental Services	15.7	10.3	12.7	17.9	16.8
Industrial Services	7.1	3.3	5.6	10.2	6.3
Facility Services Finland	2.1	2.4	3.0	4.3	1.2
Facility Services Sweden	-0.8	0.2	1.8	1.6	1.5
Group administration and other	-1.0	-0.8	3.5	0.1	-1.7
The Group total	23.2	15.4	26.5	34.1	24.2
Operating margin, %					
Environmental Services	11.5	4.9	8.7	14.9	11.4
Industrial Services	10.3	0.5	6.3	17.9	9.7
Facility Services Finland	-0.0	0.3	1.2	3.4	-1.7
Facility Services Sweden	-5.8	-3.0	1.3	0.7	-0.5
The Group total	4.4	0.7	6.2	9.9	4.6
Adjusted operating margin, %					
Environmental Services	11.5	4.9	8.7	14.9	11.4
Industrial Services	10.3	0.5	8.6	17.9	9.7
Facility Services Finland	-0.0	0.3	1.2	3.4	-1.7
Facility Services Sweden	-5.8	-3.0	1.3	0.7	-0.5
The Group total	4.4	0.7	4.6	9.9	5.0
EBITDA margin, %					
Environmental Services	21.0	15.5	17.8	23.9	19.2
Industrial Services	18.8	12.6	15.3	26.2	18.7
Facility Services Finland	3.4	3.6	4.7	7.2	1.9
Facility Services Sweden	-2.2	0.6	4.4	4.9	4.2
The Group total	11.2	8.0	12.6	16.7	11.0

4. Disaggregation of revenue

Net sales consist of services for which revenue is recognised over time, products for which revenue is recognised at a point in time as well as lease income. Services for which revenue is recognised over time include sales revenue from long-term service agreements, separately ordered services and the project business. Services for which revenue is recognised at a point in time include revenue from the sale of equipment and materials.

1-6/2023, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	113.2			25.7	1.8	140.7
Industrial Services	31.4	25.6	4.4	2.7		64.1
Facility Services Finland	93.9	33.0	2.9			129.8
Facility Services Sweden	29.0	37.7	1.7			68.3
Total	267.5	96.3	8.9	28.4	1.8	402.9
Interdivisional sales						-2.7
External net sales, total						400.2

1-6/2022, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	109.1			64.3	1.7	175.1
Industrial Services	25.9	26.2	2.1	2.7		56.8
Facility Services Finland	91.4	37.4	2.7			131.4
Facility Services Sweden	31.0	35.7	2.1			68.8
Total	257.4	99.2	6.9	67.0	1.7	432.2
Interdivisional sales						-2.6
External net sales, total						429.5

1-12/2022, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	225.3			92.7	3.3	321.2
Industrial Services	57.7	59.0	9.7	5.6		132.0
Facility Services Finland	182.3	68.8	5.2			256.3
Facility Services Sweden	61.1	74.9	4.4			140.4
Total	526.4	202.7	19.4	98.3	3.3	850.0
Interdivisional sales						-6.0
External net sales, total						844.1

5. Business acquisitions

Business acquisitions 2023

There were no business acquisitions in the first half of 2023.

Business acquisitions 2022

On 1 February 2022, Lassila & Tikanoja's Industrial Services division acquired 70 per cent of the shares of Sand & Vattenbläst i Tyringe AB ("SVB"), a company that provides process cleaning services in Sweden. The transaction also included Cisternservice i Hässleholm AB, owned by SVB. Through the acquisition, L&T's Industrial Services division entered the Swedish process cleaning market. In the fair value measurement, intangible assets based on customer relationships with a value of EUR 2.8 million, agreements on prohibition of competition with a value of EUR 0.1 million, as well as goodwill with a value of EUR 8.3 million were identified. The goodwill is mainly based on the strong regional position of the acquired business and its future development prospects. 100 per cent share of SVB is consolidated in the L&T Group and, in connection with the arrangement, L&T has recognised in the financial liabilities an estimate of the deferred consideration related to the acquisition of the non-controlling interest. The deferred consideration is measured at fair value through profit or loss.

L&T acquired the business operations of Fortum Waste Solutions Oy's small and medium-sized business segment for hazardous and non-hazardous waste on 1 February 2022.

Fair value total, MEUR	Business	Business	Business
	acquisitions	acquisitions	acquisitions
	1-6/2023	1-6/2022	1-12/2022
Intangible assets	-	5.6	5.6
Tangible assets	-	4.9	4.9
Right-of-use assets	-	1.4	1.4
Inventories	-	0.1	0.1
Receivables	-	1.8	1.8
Cash and cash equivalents	-	1.2	1.2
Total assets	-	15.0	15.0
Other liabilities	-	6.4	6.4
Deferred tax liabilities	-	1.0	1.0
Total liabilities	-	7.4	7.4
Net assets acquired	-	7.6	7.6
Total consideration	-	18.0	19.6
Goodwill	-	10.4	11.9
Impact on cash flow			
Total consideration	-	-18.0	-19.6
Deferred consideration	-	3.6	5.1
Consideration paid in cash	-	-14.4	-14.4
Cash and cash equivalents of the acquired company	-	1.2	1.2
Total impact on cash flow	-	-13.2	-13.2

The initial accounting of the businesses acquired in 2022 is final. The figures for such acquired businesses, that are not material to the Group when considered separately, are stated in aggregate.

6. Business disposals and assets and liabilities classified as held for sale

In the first half of 2023, Lassila & Tikanoja did not sell any businesses and did not classify any assets or liabilities as held for sale.

On December 17, 2021, Lassila & Tikanoja plc and Neova Oy signed an agreement to merge their fuel wood businesses. According to the agreement, Neova's fuel wood business was transferred to L&T Biowatti Oy on 1 July 2022. L&T's share of the joint venture is 55 per cent and Neova's 45 per cent, but based on the agreement both parties have joint control over the joint venture. In the consolidated financial statements for 2021, L&T classified L&T Biowatti Oy's assets and liabilities as held for sale. In the first half of 2022, the business was reported as part of Environmental Services. After this, the Group's share of the joint venture's net result is recognised in the income statement on a separate line.

Investment in joint venture

Lassila & Tikanoja's investment in joint venture totalled EUR 13.3 million, and it is recognised on line Shares in associated companies and joint ventures in the consolidated statement of financial position. The transactions is valued according to the IAS 28. In the last quarter of 2022, the transaction was finalised and L&T recognised a gain totalling EUR 4.3 million on the transaction.

Net assets disposed of

MEUR	2022
Intangible and tangible assets	0.4
Right-of-use assets	0.7
Other non-current receivables	0.3
Inventories	24.7
Trade and other receivables	6.1
Cash and cash equivalents	2.0
Assets Total	34.0
Non-current financial liabilities	14.8
Current financial liabilities	0.1
Trade and other payables	10.1
Liabilities Total	25.0
Net assets disposed of	9.0

Gain on sale

MEUR	2022
Fair value of the shares in joint venture received	13.3
Net assets disposed of	-9.0
Total	4.3

Cash flow impact

MEUR	2022
Consideration received in cash	-
Cash and cash equivalents of the business sold	-2.0
Total	-2.0

Assets and liabilities classified as held for sale

At the end of the reporting period L&T did not have any assets or liabilities classified as held for sale. At the end of the second quarter of 2022, Biowatti Oy's assets and liabilities were classified as held for sale.

MEUR	30 Jun 2022
Intangible and tangible assets	0.3
Right-of-use assets	0.6
Other non-current receivables	0.3
Inventories	24.7
Trade and other receivables	5.9
Assets Total	31.7
Non-current financial liabilities	0.4
Current financial liabilities	0.1
Trade payables and advances received	6.6
Other payables	1.3
Liabilities Total	8.5

7. Intangible and tangible assets

Changes in goodwill

MEUR	1-6/2023	1-6/2022	1-12/2022
Carrying amount at the beginning of the period	180.7	172.1	172.1
Business acquisitions	-	10.2	11.5
Exchange differences	-2.4	-1.6	-2.9
Carrying amount at the end of the period	178.3	180.7	180.7

Changes in other intangible assets

MEUR	1-6/2023	1-6/2022	1-12/2022
Carrying amount at the beginning of the period	36.5	32.5	32.5
Business acquisitions	-	5.6	5.5
Other capital expenditure	5.2	2.9	7.1
Disposals	-	-0.0	-0.1
Depreciation, amortisation and impairment	-3.7	-4.0	-7.8
Transfers between items	-	-	-0.0
Exchange differences	-0.6	-0.5	-0.7
Carrying amount at the end of the period	37.4	36.5	36.5

Changes in tangible assets

MEUR	1-6/2023	1-6/2022	1-12/2022
Carrying amount at the beginning of the period	155.3	153.0	153.0
Business acquisitions	-	4.8	4.6
Other capital expenditure	16.3	13.2	26.7
Disposals	-0.1	-0.4	-2.3
Depreciation, amortisation and impairment	-13.6	-14.0	-28.1
Transfers between items	-	-0.1	0.0
Exchange differences	-0.3	-0.0	1.3
Carrying amount at the end of the period	157.6	156.5	155.3

Changes in right-of-use assets

MEUR	1-6/2023	1-6/2022	1-12/2022
Carrying amount at the beginning of the period	71.2	69.8	69.8
Business acquisitions	-	1.4	1.3
Other capital expenditure	18.3	8.8	21.4
Disposals	-4.2	-0.9	-1.3
Depreciation, amortisation and impairment	-10.7	-9.9	-19.5
Exchange differences	-0.5	-0.3	-0.5
Carrying amount at the end of the period	74.3	69.0	71.2

8. Capital commitments

MEUR	30 Jun 2023	30 Jun 2022	31 Dec 2022
Intangible assets	1.2	0.2	1.0
Tangible assets	20.7	20.8	19.7
Total	21.9	20.9	20.7

9. Provisions

The Group's provision include environmental provisions and other provisions. The most significant provisions recognised in the statement of financial position are the site restoration provisions for landfills and contaminated soil processing sites. Other provisions consist mainly of provisions for restructuring and accident insurance contribution.

Environmental provisions are recognised when the Group has an existing obligation that is likely to result in a payment obligation, the amount of which can be reliably estimated. Environmental provisions related to the restoration of sites are made at the commencement of each project. The costs recognised as a provision, as well as the original acquisition cost of assets, are depreciated over the useful life of the asset, and provisions are discounted to present value.

Obligations covered by the environmental provisions

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

The Munaistenmetsä landfill site in Uusikaupunki serves as a final disposal area for municipal waste, contaminated soil and industrial by-products. After the receipt of a new environmental permit, a construction of a processing site for hazardous waste has been started in the area.

The material recycling centre in the landfill area in Oulu receives, processes and recovers various types of waste and side streams, such as industrial waste, contaminated soil, construction and demolition waste as well as municipal waste.

The landfill area in Pori receives and processes gypsum, construction and demolition waste as well as contaminated soil and other smaller items. Environmental impact assessment is currently ongoing in the area. After the assessment, the landfill area will also be licensed for receipt and processing of hazardous waste.

Provisions in the statement of financial position

MEUR	30 Jun 2023	30 Jun 2022	31 Dec 2022
Non-current provisions	7.2	8.1	7.4
Current provisions	0.8	2.3	1.7
Total	8.0	10.4	9.1

Changes in provisions

MEUR	Environmental provisions	Other provisions	Total
Provisions 1 Jan 2023	7.4	1.7	9.1
Additions	-	0.6	0.6
Used	-0.2	-1.5	-1.7
Effect of discounting	0.1	-	0.1
Provisions 30 Jun 2023	7.2	0.8	8.0

MEUR	Environmental provisions	Other provisions	Total
Provisions at 1 Jan 2022	8.1	2.7	10.8
Additions	0.1	0.7	0.8
Used	-0.1	-1.0	-1.0
Reversals	-	-0.2	-0.2
Effect of discounting	0.1	-	0.1
Provisions 30 Jun 2022	8.1	2.3	10.4

10. Financial assets and liabilities by category

30 June 2023, MEUR	Amortised costs	Derivatives under hedge accounting	Fair value through profit or loss	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
Other receivables	1.3			1.3	
Current financial assets					
Trade and other receivables	80.6			80.6	
Cash and cash equivalents	29.9			29.9	
Total financial assets	111.8	-	-	111.8	
Non-current financial liabilities					
Borrowings	115.7			115.7	2
Lease liabilities	54.1			54.1	
Deferred consideration			5.4	5.4	3
Current financial liabilities					
Borrowings	18.3			18.3	2
Lease liabilities	21.5			21.5	
Trade and other payables	61.7			61.7	
Total financial liabilities	271.2	-	5.4	276.6	

30 June 2022, MEUR	Amortised costs	Derivatives under hedge accounting	Fair value through profit or loss	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
Other receivables	1.5			1.5	
Current financial assets					
Trade and other receivables ¹	90.0			90.0	
Derivative receivables		0.4		0.4	2
Cash and cash equivalents	33.6			33.6	
Total financial assets	125.1	0.4	-	125.6	
Non-current financial liabilities					
Borrowings	143.9			143.9	2
Lease liabilities	50.2			50.2	
Deferred consideration			3.5	3.5	3
Current financial liabilities					
Borrowings	20.8			20.8	2
Lease liabilities	19.9			19.9	
Trade and other payables ¹	60.4			60.4	
Total financial liabilities	295.2	-	3.5	298.7	

¹ The figures of the comparison period have been adjusted

The fair values of the balance sheet items measured at amortised cost do not significantly differ from the carrying amounts.

Reconciliation of financial liabilities recognised at fair value according to the level 3

MEUR	1-6/2023	1-6/2022	1-12/2022
Carrying amount at the beginning of the period	5.7	-	-
Deferred consideration at the date of the acquisition	-	3.6	5.1
Change in fair value	-	-	0.8
Exchange differences	-0.3	-0.1	-0.2
Carrying amount at the end of the period	5.4	3.5	5.7

Deferred consideration is related to the acquisition of 70 per cent share of Sand & Vattenbläst i Tyringe AB ("SVB") that offers process cleaning services in Sweden. The acquisition took place on 1 February 2022. SVB is consolidated with 100 per cent share in the Group and, in connection with the arrangement, L&T has recognised in financial liabilities an estimate of the deferred consideration for the acquisition. The deferred consideration relates to the acquisition of non-controlling interest and is measured at fair value, which is reflected in the present value of the estimated liability. It will mature on 1 February 2026 at the earliest.

The valuation of the deferred consideration is based on the shareholder agreement and is affected by the acquired company's balance sheet structure and EBITDA forecast for 2025.

11. Related party transactions

The related parties of the Lassila & Tikanoja Group are the senior management (members of the Board of Directors, President and CEO of the Lassila & Tikanoja plc and the other members of the Group Executive Board) and the immediate family of the senior management and companies controlled by the aforementioned persons, the Group's subsidiaries, the associated company (Suomen Keräystuote Oy), the joint venture (Laania Oy) and the L&T sickness fund.

The contributions paid by the group companies to the L&T sickness fund during the reporting period amounted to EUR 0.5 million (0.5). The Group has transactions between the group companies in the ordinary course of business. The Group's transactions with Laania Oy are presented in the following table. In addition, the Group has provided guarantees for Laania's financing arrangements, which are specified in Note 12. The Group has no significant transactions with other related parties.

Business transactions with the joint venture

MEUR	1-6/2023	7-12/2022
Net sales	1.3	0.6
Other operating income	-	0.3
Purchases of materials and services	-0.7	-0.7
Trade- and other receivables	0.0	0.0

12. Commitments and contingent liabilities

MEUR	30 Jun 2023	30 Jun 2022	31 Dec 2022
Securities for own commitments			
Mortgages on rights of tenancy	0.1	0.1	0.1
Company mortgages	0.5	2.2	2.0
Other securities	0.0	0.0	0.0
Bank guarantees required for environmental permits	21.0	18.2	17.4
Other bank guarantees	5.8	14.8	5.8
Mortgages under own control			
Company mortgages	0.2	6.4	0.3
Liabilities on behalf of the joint venture			
Account limit	2.8	-	2.8
Bank guarantees	16.5	-	16.5
Term loan facility guarantee	11.0	-	16.5
Revolving Credit Facility	5.5	-	-

Other securities are security deposits.

The Group has a 55% holding in Laania Oy, a joint venture established on 1 July 2022 together with Neova. The amount of the liabilities on behalf of the joint venture is disclosed as the Group's share of the maximum amount of liability, in relation to the Group's holding.

The Group company Lassila & Tikanoja FM AB is a claimant and a defendant in legal proceedings in Sweden concerning unpaid receivables invoiced from a former customer of the Group. In June 2022, Lassila & Tikanoja FM AB took legal action in the District Court of Solna against the former customer company of L&T, demanding payment of approximately SEK 18 million for unpaid receivables. In March 2023, L&T's former customer rejected Lassila & Tikanoja FM AB's claims and the payment obligation, and brought a counterclaim demanding approximately SEK 102 million from Lassila & Tikanoja FM AB. The dispute is still pending. Lassila & Tikanoja considers the counterclaim to be without merit.

Liabilities associated with derivative agreements

Interest rate swap

MEUR	30 Jun 2023	30 Jun 2022	31 Dec 2022
Nominal value of interest rate swap			
Maturity not later than one year	-	-	-
Maturity later than one year and not later than two years	-	30.0	30.0
Total	-	30.0	30.0
Fair value	-	0.4	1.2

The interest rate swap that was used for hedging cash flows related to floating rate loans was terminated in June 2023 in conjunction with the refinancing of the hedged loan. The fair value of the interest rate swap totalling EUR 1.3 million was recognised as finance income in the income statement. In the comparison period, the hedge was effective, and the changes in the fair value of interest rate swap were presented in other comprehensive income for the period. The fair value of the swap contract was based on the market data on the balance sheet date.

Helsinki, 25 July 2023

LASSILA & TIKANOJA PLC
Board of Directors

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Lassila & Tikanoja is a service company that is putting the circular economy into practice. Together with our customers, we keep materials, manufacturing sites and properties in productive use for as long as possible and we enhance the use of raw materials and energy. This is to create more value with the circular economy for our customers, personnel and society in a broader sense. Achieving this also means growth in value for our shareholders. Our objective is to continuously grow our actions' carbon handprint, our positive effect on the climate. We assume our social responsibility by looking after the work ability of our personnel as well as offering jobs to those who are struggling to find employment, for example. With operations in Finland and Sweden, L&T employs approximately 8,300 people. Net sales in 2022 amounted to EUR 844.1 million. L&T is listed on Nasdaq Helsinki.

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