



Lassila & Tikanoja plc
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Lassila & Tikanoja plc: Financial Statements Release 1 January–31 December 2022

A STRONG YEAR IN CIRCULAR ECONOMY BUSINESSES, HIGHER COSTS WEIGHED DOWN THE RESULT OF FACILITY SERVICES

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

- Net sales for the final quarter were EUR 210.1 million (223.5). Net sales decreased by 6.0%. Net sales growth excluding the renewable energy sources business was 2.9%.
- Adjusted operating profit for the final quarter was EUR 9.6 million (10.1) and operating profit was EUR 12.9 million (9.9). The Group's operating profit was increased by a gain of EUR 4.3 million recognised on the sale of the share of renewable energy sources business to a newly established joint venture.
- L&T's circular economy businesses, namely Environmental Services and Industrial Services, achieved a strong operating result in 2022. In Industrial Services, net sales increased by 25.6 per cent.
- In Facility Services in Finland and Sweden, the higher general cost level had a negative effect on profitability. Both divisions launched programmes during the review period to simplify and increase the efficiency of their operating models. These programmes will continue in 2023.
- Net sales for 2022 amounted to EUR 844.1 million (812.5). Adjusted operating profit was EUR 40.9 million (42.4) and operating profit was EUR 42.9 million (42.2). Earnings per share were EUR 0.83 (0.90).
- Net cash flow from operating activities after investments per share was EUR 1.08 (0.05).
- The Board of Directors proposes a dividend of EUR 0.47 per share.

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:

“The year 2022 was exceptional and the business environment changed significantly. The economic uncertainty caused by Russia’s invasion of Ukraine, the sharp rise in costs and interest rates and the significantly higher-than-usual level of sickness-related absences affected all of the company’s divisions.

The development of net sales was positive in 2022, but adjusted operating profit declined slightly due to the weak result of Facility Services Finland and Sweden. Net cash flow from operating activities was strong, as was the company’s financial position.

L&T's circular economy businesses, namely Environmental Services and Industrial Services, achieved a good operative result in 2022.

In Environmental Services, net sales growth excluding the renewable energy sources business came to 8.1 per cent. The number of corporate customers and producer responsibility organisation customers grew. The division's environmental responsibility management and consulting capabilities and organisation were strengthened.

In Industrial Services, net sales increased by 25.6 per cent, of which 6.6 per cent was organic growth. Industrial Services expanded its operations into the Swedish market and strengthened its market position in hazardous waste in Finland through an acquisition. In the environmental construction business, a number of demanding contaminated soil restoration projects were carried out for industrial customers.

In Facility Services in Finland and Sweden, profitability was weighed down by the higher general cost level, worsening labour shortages, high employee turnover and sickness-related absences being significantly higher than average. The profit performance of Facility Services Sweden was weighed down not only by inflation but also the weaker-than-expected sales of additional services. Both divisions launched programmes during the review period to simplify and increase the efficiency of their operating models. These programmes will continue in 2023.

L&T's businesses are not particularly sensitive to economic cycles. Nevertheless, inflation and rising interest rates create uncertainty in the operating environment.

In 2024, the Environmental Services division will focus particularly on corporate customers and producer responsibility organisations as the progress of municipalisation reduces the significance of households as customers.

The Industrial Services division will continue to invest in the development of new hazardous waste recycling solutions and process cleaning methods in both Finland and Sweden.

Facility Services Finland and Sweden will continue to focus on improving operational efficiency and profitability. Particularly in Finland, unprofitable customer agreements will be terminated and the scope of operations will be reassessed. In Sweden, the focus will be on simplifying the operating model.”

GROUP NET SALES AND FINANCIAL PERFORMANCE

October–December

Lassila & Tikanoja's net sales for the fourth quarter amounted to EUR 210.1 million (223.5), a decrease of 6.0% year-on-year. Net sales growth excluding the effect of the renewable energy sources business was 2.9% and organic growth was 0.4%. Adjusted operating profit was EUR 9.6 million (10.1), representing 4.6% (4.5%) of net sales. Operating profit was EUR 12.9 million (9.9), representing 6.2% (4.4%) of net sales. Earnings per share were EUR 0.29 (0.26).

Net sales increased in Industrial Services and Facility Services Finland. Net sales decreased in Environmental Services and Facility Services Sweden. Operating profit improved in Industrial Services and Facility Services Finland, and declined in Environmental Services and Facility Services Sweden.

The Group's adjusted operating profit was still negatively affected by the higher general cost level. Net financial expenses rose to EUR -1.6 million (-0.8). The Group's operating profit was increased by a gain of EUR 4.3 million recognised on the sale of the share of renewable energy sources business to a newly established joint venture.

Year 2022

Net sales for 2022 totalled EUR 844.1 million (812.5), an increase of 3.9% year-on-year. Net sales growth excluding the effect of the renewable energy sources business was 7.0%. Organic growth was 3.7%. Adjusted operating profit was EUR 40.9 million (42.4), representing 4.8% (5.2%) of net sales. Operating profit was EUR 42.9 million (42.2), representing 5.1% (5.2%) of net sales. Earnings per share were EUR 0.83 (0.90).

Net sales increased in Environmental Services, Industrial Services and Facility Services Finland. Net sales decreased in Facility Services Sweden. Operating profit improved in Environmental Services and Industrial Services, and declined in Facility Services in Finland and Sweden.

The Group's adjusted operating profit was negatively affected by increased fuel prices and the higher general cost level. The sickness rate was exceptionally high during the review period, which had a negative impact particularly on the labour-intensive facility services business. The Group's operating profit was increased by a gain of EUR 4.3 million recognised on the sale of the share of renewable energy sources business to a newly established joint venture.

Net financial expenses rose to EUR -5.8 million (-3.3) and the effective tax rate increased to 16.7 per cent (11.8 per cent).

Financial summary

	10-12/2022	10-12/2021	Change %	1-12/2022	1-12/2021	Change %
Net sales, EUR million	210.1	223.5	-6.0	844.1	812.5	3.9
Adjusted operating profit, EUR million	9.6	10.1	-5.1	40.9	42.4	-3.5
Adjusted operating margin, %	4.6	4.5		4.8	5.2	
Operating profit, EUR million	12.9	9.9	30.2	42.9	42.2	1.7
Operating margin, %	6.2	4.4		5.1	5.2	
EBITDA, EUR million	26.5	23.2	14.2	98.3	95.1	3.3
EBITDA, %	12.6	10.4		11.6	11.7	
Profit before tax, EUR million	12.2	9.1	33.8	37.8	39.0	-3.0
Earnings per share, EUR	0.29	0.26	11.1	0.83	0.90	-8.3
Net cash flow from operating activities after investments per share, EUR	1.05	0.55	92.8	1.08	0.05	2,279.1
Return on equity (ROE), %				14.6	17.1	
Capital employed, EUR million				437.2	406.0	7.7
Return on capital employed (ROCE), %				10.4	10.8	
Equity ratio, %				34.3	34.2	
Gearing, %				75.9	79.4	

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

October–December

The division's net sales for the fourth quarter decreased to EUR 71.1 million (89.9). Operating profit declined to EUR 6.2 million (7.1). Excluding the renewable energy sources business, the net sales of the Environmental Services division amounted to EUR 71.1 million (71.2) and operating profit was EUR 6.2 million (6.6).

Year 2022

The full-year net sales of the Environmental Services division grew to EUR 321.2 million (320.5). Operating profit was EUR 30.3 million (29.8). Excluding the renewable energy sources business, the net sales of the Environmental Services division amounted to EUR 287.1 million (265.5) and operating profit was EUR 30.0 million (28.9).

In Environmental Services, growth was derived particularly from corporate customers and producer responsibility organisations. The producer responsibility organisation Suomen Pakkaustuottajat Oy chose L&T as its recycling partner for consumer plastic packaging in December. The agreement covers approximately 20,000 tonnes of consumer packaging plastic waste, which corresponds to approximately half of the packaging plastic waste collected in Finland each year. From the beginning of 2023, L&T will be responsible for the intermediate storage of plastic packaging waste as well as its collection and transport to Quantafuel ASA's mechanical and chemical recycling plants in Denmark.

During the period under review, the organisational structure and operating model were reformed by assigning more commercial responsibility to the local organisation. Environmental responsibility management and consulting organisation grew, and its competencies were expanded.

The ERP system and related information system renewal programme continued in the division and progressed to the implementation stage. The system is scheduled to enter the deployment stage in the first half of 2024. The total investment in the system projects under the programme is estimated at approximately EUR 16.9 million, of which approximately EUR 6.2 million were realised by the end of 2022, with expenses of EUR 1.3 million recognised in 2022.

Due to the reform of the Waste Act in 2021, direct customer agreements with housing properties were transferred to municipal operators during the period under review, but the impact of these changes on net sales was compensated for by growth in the corporate customer segment.

The prices of recycled raw materials increased in the first half of the year. The prices of recycled raw materials subsequently stabilised and, in the case of certain fractions, began to decrease in the latter half of the year. The market prices of recycled cardboard and paperboard falling to less than half of the level seen in the early part of the year was particularly reflected in the net sales of the Environmental Services division. The reduced level of activity in the construction industry was also reflected in declining volumes towards the end of the year.

Fuel prices rose sharply at the end of February due to the war in Ukraine. The higher fuel costs were successfully passed on to customer prices through cost increases carried out in February–April.

The merger of the Environmental Services division's renewable energy sources business with Neova Oy's corresponding business was approved by the Finnish Competition and Consumer Authority, and the joint venture Laania Oy became operational on 1 July 2022. In the first half of the year, the net sales of the renewable energy sources business amounted to EUR 35.4 million, and the operating profit was EUR 0.3 million. In the financial year 2021, the net sales of the renewable energy sources business totalled EUR 56.9 million, and the operating profit was EUR 0.9 million. The business is no longer reported as part of the Environmental Services division after the second quarter of 2022. The net profit of the joint venture is consolidated in one line item under operating profit.

Industrial Services

October–December

The division's net sales for the final quarter grew to EUR 36.3 million (28.7). Adjusted operating profit was EUR 3.1 million (1.7). Operating profit was EUR 2.3 million (1.7). Operating profit was reduced by a change of EUR 0.8 million in the fair value of the deferred consideration related to the acquisition of Sand & Vattenbläst i Tyringe AB ("SVB") recognised in the final quarter of 2022, due to the positive development of the acquired company's business.

Year 2022

The full-year net sales of the Industrial Services division grew to EUR 132.0 million (105.1). Adjusted operating profit was EUR 13.6 million (9.2). Operating profit was EUR 12.7 million (9.2). Operating profit was reduced by a change of EUR 0.8 million in the fair value of the deferred consideration related to the acquisition of Sand & Vattenbläst i Tyringe AB ("SVB") recognised in the final quarter of 2022, due to the positive development of the acquired company's business.

The Industrial Services division strengthened its position in hazardous and non-hazardous waste recycling services during the period under review by acquiring Fortum's hazardous waste SME business in Finland at the beginning of February 2022. The takeover of the business acquired from Fortum went according to plan, and the demand for hazardous waste services was strong.

In the environmental construction business line, several demanding industrial soil decontamination projects were carried out. At the beginning of the year, a new material treatment center started its operations in Pori, Finland. The plant focuses particularly on processing industrial side streams.

In February, Industrial Services expanded into the Swedish process cleaning services market by acquiring 70% of the shares of Sand & Vattenbläst i Tyringe AB ("SVB"), a provider of process cleaning services in Sweden. Operating in southern Sweden, SVB had net sales of approximately EUR 10 million in the previous financial year and has approximately 60 employees. The integration of the Swedish business progressed according to plan, and several successful industrial water treatment projects were carried out in the process cleaning business in Sweden. In the process cleaning business in Finland, resource allocation for annual maintenance services was successful in spite of maintenance services originally scheduled for the early part of the year being postponed to the autumn due to the COVID-19 pandemic and labour action.

Fuel prices rose sharply at the end of February due to the war in Ukraine. The higher fuel costs were, for the most part, passed on to customer prices through cost increases carried out in February–April.

Facility Services Finland

October–December

The division's net sales for the final quarter grew to EUR 64.6 million (63.0). Operating profit was EUR 0.8 million (0.6).

Year 2022

The full-year net sales of Facility Services Finland grew to EUR 256.3 million (243.1). Operating profit declined to EUR -0.5 million (1.8).

Several significant new customer accounts were acquired and started in the cleaning business, and the demand for data-driven cleaning services increased. The demand for energy efficiency services increased during the review period.

The COVID-19 pandemic and other respiratory infections significantly increased sickness-related absences in the first and fourth quarters, which increased production costs in all service

branches, especially in cleaning. Production costs were increased by higher fuel prices and general cost inflation. The increased production costs could not be fully passed on to customer prices.

In the cleaning business, the availability of labour declined and employee turnover increased significantly, which drove costs higher. Several new projects were launched to improve the availability of labour. Co-operation with municipal employment services and government organisations was intensified to ensure that jobs offered by L&T are better known by job seekers. L&T joined forces with Staffpoint to offer jobs to Ukrainian refugees. A group of workers from the Philippines was recruited for full-time cleaning work under contracts valid until further notice. The employees in question will start work in the first quarter of 2023.

Measures were taken in Facility Services Finland to improve operational efficiency and profitability throughout the period under review. Local and business line-specific change negotiations were conducted in the division in the second half of the year, leading to the termination of employment for approximately 70 white-collar employees and approximately 30 employees.

Facility Services Sweden

October–December

The division's net sales for the final quarter decreased to EUR 39.8 million (43.8). Operating profit declined to EUR 0.5 million (1.3). Operating profit before the amortisation of purchase price allocations of acquisitions was EUR 0.8 million (1.9).

Year 2022

Facility Services Sweden's full-year net sales decreased to EUR 140.4 million (149.8). Operating profit declined to EUR 0.4 million (3.9). Operating profit before the amortisation of purchase price allocations of acquisitions was EUR 2.2 million (6.0).

Production costs were increased by higher fuel prices and general cost inflation from February onwards. The COVID-19 pandemic increased sickness-related absences, particularly in the first quarter. Customer agreements in the Swedish business are mostly fixed-price contracts, and the increased production costs could not be passed on to customers in the form of price increases. The profit performance of Facility Services Sweden was lowered not only by inflation but also the weaker-than-expected sales of additional services. Adaptation measures were initiated in the division in the second quarter. The effort to simplify operating models and adapt them to the rapidly changing business environment will continue in 2023.

FINANCING

In 2022, cash flow from operating activities amounted to EUR 71.8 million (65.6). Net cash flow after investments came to EUR 41.1 million (1.7). Net cash flow from operating activities after investments was reduced by acquisitions, which had a total impact of approximately EUR 13 million (approximately EUR 23 million). Net cash flow after investments was increased by the repayment of a loan receivable of EUR 16.4 million by the joint venture in the final quarter of 2022. A total of EUR 6.2 million in working capital was committed (EUR 15.1 million committed).

At the end of the financial year, interest-bearing liabilities amounted to EUR 216.8 million (195.6). Net interest-bearing liabilities totalled EUR 167.3 million (167.1). The average interest rate of long-term loans, excluding lease liabilities, with interest rate hedging, was 2.5% (1.1%). Of the company's floating rate loans totalling EUR 50 million, EUR 30 million have been converted into fixed rate loans by means of an interest rate swap.

The EUR 100.0 million commercial paper programme was unused at the end of the financial year as in the comparison period. The account limit totalling EUR 10.0 million as well as the committed credit limit totalling EUR 40.0 million were not in use, as was the case in the comparison period. The Group signed a credit limit linked to responsibility targets in May 2022. The credit limit will mature in the first quarter of 2025. The company issued senior unsecured sustainability-linked notes in the amount of EUR 75 million in May. The new notes will mature in the second quarter of 2028 and bear fixed annual interest at the rate of 3.375 per cent.

Net financial expenses amounted to EUR -5.8 million (-3.3). The increase in net financial expenses was attributable to higher interest-bearing liabilities due to acquisitions, an expense of EUR 0.3 million associated with the redemption of a bond, and the higher general interest rate level. The effect of exchange rate changes on net financial expenses was EUR -0.2 million (0.3). Net financial expenses were 0.7% (0.4%) of net sales.

The equity ratio was 34.3% (34.2%) and the gearing ratio was 75.9% (79.4%). The Group's total equity was EUR 220.4 million (210.4). Translation differences caused by the depreciation of the Swedish krona affected equity by EUR -5.6 million and changes in the fair value of hedging instruments by EUR 1.3 million. Cash and cash equivalents at the end of the period amounted to EUR 49.5 million (28.6). Overdue trade receivables and credit losses have not increased as a result of the COVID-19 pandemic or the war in Ukraine.

DISTRIBUTION OF ASSETS

The Annual General Meeting held on 17 March 2022 resolved that a dividend of EUR 0.46 per share, totalling EUR 17.5 million, be paid on the basis of the balance sheet that was adopted for the financial year 2021. The dividend was paid to shareholders on 28 March 2022.

CAPITAL EXPENDITURE

Gross capital expenditure for 2022 came to EUR 58.2 million (72.3). Acquisitions accounted for approximately EUR 21 million of the capital expenditure (approximately EUR 31 million). In addition, the costs of internal work related to information system investments increased significantly compared to 2021. Other capital expenditure consisted primarily of machine and equipment purchases, as well as investments in information systems and buildings.

SUSTAINABILITY

Environmental responsibility

Climate benefits for customers created by L&T

	2022	2021	Target	Target to be achieved by
Carbon handprint (tCO ₂ e)	534,500	1,100,000	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 biofuels and solid recovered fuels.

The carbon handprint of the renewable energy sources business is no longer reported as part of L&T's carbon handprint after the second quarter of 2022. In 2021, L&T's total carbon handprint excluding renewable energy sources was 528,000 tCO₂e.

Recycling rate and material recovery

	2022	2021	Target	Target to be achieved by
Recycling rate of material flows managed by L&T, %	59.4	58.4	65	2026

The recycling rate is the weighted average of our customers' recycling rates. It also includes materials that cannot yet be recycled. To increase our reuse and recycling rate, we actively look for new material streams whose refining rate we 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

	2022	2021	Target	Target to be achieved by
Carbon footprint (tCO ₂ e)	31 700	37,800		
Carbon footprint intensity (gCO ₂ e/km)	646	767	476	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 fuel distribution obligation was adjusted in 2022 by reducing the biofuel component by 7.5 per cent in July. This change has not been taken into account in the emissions calculations reported in the financial statements release, as Statistics Finland has yet to update its fuel classification data in accordance with the change. Statistics Finland is expected to publish updated fuel classification data during spring 2023. L&T will subsequently calculate and report its carbon dioxide emissions for 2022 on its website using the updated emission factors. The total emissions of L&T's own operations for 2022, calculated with the updated emission factors, are likely to be higher than those reported here.

Social responsibility

Overall accident frequency

	2022	2021	Target	Target to be achieved by
Overall accident frequency (TRIF)	23	24	19	2026

L&T eliminates 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

	2022	2021	Target	Target to be achieved by
Occupational health rate (proportion of employees with no sickness-related absences)	40	45	57	2026
Sickness-related absences (%)	5.6	5.0	4.3	2026

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.

The COVID-19 pandemic and other respiratory infections significantly increased sickness-related absences in the first and fourth quarters.

Current issues related to sustainability

CDP ranked Lassila & Tikanoja "Management B" for its climate activities. CDP is an international non-profit organisation that annually evaluates the environmental actions of businesses. CDP scores are based on the comprehensiveness of disclosure, awareness and management of environmental risks, and adherence to best practices in environmental management. The score can range from D to A, with A being considered a Leadership level score.

The sustainability figures in this release have not been externally assured. L&T will publish its externally assured sustainability scores as part of the Annual review during week 9.

PERSONNEL

In 2022, the average number of employees converted into full-time equivalents was 7,364 (7,319). At the end of the period, L&T had 8,371 (8,171) full-time and part-time employees. Of these, 7,020 (7,003) worked in Finland and 1,351 (1,168) in Sweden.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading during the year 2022 was 9.4 million shares, which is 24.7% (25.2%) of the average number of outstanding shares. The value of trading was EUR 104.9 million (137.6). The highest share price was EUR 13.62 and the lowest EUR 9.72. The closing price was EUR 10.64. At the end of the financial year, the market capitalisation excluding the shares held by the company was EUR 405.9 million (512.2).

Own shares

At the end of the financial year, the company held 653,256 of its own shares, representing 1.7% of all shares and votes.

Share capital and number of shares

The company's registered share capital amounts to EUR 19,399,437 and the number of outstanding shares was 38,145,618 at the end of the period. The average number of shares excluding the shares held by the company was 38,116,180.

Share-based incentive plans

In December 2022, the Board of Directors of Lassila & Tikanoja Plc decided to establish two new long-term share-based incentive plans for the Group's key employees. The aim of the new plans is to align the objectives of the company, shareholders and key employees in order to increase the value of the company in the long term, to retain the key employees at the company and to offer them competitive reward plans that are based on earning and accumulating the company's shares as well as on appreciation of the share price. The Performance Share Plan 2023–2027 comprises three (3) three-year (3) performance periods covering the calendar years 2023–2025, 2024–2026 and 2025–2027.

During the performance period 2023–2025, the earning of rewards is based on the following performance criteria: return on capital employed (ROCE), total shareholder return (TSR) and reduction of the carbon footprint (ESG).

The target group of the Performance Share Plan during the performance period 2023–2025 consists of approximately 50 key employees, including the Group's President and CEO and the Group Executive Board.

The transitional share-based incentive scheme 2023–2026 consists of two (2) earnings periods of one (1) year each, corresponding to the calendar years 2023 and 2024. The earnings period is followed by a two-year commitment period. The aim of the scheme is to support the transition from the old share-based incentive scheme to the new share-based incentive scheme. The target group of the transitional share-based incentive scheme for the earnings period 2023 consists of approximately 10 key employees, including the Group's President and CEO and the Group Executive Board.

Shareholders

At the end of the financial year, the company had 24,556 (23,087) shareholders. Nominee-registered holdings accounted for 7.0% (9.6%) of the total number of shares.

Authorisations for the Board of Directors

The Annual General Meeting held on 17 March 2022 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 which may be held by the company through a share issue and/or issuance of option rights or other special rights conferring entitlement to shares, referred to in Chapter 10, Section 1 of the Finnish Companies Act, so that under the authorisation, a maximum of 2,000,000 shares (5.2% of the total number of shares) may be issued and/or conveyed. The authorisation is effective for 18 months.

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting, which was held on 17 March 2022, adopted the financial statements and consolidated financial statements for 2021, released the members of the Board of Directors

and the President and CEO from liability as well as approved the Remuneration Report for the Governing Bodies.

The Annual General Meeting resolved that a dividend of EUR 0.46 per share, totalling EUR 17.5 million, be paid on the basis of the balance sheet adopted for the financial year 2021. It was decided that the dividend be paid on 28 March 2022.

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

The Annual General Meeting elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the auditor until the close of the next Annual General Meeting. PricewaterhouseCoopers Oy announced that it will name Samuli Perälä, Authorised Public Accountant, as the principal auditor.

The Annual General Meeting resolved to amend the third sentence of Section 4 of the Articles of Association so that the General Meeting elects the Chairman and the Vice-Chairman of the Board.

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 17 March 2022.

BOARD OF DIRECTORS

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

Sakari Lassila was elected as the Chairman of the Audit Committee and Teemu Kangas-Kärki and Laura Tarkka as the members of the committee. The Board elected Jukka Leinonen as the Chairman of the Personnel and Sustainability Committee, with Laura Tarkka and Pasi Tolppanen as the members of the committee.

The company announced the composition of Lassila & Tikanoja plc's Nomination Board on 9 September 2022. Lassila & Tikanoja plc's three largest shareholders, which are entitled to appoint a representative to Lassila & Tikanoja plc's Shareholders' Nomination Board, are a group of shareholders (Chemec Oy, CH-Polymers Oy, Maijala Eeva, Maijala Hannele, Maijala Heikki, Maijala Juhani, Maijala Juuso, Maijala Miikka, Maijala Mikko, Maijala Roope and Maijala Tuula), the Evald and Hilda Nissi Foundation, and Mandatum Life Insurance Company Limited. These shareholders have appointed Miikka Maijala, Juhani Lassila and Patrick Lapveteläinen as their representatives in Lassila & Tikanoja's Nomination Board. The Chairman of Lassila & Tikanoja plc's Board of Directors, Jukka Leinonen, acts as the fourth member of the Nomination Board. The Chairman of the Nomination Board is Patrick Lapveteläinen.

Long-term targets

In September, Lassila & Tikanoja plc's Board of Directors approved the Group's targets for the strategy period 2023–2026 and decided on the continuing implementation of the Group's strategy. The financial targets and the sustainability and stakeholder targets for the strategy period were unchanged.

Financial targets

Indicator	Target
Annual growth in net sales, %	5%
Return on capital employed, %	15%
Gearing, %	Below 125%

Sustainability and stakeholder targets

Measure	Target
Net Promoter Score, NPS	>50 by 2026
Employee Net Promoter Score, eNPS	>50 by 2026
Carbon handprint	Growth faster than net sales
Carbon footprint	-50% by 2030 in comparison to 2018

Sustainability and stakeholder measures are reported as part of the Group quarterly and annual reporting.

Lassila & Tikanoja does not consider the long-term financial targets as guidance for any fiscal year.

CHANGES IN THE GROUP EXECUTIVE BOARD

In March 2022, Tina Hellstadius, MSc (Technology) was appointed Vice President, Facility Services Sweden and a member of the Group Executive Board effective from 19 April 2022. Hellstadius succeeded Erik Sundström, who retired on 30 June 2022. In December 2022, L&T's CIO Edward Skärström was appointed as a member of the Group Executive Board effective from 1 January 2023.

EVENTS AFTER THE FINANCIAL YEAR

On 11 January 2023, the company announced that Lassila & Tikanoja's Shareholders' Nomination Board proposes to the Annual General Meeting to be held on 23 March 2023 that the Board of Directors have six (6) members. The Nomination Board proposes that Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Jukka Leinonen and Pasi Tolppanen be re-elected to the Board of Directors and that Anni Ronkainen be elected as a new member. Information on Anni Ronkainen is available on L&T's website. Of the current members, Laura Tarkka has announced that she is no longer available for the election of the members of the Board of Directors. In addition, the Nomination Board proposes that Jukka Leinonen is elected as Chairman of the Board of Directors and Sakari Lassila as Vice Chairman.

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 fuel and energy, potential interest rate hikes and wage-related decisions in the labour market, 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, labour availability and higher sickness rates.

As the company has no operations or holdings in Russia, Belarus or Ukraine, and there are no significant Russian-owned companies in the customer base, the direct impacts of the war in Ukraine are expected to be minor. However, indirect impacts on overall economic activity in Finland and Sweden may have a negative impact on net sales and profit.

More detailed information on Lassila & Tikanoja's risks and risk management will be provided in the 2021 Annual Review and in the Report by the Board of Directors and the consolidated financial statements.

PROPOSAL FOR THE DISTRIBUTION OF ASSETS

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amounts to EUR 61,719,573.87, with the operating profit for the period representing EUR 11,946,564.10 of this total. There were no substantial changes in the financial standing of the company after the end of the period, and the solvency test referred to in Chapter 13, Section 2 of the Companies Act does not affect the amount of distributable assets.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.47 per share be paid for the financial year 2022. The dividend will be paid to shareholders included in the company shareholder register maintained by Euroclear Finland Oy on the record date, 27 March 2023. The Board proposes to the Annual General Meeting that the dividend be paid on 3 April 2023.

No dividend shall be paid on shares held by the company on the record date of the dividend payment, 27 March 2023.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 38,145,618, which means the total amount of the dividend would be EUR 17,928,440.46. The Group's earnings per share amounted to EUR 0.83. The proposed dividend, EUR 0.47 per share, is 56.9% of the earnings per share.

Lassila & Tikanoja's Annual Report, which includes the Report by the Board of Directors and the financial statements for 2022, will be published in week 9 at www.lt.fi/en.

Helsinki, 8 February 2023

LASSILA & TIKANOJA PLC

Board of Directors
Eero Hautaniemi
President and CEO

Financial Statements Release

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The Group's key figures

Key figures

	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Earnings per share, EUR	0.29	0.26	0.83	0.90
Diluted earnings per share, EUR	0.29	0.26	0.83	0.90
Net cash flow from operating activities after investments per share, EUR	1.05	0.55	1.08	0.05
EVA, MEUR	5.4	3.0	14.5	15.9
Adjusted operating profit, MEUR	9.6	10.1	40.9	42.4
Operating profit, MEUR	12.9	9.9	42.9	42.2
Gross capital expenditure, MEUR	12.4	18.3	58.2	72.3
Equity per share, EUR			5.78	5.52
Dividend/share, EUR*			0.47	0.46
Dividend/earnings, %*			56.9	51.0
Effective dividend yield, %*			4.4	3.4
P/E ratio			12.9	14.9
Return on equity (ROE), %			14.6	17.1
Capital employed, MEUR			437.2	406.0
Return on capital employed (ROCE), %			10.4	10.8
Equity ratio, %			34.3	34.2
Gearing, %			75.9	79.4
Net interest-bearing liabilities, MEUR			167.3	167.1
Average number of employees in full-time equivalents			7,364	7,319
Total number of full-time and part-time employees at end of the period			8,371	8,171
Number of outstanding shares adjusted for issues, 1,000 shares				
average during the period			38,116	38,111
at the end of the period			38,146	38,112
average during the period, diluted			38,128	38,127

* 2022 proposal by the Board of Directors

Reconciliation of alternative performance measures

RECONCILIATION OF EVA RESULT TO OPERATING PROFIT

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Operating profit	12.9	9.9	42.9	42.2
Capital employed (rolling 12-month quarterly average)	430.4	391.4	430.4	391.4
Cost calculated on invested capital	-7.5	-6.9	-28.5	-26.3
EVA	5.4	3.0	14.5	15.9

RECONCILIATION OF ADJUSTED OPERATING PROFIT TO OPERATING PROFIT

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Operating profit	12.9	9.9	42.9	42.2
Items affecting comparability:				
- costs arising from the discontinuation of business ¹	-	-0.2	-0.2	-2.1
- costs arising from business restructurings	-	0.0	-	0.6
- gains or losses arising from business disposals ²	-4.3	-	-4.3	-
- costs arising from acquisitions	1.0	0.4	2.5	1.7
Adjusted operating profit	9.6	10.1	40.9	42.4

¹ In 2020, Lassila & Tikanoja decided on the discontinuation of its Russian operations. In 2021, L&T sold its shares in Russian subsidiaries. The costs related to the discontinuation were revised by EUR +2.1 million in 2021 and by EUR +0.2 million during the first quarter of 2022.

² 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	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Intangible and tangible assets from business acquisitions	-0.4	-	22.9	31.4
- increases to right-of-use assets excl. heavy vehicles from business acquisitions	-	-	-1.4	-0.3
Other increases to intangible and tangible assets	16.4	19.4	55.2	64.4
- increases to right-of-use assets excl. heavy vehicles	-3.1	-3.3	-15.8	-19.1
- other adjustments	-0.6	2.2	-2.7	-3.9
Gross capital expenditure	12.4	18.3	58.2	72.3

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

	1-12/2022	1-12/2021
Environmental Services		
Capital employed (MEUR), average of the beginning and the end of the period	198.8	202.8
Operating profit	30.3	29.8
+ financial income	0.1	0.1
Return on capital employed, MEUR	30.4	29.9
Return on capital employed (ROCE), %	15.3	14.7
Industrial Services		
Capital employed (MEUR), average of the beginning and the end of the period	79.4	65.7
Operating profit	12.7	9.2
+ financial income	0.0	0.0
Return on capital employed, MEUR	12.8	9.2
Return on capital employed (ROCE), %	16.1	14.0
Facility Services Finland		
Capital employed (MEUR), average of the beginning and the end of the period	31.4	30.6
Operating profit	-0.5	1.8
+ financial income	0.3	0.2
Return on capital employed, MEUR	-0.2	2.0
Return on capital employed (ROCE), %	-0.8	6.6
Facility Services Sweden		
Capital employed (MEUR), average of the beginning and the end of the period	64.6	62.8
Operating profit	0.4	3.9
+ financial income	0.1	0.2
Return on capital employed, MEUR	0.5	4.1
Return on capital employed (ROCE), %	0.8	6.5

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

EVA: operating profit - cost calculated on invested capital (average of four quarters)
WACC 2022: 6.62% and 2021: 6.72%

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 + impairments

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): (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)

Primary financial statements

Consolidated income statement

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Net sales	210.1	223.5	844.1	812.5
Other operating income	6.7	1.5	8.7	3.8
Materials and services	-70.9	-83.5	-286.7	-282.5
Employee benefit expenses	-88.7	-89.7	-353.1	-342.6
Other operating expenses	-30.7	-28.5	-114.7	-95.9
Depreciation, amortisation and impairment	-13.6	-13.3	-55.4	-52.9
Operating profit	12.9	9.9	42.9	42.2
Financial income	0.2	0.2	0.4	0.3
Financial expenses	-1.8	-1.2	-6.0	-3.8
Exchange rate differences (net)	-0.0	0.1	-0.2	0.3
Financial income and expenses	-1.6	-0.8	-5.8	-3.3
Share of the result of associated companies and joint ventures	0.9	0.0	0.7	0.0
Result before taxes	12.2	9.1	37.8	39.0
Income taxes	-1.0	0.8	-6.3	-4.6
Result for the period	11.2	10.0	31.5	34.4
Attributable to:				
Equity holders of the company	11.2	10.0	31.5	34.4
Earnings per share attributable to the equity holders of the parent company:				
Earnings per share, EUR	0.29	0.26	0.83	0.90
Diluted earnings per share, EUR	0.29	0.26	0.83	0.90

Consolidated statement of comprehensive income

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Result for the period	11.2	10.0	31.5	34.4
Items not to be recognised through profit or loss				
Items arising from re-measurement of defined benefit plans	0.2	-0.0	0.2	-0.0
Items not to be recognised through profit or loss, total	0.2	-0.0	0.2	-0.0
Items potentially to be recognised through profit or loss				
Hedging reserve, change in fair value	0.1	0.1	1.3	0.3
Currency translation differences	-1.6	-0.7	-5.7	-1.6
Currency translation differences recognised through profit and loss	0.1	-	0.1	-
Items potentially to be recognised through profit or loss, total	-1.3	-0.6	-4.3	-1.3
Other comprehensive income, total	-1.2	-0.6	-4.1	-1.4
Total comprehensive income, after tax	10.0	9.3	27.4	33.0
Attributable to:				
Equity holders of the company	10.0	9.3	27.4	33.0

Consolidated statement of financial position

MEUR	12/2022	12/2021
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	180.7	172.1
Other intangible assets	36.5	32.5
	217.2	204.6
Tangible assets	155.3	153.0
Right-of-use assets	71.2	69.8
	226.6	222.8
Other non-current assets		
Shares in associated companies and joint ventures	14.0	0.0
Other shares and holdings	0.2	0.2
Deferred tax assets	1.9	2.7
Other receivables	1.9	2.0
	17.9	4.9
Total non-current assets	461.7	432.3
Current assets		
Inventories	7.8	5.9
Trade receivables	91.0	86.8
Contract assets	30.8	22.8
Income tax receivables	8.7	7.3
Other receivables	11.0	10.4
Cash and cash equivalents	49.5	28.6
	198.8	161.8
Assets classified as held for sale	-	38.3
Total current assets	198.8	200.0
Total assets	660.5	632.3

Consolidated statement of financial position

MEUR	12/2022	12/2021
EQUITY AND LIABILITIES		
Equity		
Equity attributable to the equity holders of the parent company		
Share capital	19.4	19.4
Other reserves	-10.6	-6.3
Invested unrestricted equity reserve	0.6	0.6
Retained earnings	211.0	196.7
Total equity	220.4	210.4
Liabilities		
Non-current liabilities		
Deferred tax liabilities	28.1	27.2
Retirement benefit obligations	1.2	1.4
Provisions	7.4	8.1
Financial liabilities	177.5	175.8
Other liabilities	13.3	7.5
	227.5	220.0
Current liabilities		
Financial liabilities	39.3	19.9
Trade and other payables	170.5	164.9
Income tax liabilities	1.0	3.3
Provisions	1.7	2.7
	212.6	190.8
Liabilities related to assets classified as held for sale	-	11.2
Total liabilities	440.1	422.0
Total equity and liabilities	660.5	632.3

Consolidated statement of cash flows

MEUR	1-12/2022	1-12/2021
Cash flow from operating activities		
Result for the period	31.5	34.4
Adjustments		
Income taxes	6.3	4.6
Depreciation, amortisation and impairment	55.4	52.9
Financial income and expenses	5.8	3.3
Gains and losses on sale of tangible and intangible assets	-1.2	-1.7
Share of result of associated companies and joint ventures	-0.7	-0.0
Gain from sale of subsidiary's net assets to joint venture	-4.3	-
Impact of the discontinuation of Russian operations	-0.2	-2.1
Other	-0.7	-0.4
Net cash generated from operating activities before change in working capital	91.9	90.9
Change in working capital		
Change in trade and other receivables	-7.0	-12.1
Change in inventories	-0.8	-1.9
Change in trade and other payables	1.7	-1.0
Change in working capital	-6.2	-15.1
Interest and other financial expenses paid	-4.8	-3.7
Interest and other financial income received	0.4	0.3
Income taxes paid	-9.6	-6.7
Net cash from operating activities	71.8	65.6
Cash flow from investing activities		
Acquisition of subsidiaries and businesses, net of cash acquired	-13.2	-23.2
Proceeds from sale of subsidiaries and businesses, net of sold cash	-2.0	-
Purchases of tangible and intangible assets	-33.8	-42.3
Proceeds from the sale of tangible and intangible assets	2.0	1.7
Repayment of loan receivables from joint venture	16.4	-
Change in other non-current investments	0.0	-0.1
Net cash from investing activities	-30.6	-63.9
Net cash flow from operating and investing activities	41.1	1.7
Cash flow from financing activities		
Proceeds from short-term borrowings	35.0	40.0
Repayments of short-term borrowings	-35.0	-55.0
Proceeds from long-term borrowings	75.0	25.0
Repayments of long-term borrowings	-58.1	-
Repayments of lease liabilities	-19.4	-18.1
Dividends paid	-17.5	-15.2
Net cash from financing activities	-20.1	-23.4
Net change in cash and cash equivalents	21.0	-21.7
Cash and cash equivalents at beginning of the period	28.6	50.2
Effect of changes in foreign exchange rates	-0.1	-0.0
Cash and cash equivalents at end of the period	49.5	28.6

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 2022	19.4	-5.9	-0.4	0.6	196.7	210.4
Total comprehensive income						
Result for the period					31.5	31.5
Other comprehensive income		-5.6	1.3		0.2	-4.1
Total comprehensive income	-	-5.6	1.3	-	31.7	27.4
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 31 December 2022	19.4	-11.5	0.9	0.6	211.0	220.4
Equity 1 January 2021	19.4	-4.3	-0.7	0.6	177.5	192.6
Total comprehensive income						
Result for the period					34.4	34.4
Other comprehensive income		-1.6	0.3		-0.0	-1.4
Total comprehensive income	-	-1.6	0.3	-	34.3	33.0
Transactions with shareholders						
Share-based benefits					0.0	0.0
Dividends paid					-15.2	-15.2
Returned dividends					0.0	0.0
Transactions with shareholders, total	-	-	-	-	-15.2	-15.2
Equity 31 December 2021	19.4	-5.9	-0.4	0.6	196.7	210.4

Notes

1. Accounting policies

This Financial Statements Release is in compliance with the IAS 34 Interim Financial Reporting standard. The Financial Statements Release has been prepared with application of the IFRS standards and interpretations in effect on 31 December 2021 and the new and amended standards and interpretations entered into force on 1 January 2022. From year 2022 onwards, the change in inventory is not presented separately in the consolidated income statement, it is included in line Materials and services. 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 figures for 2021 have been adjusted accordingly. The information presented in this Financial Statements Release has not been audited.

The Alternative Performance Measures reported by the company are EVA, net cash flow from operating activities after investments per share, Gross capital expenditure, EBITDA and adjusted operating profit. From the last quarter of 2022 onwards, the Company discloses the Return on capital employed (ROCE) per cent by segment. The alternative performance measures and the calculation formulas for the measures are presented in section Key figures.

More detailed information on accounting policies is presented in the consolidated financial statements of Lassila & Tikanoja plc as of 31 December 2021.

2. Segment information

MEUR	10-12/2022	10-12/2021	Change %	1-12/2022	1-12/2021	Change %
Net sales						
Environmental Services	71.1	89.9	-20.9	321.2	320.5	0.2
Industrial Services	36.3	28.7	26.4	132.0	105.1	25.6
Facility Services Finland	64.6	63.0	2.6	256.3	243.1	5.4
Facility Services Sweden	39.8	43.8	-9.1	140.4	149.8	-6.2
Interdivisional net sales	-1.8	-2.0		-6.0	-6.1	
Total	210.1	223.5	-6.0	844.1	812.5	3.9
Operating profit						
Environmental Services	6.2	7.1	-13.0	30.3	29.8	1.6
Industrial Services	2.3	1.7	34.3	12.7	9.2	38.8
Facility Services Finland	0.8	0.6	29.5	-0.5	1.8	-129.0
Facility Services Sweden	0.5	1.3	-60.8	0.4	3.9	-89.8
Group administration and other	3.2	-0.8		0.1	-2.4	
Total	12.9	9.9	30.2	42.9	42.2	1.7
Adjusted operating profit						
Environmental Services	6.2	7.1	-13.0	30.3	29.8	1.6
Industrial Services	3.1	1.7	83.8	13.6	9.2	48.0
Facility Services Finland	0.8	0.6	29.5	-0.5	1.8	-129.0
Facility Services Sweden	0.5	1.3	-60.8	0.4	3.9	-89.8
Group administration and other	-1.0	-0.6		-2.8	-2.2	
Total	9.6	10.1	-5.1	40.9	42.4	-3.5
EBITDA						
Environmental Services	12.7	13.6	-6.9	57.1	56.5	1.1
Industrial Services	5.6	4.3	30.3	25.0	18.6	34.6
Facility Services Finland	3.0	2.7	9.9	8.5	11.0	-22.1
Facility Services Sweden	1.8	3.2	-45.5	6.3	10.4	-39.0
Group administration and other	3.5	-0.6		1.4	-1.2	
Total	26.5	23.2	14.2	98.3	95.1	3.3

%	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Operating margin				
Environmental Services	8.7	7.9	9.4	9.3
Industrial Services	6.3	5.9	9.6	8.7
Facility Services Finland	1.2	1.0	-0.2	0.7
Facility Services Sweden	1.3	3.1	0.3	2.6
Total	6.2	4.4	5.1	5.2
Adjusted operating margin				
Environmental Services	8.7	7.9	9.4	9.3
Industrial Services	8.6	5.9	10.3	8.7
Facility Services Finland	1.2	1.0	-0.2	0.7
Facility Services Sweden	1.3	3.1	0.3	2.6
Total	4.6	4.5	4.8	5.2
EBITDA margin				
Environmental Services	17.8	15.2	17.8	17.6
Industrial Services	15.3	14.8	18.9	17.7
Facility Services Finland	4.7	4.3	3.3	4.5
Facility Services Sweden	4.4	7.4	4.5	6.9
Total	12.6	10.4	11.6	11.7

Other segment information

MEUR	10-12/2022	10-12/2021	1-12/2022	1-12/2021
Gross capital expenditure				
Environmental Services	8.6	7.6	20.3	41.7
Industrial Services	2.8	7.1	34.6	14.5
Facility Services Finland	0.4	3.3	1.5	13.6
Facility Services Sweden	0.1	0.5	0.4	1.8
Group administration and other	0.5	-0.2	1.3	0.6
Total	12.4	18.3	58.2	72.3
Depreciation and amortisation				
Environmental Services	6.5	6.5	26.9	26.7
Industrial Services	3.3	2.6	12.3	9.4
Facility Services Finland	2.2	2.1	9.1	9.1
Facility Services Sweden	1.2	1.9	5.9	6.5
Group administration and other	0.3	0.2	1.3	1.2
Total	13.6	13.3	55.4	52.9

MEUR	12/2022	12/2021
Assets		
Environmental Services	278.6	314.5
Industrial Services	145.3	110.5
Facility Services Finland	90.5	83.9
Facility Services Sweden	88.4	94.5
Group administration and other	57.7	29.1
Total	660.5	632.3
Liabilities		
Environmental Services	106.3	89.1
Industrial Services	56.7	42.3
Facility Services Finland	56.2	55.4
Facility Services Sweden	26.4	27.4
Group administration and other	194.5	207.8
Total	440.1	422.0
Capital employed		
Environmental Services	172.3	225.3
Industrial Services	90.7	68.2
Facility Services Finland	34.3	28.4
Facility Services Sweden	62.1	67.1
Group administration and other	77.9	17.0
Total	437.2	406.0
%	1-12/2022	1-12/2021
Return on capital employed (ROCE)		
Environmental Services	15.3	14.7
Industrial Services	16.1	14.0
Facility Services Finland	-0.8	6.6
Facility Services Sweden	0.8	6.5
Total	10.4	10.8

3. Segment information by quarter

MEUR	10-12/2022	7-9/2022	4-6/2022	1-3/2022	10-12/2021
Net sales					
Environmental Services	71.1	75.0	87.8	87.3	89.9
Industrial Services	36.3	38.9	33.7	23.1	28.7
Facility Services Finland	64.6	60.2	63.2	68.3	63.0
Facility Services Sweden	39.8	31.9	35.9	32.9	43.8
Interdivisional net sales	-1.8	-1.6	-1.5	-1.2	-2.0
Total	210.1	204.4	219.1	210.4	223.5
Operating profit					
Environmental Services	6.2	11.1	10.0	2.9	7.1
Industrial Services	2.3	7.0	3.3	0.2	1.7
Facility Services Finland	0.8	2.0	-1.0	-2.3	0.6
Facility Services Sweden	0.5	0.2	-0.2	-0.2	1.3
Group administration and other	3.2	-0.2	-2.0	-0.9	-0.8
Total	12.9	20.2	10.1	-0.3	9.9
Adjusted operating profit					
Environmental Services	6.2	11.1	10.0	2.9	7.1
Industrial Services	3.1	7.0	3.3	0.2	1.7
Facility Services Finland	0.8	2.0	-1.0	-2.3	0.6
Facility Services Sweden	0.5	0.2	-0.2	-0.2	1.3
Group administration and other	-1.0	-0.1	-1.1	-0.6	-0.6
Total	9.6	20.3	11.0	0.0	10.1
EBITDA					
Environmental Services	12.7	17.9	16.8	9.7	13.6
Industrial Services	5.6	10.2	6.3	3.0	4.3
Facility Services Finland	3.0	4.3	1.2	-0.0	2.7
Facility Services Sweden	1.8	1.6	1.5	1.5	3.2
Group administration and other	3.5	0.1	-1.7	-0.6	-0.6
Total	26.5	34.1	24.2	13.5	23.2
Operating margin, %					
Environmental Services	8.7	14.9	11.4	3.3	7.9
Industrial Services	6.3	17.9	9.7	0.9	5.9
Facility Services Finland	1.2	3.4	-1.7	-3.4	1.0
Facility Services Sweden	1.3	0.7	-0.5	-0.6	3.1
Total	6.2	9.9	4.6	-0.1	4.4
Adjusted operating margin, %					
Environmental Services	8.7	14.9	11.4	3.3	7.9
Industrial Services	8.6	17.9	9.7	0.9	5.9
Facility Services Finland	1.2	3.4	-1.7	-3.4	1.0
Facility Services Sweden	1.3	0.7	-0.5	-0.6	3.1
Total	4.6	9.9	5.0	0.0	4.5
EBITDA margin, %					
Environmental Services	17.8	23.9	19.2	11.1	15.2
Industrial Services	15.3	26.2	18.7	12.8	14.8
Facility Services Finland	4.7	7.2	1.9	-0.0	4.3
Facility Services Sweden	4.4	4.9	4.2	4.5	7.4
Total	12.6	16.7	11.0	6.4	10.4

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.

1-12/2022, 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

1-12/2021, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	207.8			109.5	3.2	320.5
Industrial Services	47.5	49.7	3.5	4.4		105.1
Facility Services Finland	170.6	66.3	6.3			243.1
Facility Services Sweden	64.5	80.4	4.9			149.8
Total	490.4	196.4	14.6	113.9	3.2	818.6
Interdivisional sales						-6.1
External net sales, total						812.5

5. Business acquisitions

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 includes 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. An increase of EUR 0.8 million was recognised in the deferred consideration in the final quarter of 2022.

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. Following the acquisition, L&T will have new customers across Finland.

In the first quarter of the year 2022, the fair values of Sihvari's assets were adjusted by EUR 0.4 million. In the third quarter of 2022, the acquisition price calculation of SVB was updated due to an updated enterprise value.

Business acquisitions had an EUR 19.9 million (15.0) million impact on the Group's net sales for the financial period and EUR 2.5 million (0.7) on operating profit. If the acquisitions in 2022 had been completed on 1 January 2022, the Groups net sales would be approximately EUR 844.9 million (822.9) and operating profit approximately EUR 43.0 million (42.6).

In 2022, expenses totalling EUR 0.4 million (0.9) related to the acquisitions were recognised in the income statement.

Business acquisitions 2021

On 31 March 2021, Lassila & Tikanoja acquired the waste management and recycling business of Someron Kiinteistöhuolto Järvinen Ky.

On 30 April 2021, Lassila & Tikanoja acquired the entire share capital of Serveco Oy.

On 1 June 2021, Lassila & Tikanoja acquired the entire share capital of Sihvari Oy. The shares of Turun Seudun Hyötykuljetus Oy, owned by Sihvari, were also included in the acquisition.

On 1 July 2021, Lassila & Tikanoja acquired the entire share capital of Spectra Oy.

Fair value total, MEUR	Business	Sihvari Oy	Other
	acquisitions	1-12/2021	business
	1-12/2022	1-12/2021	acquisitions
			1-12/2021
Intangible assets	5.6	6.0	1.4
Tangible assets	4.9	1.7	0.3
Right-of-use assets	1.4	3.1	-
Inventories	0.1	0.5	-
Receivables	1.8	2.2	1.4
Cash and cash equivalents	1.2	0.2	2.4
Total assets	15.0	13.8	5.4
Other liabilities	6.4	8.3	2.5
Deferred tax liabilities	1.0	1.2	0.2
Total liabilities	7.4	9.6	2.7
Net assets acquired	7.6	4.2	2.7
Total consideration	19.6	17.0	8.8
Goodwill	11.9	12.8	6.1
Impact on cash flow			
Total consideration	-19.6	-17.0	-8.8
Deferred consideration	5.1	-	-
Consideration paid in cash	-14.4	-17.0	-8.8
Cash and cash equivalents of the acquired company	1.2	0.2	2.4
Total impact on cash flow	-13.2	-16.8	-6.4

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

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 will be transferred to L&T Biowatti Oy. 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 will have joint control over the joint venture. The approval of the Competition and Consumer Authority required for the establishment of the joint venture was received on 29 April 2022. L&T classified L&T Biowatti Oy's assets and liabilities as held for sale until the merger. On 1 July 2022, Neova's fuel wood business was transferred to L&T Biowatti Oy. With the merger the company continued as an independent limited company called Laania Oy. 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. The gain on sale is included in other operating income in the consolidated income statement. In 2022, expenses totalling EUR 0.5 million (0.8) related to the transaction were recognised in the income statement. The share of the joint venture's net result recognised for the last six months of the reporting period totalled EUR 0.7 million.

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 2021, Biowatti Oy's assets and liabilities were classified as held for sale.

MEUR	12/2021
Intangible and tangible assets	0.4
Right-of-use assets	0.5
Other non-current receivables	0.4
Inventories	25.7
Trade and other receivables	11.3
Assets Total	38.3
Non-current financial liabilities	0.4
Current financial liabilities	0.1
Trade payables and advances received	7.1
Other payables	3.6
Liabilities Total	11.2

7. Changes in intangible assets

MEUR	1-12/2022	1-12/2021
Carrying amount at the beginning of the period	204.6	182.9
Business acquisitions	17.0	26.3
Other capital expenditure	7.1	5.7
Disposals	-0.1	-2.2
Depreciation, amortisation and impairment	-7.8	-7.1
Transfers between items	-0.0	0.2
Exchange differences	-3.6	-1.0
Carrying amount at the end of the period	217.2	204.6

8. Changes in tangible assets

MEUR	1-12/2022	1-12/2021
Carrying amount at the beginning of the period	222.8	210.7
Business acquisitions	5.9	5.1
Other capital expenditure	48.1	58.7
Disposals	-3.6	-5.6
Depreciation, amortisation and impairment	-47.6	-45.9
Transfers between items	0.0	-0.2
Exchange differences	0.9	-0.0
Carrying amount at the end of the period	226.6	222.8

The carrying amount of tangible assets at the end of the reporting period includes right-of-use assets totalling EUR 71.2 million (69.8). Depreciation charge related to the right-of-use assets totalled EUR 19.5 million (19.1).

9. Capital commitments

MEUR	12/2022	12/2021
Intangible assets	1.0	0.0
Tangible assets	19.7	17.2
Total	20.7	17.2

10. 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 Group owns the Munaistenmetsä 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 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.

In December 2021, the Group acquired a new landfill in Pori. At first, the landfill area received various types of waste from the seller, including gypsum, construction and demolition waste as well as contaminated soil and other smaller items. The update of the environmental permit was received in September 2022, after which the reception was expanded to cover other vendors of similar waste fractions. 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.

MEUR	12/2022	12/2021		
Non-current provisions	7.4	8.1		
Current provisions	1.7	2.7		
Total	9.1	10.8		
MEUR	Environmental provisions	Other provisions	Total	
Provisions 1 Jan 2022	8.1	2.7	10.8	
Additions	0.1	0.7	0.8	
Used	-0.5	-1.3	-1.8	
Reversals	-0.4	-0.5	-0.8	
Effect of discounting	0.1	-	0.1	
Provisions 31 Dec 2022	7.4	1.7	9.1	
MEUR	Environmental provisions	Other provisions	Total	
Provisions at 1 Jan 2021	7.0	2.4	9.5	
Additions	1.9	1.0	2.9	
Used	-1.2	-	-1.2	
Reversals	-	-0.7	-0.7	
Effect of discounting	0.3	0.0	0.3	
Provisions at 31 Dec 2021	8.1	2.7	10.8	

11. Financial assets and liabilities by category

MEUR	12/2022	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	1.4			1.4	
Current financial assets						
	Trade and other receivables	91.3			91.3	
	Derivative receivables		1.2		1.2	2
	Cash and cash equivalents	49.5			49.5	
	Total financial assets	142.1	1.2	-	143.3	
Non-current financial liabilities						
	Borrowings	126.0			126.0	2
	Lease liabilities	51.5			51.5	
	Deferred consideration*			5.7	5.7	3
Current financial liabilities						
	Borrowings	18.3			18.3	2
	Lease liabilities	21.0			21.0	
	Trade and other payables	65.8			65.8	
	Total financial liabilities	282.6	-	5.7	288.3	

* Deferred consideration is related to the acquisition 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.

MEUR	12/2021	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	1.4			1.4	
Current financial assets						
	Trade and other receivables*	87.2			87.2	
	Cash and cash equivalents	28.6			28.6	
	Total financial assets	117.2	-	-	117.2	
Non-current financial liabilities						
	Borrowings	124.8			124.8	2
	Lease liabilities	51.0			51.0	
Current financial liabilities						
	Borrowings	0.0			0.0	2
	Lease liabilities	19.9			19.9	
	Trade and other payables*	63.5			63.5	
	Derivative liabilities		0.5		0.5	2
	Total financial liabilities	259.2	0.5	-	259.6	

* 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	2022
Carrying amount 1 Jan	-
Deferred consideration at the date of the acquisition	5.1
Change in fair value	0.8
Exchange differences	-0.2
Carrying amount 31 Dec	5.7

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. In the final quarter of 2022, the forecast was updated and an increase of EUR 0.8 million was recognised in the consideration.

12. 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 1.0 million (0.8). 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 the final quarter of 2022, Laania paid out loans to L&T totalling EUR 16.4 million. In addition, the Group has provided guarantees for Laania's financing arrangements, which are specified in Note 13. The Group has no significant transactions with other related parties.

Business transactions with the joint venture

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

13. Contingent liabilities

MEUR	12/2022	12/2021
Securities for own commitments		
Mortgages on rights of tenancy*	0.1	0.1
Company mortgages*	2.0	1.8
Other securities	0.0	0.1
Bank guarantees required for environmental permits	17.4	16.7
Other bank guarantees	5.8	11.0
Mortgages under own control		
Company mortgages*	0.3	6.3
Liabilities on behalf of the joint venture		
Account limit	2.8	-
Bank guarantees	16.5	-
Term loan facility guarantee	16.5	-

*The figures of the comparison period have been adjusted.

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 liability is disclosed as the Group's share of the maximum amount of liability, in relation to the Group's holding.

The Group's lease liabilities for low-value assets during the year following the financial period total EUR 0.9 million (1.0), and after that, EUR 0.9 million (0.8).

Liabilities associated with derivative agreements

Interest rate swap

MEUR	12/2022	12/2021
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	1.2	-0.5

The interest rate swap is used for hedging cash flows related to floating rate loans. The hedge has been effective, and the changes in its fair value are shown on the consolidated statement of comprehensive income for the period. The fair value of the swap contract is based on the market data on the balance sheet date.

Helsinki, 8 February 2023

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Lassila & Tikanoja is a service company that is putting the circular economy into practice. Together with our customers, we keep materials and properties in productive use for as long as possible and we enhance the use of raw materials and energy. 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 8,371 people. Net sales in 2022 amounted to EUR 844.1 million. L&T is listed on Nasdaq Helsinki.

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