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LEADER OF THE **REGENERATIVE SOCIETY**

Financial review 2022
Lassila & Tikanoja plc

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Report by the Board of Directors

Business model

L&T is a service company that is making the circular economy a reality. The Group operates in the circular economy and facility services businesses. All of L&T's business operations build future sustainable growth for the circular economy and are based on the opportunities it creates.

- Environmental Services keeps its customers' materials in circulation as efficiently as possible and with the highest possible degree of processing.
- Industrial Services develops ways to effectively utilise the side streams of industry and society according to the principles of the circular economy. Industrial Services also includes process cleaning and sewer maintenance services. The division operates in Finland and Sweden.
- Facility Services in Finland and Sweden improve the value of our customers' properties and aim for the continuous improvement of energy efficiency in line with the goal of a circular economy.

By investing in the sustainable solutions of the circular economy, L&T aims to create increasing value for all of its key stakeholders.

L&T's business environment

The sickness rate rose to a record-high level in the early part of the year due to COVID-19, and sickness-related absences increased again towards the end of the year.

COVID-19 and the general uncertainty it has created in the job market led to unprecedented employee turnover, especially in the cleaning business. Labour availability challenges increased compared to the preceding years, and the competition for competent employees intensified.

Russia's unlawful invasion of Ukraine pushed the prices of transport fuels to a new level. The higher prices of liquid fuels and energy, paired with the tighter labour market situation, sparked inflation that subsequently spread during the year to other goods and services as well as the financial markets. The acute energy crisis and widespread market disruptions caused by the war shifted the focus of policymakers to the short-term business environment. For example, the distribution obligation for biocomponent in fuel was reduced following a brief legislative drafting process.

In spite of these challenges – and partly for these reasons – the preparation of the European Green Deal continued, and increased emphasis was placed on measures aimed at ending the dependence on fossil energy.

The EU is committed to achieving climate neutrality by 2050, and the EU's Fit for 55 climate package aims to accomplish emission reductions of at least 55 per cent by 2030. The legislative proposals in the package will have an extensive impact on L&T's business environment. They concern areas such as the reform of emissions trading, effort-sharing between countries, energy efficiency, renewable energy, the role of the land use sector and carbon sinks, emissions limits for cars, energy taxes and carbon border taxes.

The green transition relies heavily on low-carbon and biodiversity-promoting solutions, in which the circular economy plays a central role. Slowing down biodiversity loss has emerged as an important goal alongside the mitigation of climate impacts. Sustainability principles, particularly the principle of due diligence, are gradually becoming increasingly important factors in financing and investment decisions as well as procurement.

The EU is promoting the circular economy within the framework of an updated action plan, the priorities of which include preventing waste, designing sustainable products and strengthening the market for recycled raw materials. The new priorities shift the focus of circular economy policy towards the sustainable use of natural resources.

Finland seeks to establish a leading position for itself in Europe by setting ambitious climate and circular economy targets. The aim of the Finnish Government's strategic circular economy programme is to achieve a transition that makes the circular economy the new foundation of the economy by 2035. The programme aims to curb the use of natural resources by doubling resource productivity and the circularity rate of materials by 2035. The reform of the Waste Act entered into effect in Finland on 19 July 2021 and the implementation of the new legislation has begun. The reform sets out the measures by which Finland will achieve the even more ambitious targets set by the EU regarding the recycling of municipal waste and packaging waste.

New obligations relating to the separate collection of waste fractions, considerably stricter than the current ones, will be adopted in order to achieve the recycling objectives. The reform of the Waste Act will see municipalities take on a larger role in organising the collection of packaging materials and biowaste from housing properties. As a consequence of the reform, L&T's direct customer agreements with housing properties on the separate collection of packaging waste and biowaste will be transferred to municipalities for competitive bidding. With regard to mixed waste, the possibility of a dual waste transport system for housing properties will remain in place, but its importance will decrease with the increase in the separate collection of packaging and biowaste. The amendments will enter into force in stages between 1 July 2022 and 1 July 2024.

Initiatives and measures related to the green transition will play a significant role in L&T's business environment in the coming years. On the one hand, they will lead to even more ambitious targets for the sustainability of the Group's own operations. On the other hand, they will present many business opportunities for a company whose operations are focused on circular economy solutions.

L&T broadly supports the reforms related to the green transition and puts them into practice through the solutions it provides. From the perspective of business impacts, the key issue is how the reforms related to the green transition will be managed and implemented in Finland.

Strategy

Lassila & Tikanoja's mission is to make the circular economy a reality, and the company helps its customers achieve their sustainability goals.

Climate change and biodiversity loss are megatrends that create business opportunities for L&T. Mitigating climate change and biodiversity loss requires circular economy actions from society, businesses and individuals. Businesses need responsible partners to support the transition to a circular economy and to improve the energy efficiency of properties. Cities continue to grow, and the expectations concerning the built environment are increasing, which creates demand for L&T's services. Properties are expected to have long life spans, and changes in the needs and in the use of buildings over the years must be taken into account in maintenance and new construction.

L&T's strategy, "A leader of the regenerative society", guides the Group's operations during the 2022–2026 strategy period. L&T seeks growth in its core businesses by strengthening its market share. The Group's strong balance sheet and increased contract portfolio in all business segments create excellent conditions for organic and inorganic growth during the strategy period. L&T wants to be the best sustainability partner for its customers and an excellent workplace for the best experts in its field. During the strategy period, L&T will invest in the renewal of operating models, which will enable even more cost-efficient service production.

Targets for the strategy period

L&T measures the success of its strategy by financial, sustainability and stakeholder targets.

Financial targets

Indicator	Target	2022	2021
Annual growth in net sales, %	5	3.9	8.1
Return on capital employed, %	15	10.4	10.8
Gearing, %	Less than 125	75.9	79.4

Sustainability and stakeholder targets

Indicator	Target	2022	2021
Net Promoter Score, NPS	>50 by 2026	26	40
Employee Net Promoter Score, eNPS	>50 by 2026	24	28
Carbon handprint intensity (tCO_2-ekv./MEUR)	Grows faster than net sales	-633	-646
Carbon footprint (Scope 1 and 2 per kilometre driven)	-50% by 2030, using 2018 as the baseline	-32%*	-19%

*The distribution obligation for renewable transport fuel was adjusted in July. Read more about the impacts of this change on page 13.

L&T'S VALUE CREATION IN 2022

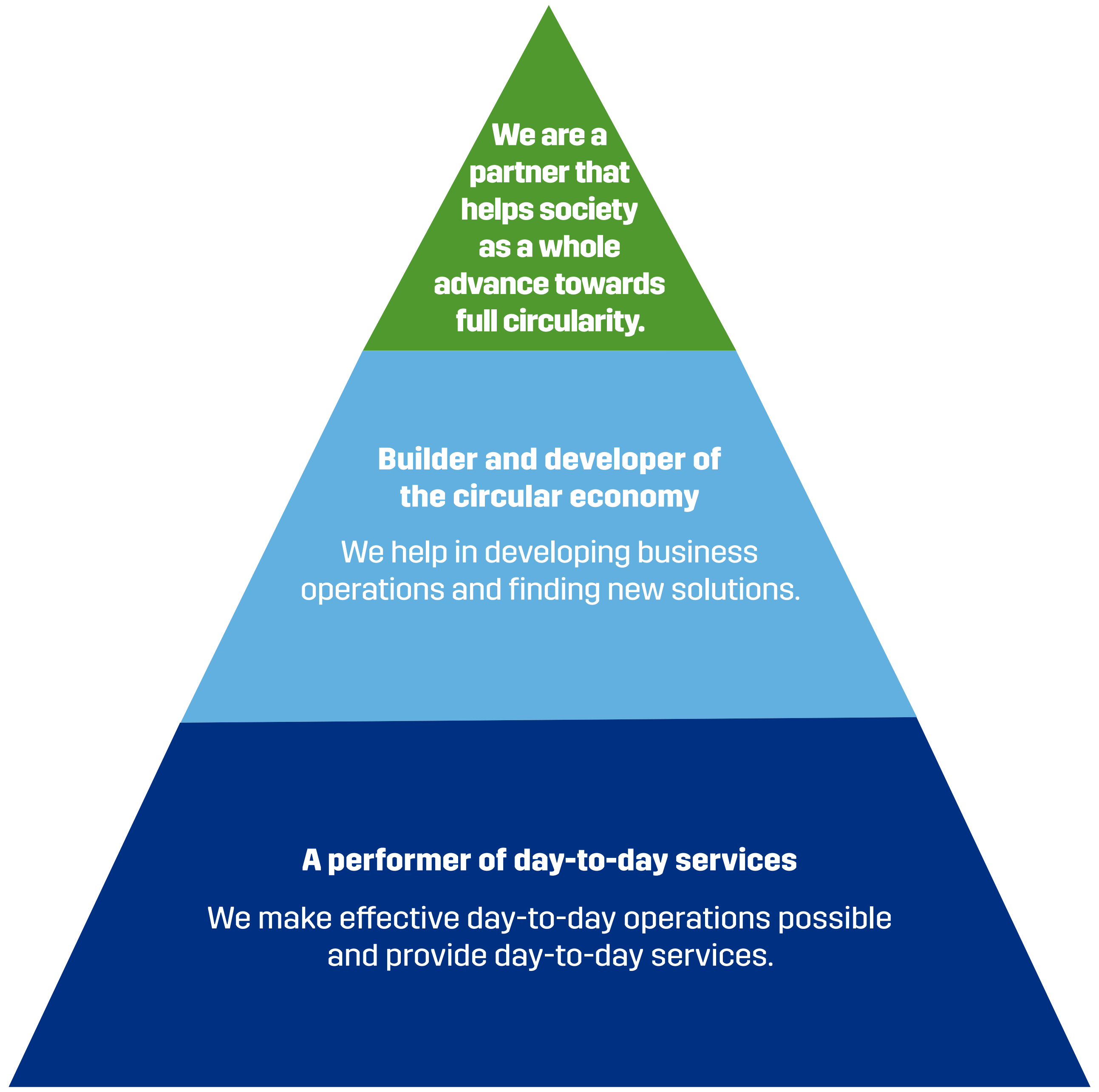
RESOURCES

People and management
- 8,371 L&T employees in Finland and Sweden
- 15,7 million hours worked
- Investments in safety, work ability and well-being
- Benefits paid from the sickness fund MEUR 1.9
- Quality and management systems and certificates (ISO 9001, ISO 14001 and ISO 45001)
- Comprehensive training opportunities
- Employment opportunities for special groups

Environment and production
- 52 recycling plants, terminals and transfer stations
- Development of methods and new recycling solutions
- 728,000 tonnes of material collected from customers
- 8,600 properties under maintenance (Finland)
- Climate targets throughout the chain

Finances and governance
- Promoting human rights and a responsible supply chain
- 96% of purchases from Finnish and Swedish suppliers
- Equity MEUR 220.4
- Net interest-bearing liabilities MEUR 167.3
- Capital expenditure MEUR 58.2
- 24,556 shareholders

ACTIVITIES



WE MAKE THE CIRCULAR ECONOMY A REALITY

OUTPUTS

Healthy personnel
- Employee Net Promoter Score (eNPS) 24
- Sickness-related absences 5.6%
- Retirement age 63.8 years
- Health rate 40%
- Accident frequency (TRIF) 23
- over 20,100 hours of training on average per year
- Code of Conduct training for employees

Responsible products and services
- Reuse and recycling rate of customer materials 59.4%.
- Containers emptied nearly 13 million times
- More than 778,000 maintenance actions and over 3,000 energy efficiency proposals in Finland
- 41,000 tonnes of waste rendered non-hazardous
- Over 210,000 tonnes of soil and side streams delivered for material recycling
- Promoting biodiversity in the built environment

Emissions
- Carbon footprint intensity of own operations per kilometre driven 646 gCO2e, -32% compared to the previous year
- Water treated by the Industrial Services division 128,000 m³

IMPACTS

Employment and prevention of marginalisation
- Salaries, fees and social security contributions paid MEUR 353.1
- Employees with a high level of well-being and commitment as well as a capable organisation
- Impacts of well-being, injuries and illnesses
- Providing a first job for people regardless of their background
- 37% of supervisors and managers are women

Mitigating climate change and biodiversity loss
- Carbon handprint of operations 534 million CO2e
- Conservation of virgin raw materials
- Promoting sustainability and the external recognition of these efforts, e.g. EcoVadis Platinum, CDP, Financial Times Diversity Leaders and Climate Leaders reports

Economic prosperity
- Added value created MEUR 450
- Taxes: MEUR 6.3
- Dividends MEUR 17.5

Financial performance

Group net sales and financial performance

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 the 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).

Division reviews

Environmental Services

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. The 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 was 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 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

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 centre started its operations in Pori, Finland. The treatment centre 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 breaks was successful in spite of maintenance breaks 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 passed on to customer prices through cost increases carried out in February–April.

Facility Services Finland

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 lines, 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

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

MEUR	2022	2021	Change %
Net sales			
Environmental Services	321.2	320.5	0.2
Industrial Services	132.0	105.1	25.6
Facility Services Finland	256.3	243.1	5.4
Facility Services Sweden	140.4	149.8	-6.2
Interdivisional net sales	-6.0	-6.1	
Total	844.1	812.5	3.9
Operating profit			
Environmental Services	30.3	29.8	1.6
Industrial Services	12.7	9.2	38.8
Facility Services Finland	-0.5	1.8	-129.0
Facility Services Sweden	0.4	3.9	-89.8
Group administration and other	0.1	-2.4	
Total	42.9	42.2	1.7
Adjusted operating profit			
Environmental Services	30.3	29.8	1.6
Industrial Services	13.6	9.2	48.0
Facility Services Finland	-0.5	1.8	-129.0
Facility Services Sweden	0.4	3.9	-89.8
Group administration and other	-2.8	-2.2	
Total	40.9	42.4	-3.5

%	2022	2021
Operating margin		
Environmental Services	9.4	9.3
Industrial Services	9.6	8.7
Facility Services Finland	-0.2	0.7
Facility Services Sweden	0.3	2.6
Total	5.1	5.2
Adjusted operating margin		
Environmental Services	9.4	9.3
Industrial Services	10.3	8.7
Facility Services Finland	-0.2	0.7
Facility Services Sweden	0.3	2.6
Total	4.8	5.2

MEUR	2022	2021
Gross capital expenditure		
Environmental Services	20.3	41.7
Industrial Services	34.6	14.5
Facility Services Finland	1.5	13.6
Facility Services Sweden	0.4	1.8
Group administration and other	1.3	0.6
Total	58.2	72.3

MEUR	2022	2021
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

%	2022	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

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 and capital expenditure

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.

Loans, liabilities and contingent liabilities to related parties

Related-party transactions are accounted for in Note 5.4 Related-party transactions.

Sustainability and the statement of non-financial information

Sustainability is an integral aspect of Lassila & Tikanoja's strategy, decision-making and day-to-day business. Through sustainable circular economy solutions, L&T strengthens its competitiveness and creates diverse value for its key stakeholders.

Lassila & Tikanoja's business model, value creation and strategy are described in more detail on pages 4-5.

Managing sustainability

At L&T, sustainability is integrated into the Group's strategy. The Board of Directors monitors the progress of the sustainability programme annually through the Personnel and Sustainability Committee of the Board of Directors. The Committee discusses sustainability issues at least three times per year. The Personnel and Sustainability Committee met four times in 2022.

The Group Executive Board steers the implementation of the sustainability programme and monitors it quarterly. Development primarily takes place in business-driven working groups, but the Director of Corporate Relations and Sustainability and the communications and sustainability organisation operating under their supervision are in charge of the practical coordination and reporting of sustainability efforts. The businesses and other functions are in charge of the responsibility and compliance of their operations in accordance with the Group's management system. L&T's management system has been certified in accordance with the ISO 9001, ISO 14001 and ISO 45001 standards.

L&T's policies and principles cover the environmental, ethical and social perspectives that the Group observes in both its own operations as well as in the services it produces for customers. The policies and principles are available to stakeholders on L&T's website.

L&T takes an uncompromising approach to ensuring the compliance and sustainability of its operations. L&T observes its obligations regarding the environment and as an employer, and minimises the negative environmental impacts of its operations. L&T requires that its suppliers operate in accordance with laws, regulations and its sustainability principles.

Sustainability programme

The development of L&T's sustainability is driven by the Group's sustainability programme. Approved by the Board of Directors, the programme takes into account the material aspects of L&T's sustainability and sets measurable targets to be monitored. The programme was updated in 2022 and its focus areas were determined based on the impacts of the Group's operations, the expectations of key stakeholders and the Group's strategic priorities. L&T has also taken into account the special characteristics of the operations and the business environment of a service company in the environmental sector as well as the UN's sustainable development principles and the objectives of the Global Compact initiative.

The key sustainability targets laid out in the sustainability programme, meaning the Group's climate impacts, customer satisfaction and the employee recommendation rate, have been incorporated into L&T's long-term strategic goals. More information on the sustainability programme and the key targets is provided in L&T's annual report.

Operating principles concerning sustainability

In its decision-making and administration, Lassila & Tikanoja complies with the Finnish Companies Act, other regulations governing listed companies, the Articles of Association of Lassila & Tikanoja plc, the charter of L&T's Board of Directors and its committees, and the rules and guidelines of Nasdaq Helsinki Ltd. L&T's operations are also guided by the policies and operating principles approved by the Board of Directors or the Group Executive Board.

To ensure compliance in its operations, L&T has documented its sustainable business principles in its Code of Conduct, which applies to all L&T employees as well as contract suppliers. Supervisors are responsible for ensuring the personnel's familiarity with the Code of Conduct and monitoring compliance with the guidelines.

Violations of the Code of Conduct are primarily reported to the immediate supervisor, who assists in the interpretation of the Code in ambiguous situations. Employees can also use a confidential whistleblowing channel by phone or e-mail. The channel is available in all of the Group's operating countries. L&T responds to all incidents of non-compliance without delay, in accordance with a jointly agreed process.

Managing sustainability-related risks is part of L&T's comprehensive risk management. The risk management process is described in the Corporate Governance Statement, and the key risks are explained under "Risks and risk management" on page 16-17.

Sustainability reporting

L&T reports on its sustainability efforts and related progress quarterly in connection with interim reports and more extensively on an annual basis in the sustainability report published as part of the Annual Review.

The sustainability report for 2022 has been drawn up in accordance with GRI (Global Reporting Initiative) standards. The key performance indicators for environmental responsibility and responsibility for personnel reported in the sustainability report are verified by a third party. L&T's sustainability report is available at vuosikertomus.lt.fi/en.

EU taxonomy

BACKGROUND

In this section, Lassila & Tikanoja will publish information in accordance with the following regulations: Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Taxonomy Regulation).

The EU Taxonomy Regulation sets out six environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy, prevention and recycling of waste
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

The implementation of the Taxonomy Regulation is taking place over several stages. The first Delegated Act, namely the Climate Act, was implemented in 2021, and it sets out technical screening criteria for two environmental objectives: climate change mitigation and climate change adaptation, which have been described in the taxonomy. In their reporting on 2021, companies were required to publish information on taxonomy-eligible economic activities' share of net sales, capital expenditure (investments) and operating expenditure. Taxonomy eligibility applies to activities that are within the scope of the Climate Act.

In their reporting on 2022, companies are required to assess the taxonomy alignment of their activities. Taxonomy alignment requires that axonomy-eligible activities meet detailed technical screening criteria, do not have adverse impacts on other environmental objectives (Do No Significant Harm criteria) and meet the minimum social safeguards set out in the Taxonomy Regulation.

L&T AND THE EU TAXONOMY

According to the Taxonomy Regulation, the companies that are required to report in accordance with the Non-Financial Reporting Directive (2014/95/EU) must comply with the reporting requirements of the Taxonomy Regulation. This requirement applies to L&T. L&T has assessed the taxonomy eligibility and taxonomy alignment of its activities. The EU taxonomy assessment has been conducted for net sales generated by business operations (Note 1.2 to the financial statements), capital expenditure and operating expenditure related to climate change mitigation. L&T reports on taxonomy at the Group level. L&T's Renewable Energy Sources business operations are not included in the taxonomy calculation. L&T's taxonomy eligibility has been assessed on the basis of the descriptions of economic activities and related NACE codes set out in Annex 1 (Climate change mitigation) of the Taxonomy Regulation.

Taxonomy alignment assessment is based on the industry-specific technical screening criteria described in the Taxonomy Regulation and the Do No Significant Harm requirements. The technical screening criteria have been examined side by side in order to achieve the greatest possible consistency in reporting and to avoid double accounting. In addition to separate technical requirements, the Taxonomy Regulation provides for minimum safeguards that L&T has assessed at the Group level. L&T's taxonomy alignment has been assessed on the basis of the technical screening criteria and related NACE codes set out in Annex 1 (Climate change mitigation) of the Taxonomy Regulation. The assessment was carried out in cooperation with environmental specialists of the divisions.

External recognition

	Rating	Compared to benchmarks
CDP	B	The rating was reduced in 2022 to the second-highest rating, "Management level". From 2014 to 2021, L&T received a rating of Leadership "A-" .
CDP supplier engagement	A	The highest leadership rating for climate efforts in the supply chain.
Kiwa	Excellent, 713 points	Our total score of 713 put us in 4th place among nearly 400 audits.
Ecovadis	Platinum	L&T was rated among the top 1% of all 90,000 companies assessed by EcoVadis in 2022.

The financial indicators concerning the taxonomy are based on figures extracted from L&T's financial management systems and ERP systems. For capital expenditure and operating expenditure, data from 2022 was analysed and compared to the screening criteria. Some of L&T's measures, such as installing solar panels in offices, could fall within the scope of the taxonomy. However, this capital expenditure does not represent a significant proportion of the total investment. L&T does not have separate capital or operating expenditure plans for the taxonomy.

The business operations of the Environmental Services division include, for example, the collection and transport of non-hazardous waste in waste fractions and the recovery of materials from non-hazardous waste.

The business operations of the Industrial Services division include, for example, the renewal of wastewater collection and treatment as well as the transport of soil in connection with environmental construction. The business operations of the Facility Services division include, for example, the installation, maintenance and repair of energy efficiency equipment and renewable energy technology, as well as the installation, maintenance and repair of instruments and devices for measuring, regulating and controlling the energy performance of buildings.

FUTURE OUTLOOK

The circular economy is a key way of mitigating climate change. L&T's mission is to make the circular economy a reality. All of the Group's businesses build future sustainable growth for the circular economy and are based on the opportunities it creates. The Board of Directors has set L&T a long-term goal of increasing the carbon handprint faster than net sales. L&T also continues to invest in the achievement of climate targets by purchasing zero-emission vehicles, for example. The EU taxonomy is still a work in progress, and L&T's assessment may change when new parts of the taxonomy are completed. In particular, the criteria related to a circular economy are closely linked to L&T's business.

Taxonomy-aligned activities, share of net sales

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of turnover		
Economic activities	Code(s)	Absolute turnover	Share of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
TAXONOMY-ELIGIBLE ACTIVITIES		**MEUR**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E/T**
Taxonomy-aligned activities																			
Installation and operation of electric heat pumps	4.16	0.50	0.1%	100.00%							Y	Y	Y	Y	Y	Y	0.1%		
Collection and transport of non-hazardous waste in source segregated fractions	5.5	49.81	5.9%	100.00%							Y	Y	Y	Y	Y	Y	5.9%		
Material recovery from non-hazardous waste	5.9	35.65	4.2%	100.00%							Y	Y	Y	Y	Y	Y	4.2%		
Installation, maintenance and repair of energy efficiency equipment	7.3	10.27	1.2%	100.00%							Y	Y	Y	Y	Y	Y	1.2%		E
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.07	0.0%	100.00%							Y	Y	Y	Y	Y	Y	0.0%		E
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	4.21	0.5%	100.00%							Y	Y	Y	Y	Y	Y	0.5%		E
Installation, maintenance and repair of renewable energy technologies	7.6	4.97	0.6%	100.00%							Y	Y	Y	Y	Y	Y	0.6%		E
Professional services related to energy performance of buildings	9.3	3.43	0.4%	100.00%							Y	Y	Y	Y	Y	Y	0.4%		E
Turnover of Taxonomy-aligned activities		108.91	12.9%														12.9%		
Taxonomy-non-aligned activities																			
Renewal of waste water collection and treatment	5.4	0.65	0.1%																
Collection and transport of non-hazardous waste in source segregated fractions	5.5	1.75	0.2%																
Material recovery from non-hazardous waste	5.9	3.34	0.4%																
Installation, maintenance and repair of energy efficiency equipment	7.3	3.57	0.4%																
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	3.57	0.4%																
Turnover of Taxonomy-non-aligned activities		12.87	1.5%														1.5%	**N/A**	
Total Taxonomy-eligible activities		**121.78**	**14.4 %**														**14.4%**	**NA**	

TAXONOMY-NON-ELIGIBLE ACTIVITIES	Absolute turnover, MEUR	Share of turnover
Turnover of Taxonomy-non-eligible activities	720.9	85.6%
Total Taxonomy-eligible and non-eligible turnover	844.1	100.0%

Taxonomy-aligned activities, share of capital expenditure

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of capital expenditure		
Economic activities	Code(s)	Capital expenditure	Share of capital expenditure	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
TAXONOMY-ELIGIBLE ACTIVITIES		**MEUR**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E/T**
Taxonomy-aligned activities																			
Collection and transport of non-hazardous waste in source segregated fractions	5.5	3.5	6.0%	100.00%							Y	Y	Y	Y	Y	Y	6.0%		
Material recovery from non-hazardous waste	5.9	2.1	3.6%	100.00%							Y	Y	Y	Y	Y	Y	3.6%		
Professional services related to energy performance of buildings	9.3	0.1	0.1%	100.00%							Y	Y	Y	Y	Y	Y	0.1%		E
CapEx of Taxonomy-aligned activities		5.6	9.7%														9.7%		
Taxonomy-non-aligned activities																			
Renewal of waste water collection and treatment	5.4	1.2	2.1%																
Collection and transport of non-hazardous waste in source segregated fractions	5.5	0.1	0.2%																
Material recovery from non-hazardous waste	5.9	0.2	0.3%																
CapEx of Taxonomy-non-aligned activities		1.5	2.6%														2.6%	**N/A**	
Total Taxonomy-eligible activities		**7.1**	**12.3%**														**12.3%**	**N/A**	

TAXONOMY-NON-ELIGIBLE ACTIVITIES	Capital expenditure, MEUR	Share of capital expenditure
Turnover of Taxonomy-non-eligible activities	51.1	87.7%
Total Taxonomy-eligible and non-eligible capital expenditure	58.2	100.0%

Taxonomy-aligned activities, share of operating expenditure

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of operating expenditure		
Economic activities	Code(s)	Operating expenditure	Share of operating expenditure	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category
TAXONOMY-ELIGIBLE ACTIVITIES		**MEUR**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E/T**
Taxonomy-aligned activities																			
Installation and operation of electric heat pumps	4.16	0.5	0.1%	100.00%							Y	Y	Y	Y	Y	Y	0.1%		
Collection and transport of non-hazardous waste in source segregated fractions	5.5	47.8	5.9%	100.00%							Y	Y	Y	Y	Y	Y	5.9%		
Material recovery from non-hazardous waste	5.9	34.2	4.2%	100.00%							Y	Y	Y	Y	Y	Y	4.2%		
Installation, maintenance and repair of energy efficiency equipment	7.3	9.9	1.2%	100.00%							Y	Y	Y	Y	Y	Y	1.2%		E
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.1	0.0%	100.00%							Y	Y	Y	Y	Y	Y	0.0%		E
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	4.0	0.5%	100.00%							Y	Y	Y	Y	Y	Y	0.5%		E
Installation, maintenance and repair of renewable energy technologies	7.6	4.8	0.6%	100.00%							Y	Y	Y	Y	Y	Y	0.6%		E
Professional services related to energy performance of buildings	9.3	3.3	0.4%	100.00%							Y	Y	Y	Y	Y	Y	0.4%		E
Turnover of Taxonomy-aligned activities		104.5	12.9%														12.9%		
Taxonomy-non-aligned activities																			
Renewal of waste water collection and treatment	5.4	0.6	0.1%																
Collection and transport of non-hazardous waste in source segregated fractions	5.5	1.7	0.2%																
Material recovery from non-hazardous waste	5.9	3.2	0.4%																
Installation, maintenance and repair of energy efficiency equipment	7.3	3.4	0.4%																
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	3.4	0.4%																
OpEx of Taxonomy-non-aligned activities		12.9	1.6%*														1.6%	**N/A**	
Total Taxonomy-eligible activities		**117.4**	**14.5%***														**14.5%**	**N/A**	

*The sum of the individual figures does not add up to the total due to rounding.

TAXONOMY-NON-ELIGIBLE ACTIVITIES	Operating expenditure, MEUR	Share of operating expenditure
Turnover of Taxonomy-non-eligible activities	692.5	85.5 %
Total Taxonomy-eligible and non-eligible operating expenditure	809.9	100.0 %

Environmental responsibility
L&T's environmental responsibility is realised particularly through the services it produces for customers. The primary goal is always to direct materials collected from customers towards reuse or recycling, guided by the order of priority as stipulated by law and the circular economy approach.

L&T requires the sustainable management of environmental issues of its partners and suppliers. This requirement is factored into the procurement process, e.g. in the form of self-assessments. Waste is only handed over to operators that are authorised to receive or process it. Acquisitions are subject to detailed due diligence processes.

L&T's strategic goal is to improve its customers' energy and material efficiency and to increase the carbon handprint of its operations. This is achieved when customers replace primary raw materials with secondary raw materials as well as fossil fuels with solid recovered fuels (SRF). As the carbon handprint of L&T's operations increases, the carbon footprint of its customers decreases. L&T thereby supports its customers in reaching their environmental goals.

In 2022, the focus of L&T's environmental efforts was on the climate impacts of the supply chain. The Group updated the climate targets for the supply chain in spring 2022 and set separate emission reduction targets for subcontracted transport operations. The target is to reduce the transport emissions of subcontracted operations by 30 per cent by 2030, using 2020 as the baseline. At the same time, L&T continued to engage the supply chain in the pursuit of the science-based emission reduction target. The target is for 70 per cent of the largest suppliers and subcontractors (based on spending) to set targets for reducing their emissions by 2025.

Good progress was made towards the Group's climate targets for its own operations in spite of the challenging business environment. During the year, investments were made in low-emission vehicles, and route optimisation and driving style training were continued. The use of renewable fuels was significantly increased.

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 in this report, 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 indicated in this report.

Professional waste treatment operations are subject to environmental permits and regulatory compliance. In 2022, L&T had 53 (65) environmental permits that determined how the Group managed and monitored environmental matters. Environmental permits related to the renewable energy sources business are no longer included in this figure following the merger of L&T's renewable energy sources business with Neova's corresponding business into Laania Oy at the beginning of July.

Facilities subject to environmental permits have contingency plans and rescue plans that specify how they are prepared for significant environmental incidents. Environmental issues are also covered in regularly conducted internal audits. L&T's objective is that no serious incidents of environmental damage result from the Group's own operations. This target was achieved in 2022.

To reduce the environmental impact of the materials collected from customers and to promote the circular economy, L&T continuously strives to find new solutions to recover materials at the highest possible refining rate and in accordance with the order of priority in waste management.

TCFD reporting is provided on page 18. Environmental risks and their management are described in more detail under "Risks and risk management".

Non-financial performance indicators

	Indicator	Target	2022	2021
Environmental matters	Carbon footprint (SBt) Scope 1&2	-50% by 2030, using 2018 as the baseline	-32%*	-19%
	Carbon handprint intensity, tCO_2-ekv/milj.€	Grows faster than net sales	-633	-646
	Recycling rate (reporting covers municipal waste collected from corporate customers, hazardous waste, industrial waste and construction waste in Finland.	60% by 2026	59.4%	58.4%
Social responsibility	Employee Net Promoter Score, eNPS	>50 by 2026	24 (October 2022)	28 (October 2021)
	Sickness-related absences, %	4.5% by 2026	5.6	5.0
	Average retirement age (old-age pension and disability pension)	65 years by 2026	63.8 (Finland)	63.9 years (Finland)
	Total recordable incident frequency (TRIF)	20 by 2026	23	24
Governance	Code of Conduct training for the Group's personnel	All new L&T employees complete Code of Conduct training during their trial period or, at the latest, within one year of the start of the employment relationship.	58% of salaried employees (Finland), 675 persons (Sweden)	63% of salaried employees and 71% of employees (Finland and Sweden).

*The distribution obligation for renewable transport fuel was reduced by 7.5 per cent in July. This change has not been taken into account in the emissions calculations in this report, 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, and L&T will subsequently calculate and report its carbon dioxide emissions for 2022 on its website using the updated emission factors.

Personnel and other social responsibility issues

Full-time and part-time, total	2022	2021
Finland	7,020	7,003
Sweden	1,351	1,168
Total	8,371	8,171

As a major employer and service enterprise, the focus of L&T's social responsibility is on the Group's employees. The material aspects of L&T's responsibility for its employees include increasing job satisfaction, strengthening the work ability of the personnel, developing diversity and improving occupational safety. The Group also wants to actively work to promote the employment of special groups, such as people with reduced work ability. L&T does not tolerate any kind of discrimination, harassment, bullying, racism or inappropriate treatment or the use of child labour, any form of forced labour or any other practices in violation with basic human rights in its own operations or as part of its supply chain.

L&T observes the Universal Declaration of Human Rights, workers' rights as defined by the International Labour Organisation, and international agreements. National legislation, agreements and other obligations are applied in employment relationships. L&T respects the employees' freedom to unionise. L&T monitors compliance with collective agreements, environmental legislation, labour law, occupational safety legislation and regulations pertaining to financial management. L&T is also compliant with the applicable legislation governing contractors' obligations and liability, and requires the same of its suppliers. The operations are guided by the Group's personnel policy, the ISO 45001-certified management system, and the principles governing occupational safety management and sustainability (Code of Conduct).

L&T's strategic objective is to increase the Employee Net Promoter Score (eNPS) to 50 by 2026. Employee satisfaction is measured by means of a personnel satisfaction survey which goes by the name Fiilinki in Finland and Pulsen in Sweden.

As part of work ability management, L&T's targets are to reduce sickness-related absences to 4.5 per cent, achieve an employee health rate of 45 per cent and increase the average retirement age to 65 years in the long term. The COVID-19 pandemic affected the Group's health-related indicators, particularly in the early part of the year and the final months of the year. In order to turn the development of sickness-related absences to a decrease, the purposeful implementation of the action plan for promoting health will continue.

In occupational safety, L&T pursues continuous improvement with an ultimate goal of zero accidents. L&T will continue its purposeful development efforts to engage employees in the promotion of safety. There were no reported fatal accidents at L&T in 2022. There was one case of diagnosed occupational disease at L&T in 2022.

There have been no confirmed grievances related to human rights or incidents of discrimination in the Group.

Risks related to human rights are assessed as part of the risk management process. Risks and their management are described in more detail under "Risks and risk management" on pages 16-17.

Anti-corruption and bribery

L&T's procurement processes are transparent, and procurement decisions are based on competitive supply contracts. Procurement is guided by the Group's procurement principles and the more detailed procurement guidelines. Mandates and the limits for decision-making in terms of procurement are defined in L&T's guidelines on authorisation on the basis of position. In the case of potential conflicts of interests in procurement processes, the persons concerned are disqualified from the decision-making. Supplier co-operation must not involve any bribery or the kind of hospitality or exchange of gifts that could influence procurement decisions.

L&T is committed to supporting the UN Global Compact initiative and its anti-corruption principles. The prevention of corruption and bribery is based on national legislation and agreements. Internally, operations are guided by L&T's sustainable business principles (Code of Conduct), which include anti-bribery and corruption guidelines related to, among other things, accepting and offering gifts and hospitality, as well as the avoidance of conflicts of interest. L&T also adheres to a separately defined permit procedure to ensure that all customer events are appropriate and that all sponsorships and supporting marketing operations are transparent.

L&T mainly operates with local partners in Finland and Sweden, which improves visibility with respect to its partners' sustainability. L&T's purchases in 2022 were focused on domestic companies. In Finland, 96 per cent of purchases were made from companies operating in Finland. The corresponding figure for Sweden was also 96 per cent.

Operations with significant suppliers are managed through regular supplier co-operation and monitored according to separately agreed performance indicators. Contract suppliers are required to comply with L&T's Code of Conduct. We ensure the sustainability of our suppliers' operating methods through self-assessment surveys, supplier audits, analyses of suppliers' financial circumstances and other appropriate means.

Our primary assurance measures are targeted at our most significant suppliers. There were no reported incidents of bribery or corruption at L&T in 2022.

Changes in the Group Executive Board

Tina Hellstadius, (M.Sc/Technology) was appointed Senior 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. The members of L&T's Group Executive Board are listed in the Corporate Governance section.

Changes in Group structure

The renewable energy sources businesses of Lassila & Tikanoja and Neova were merged on 1 July 2022, forming an independent limited company named Laania Oy. L&T owns 55 per cent of the joint venture and Neova Oy owns 45 per cent, but the owners have joint control of the company pursuant to the joint venture agreement.

In 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.

L&T Relations Oy was merged with Lassila & Tikanoja plc during the fourth quarter of 2022.

Shares and shareholders

Share capital and number of shares

There were no changes in Lassila & Tikanoja's share capital and number of shares in 2022. The registered share capital of the company is EUR 19,399,437. The number of shares is 38,798,874. The average number of shares excluding the shares held by the company was 38,116,180. Each share carries one vote. The Articles of Association do not set an upper limit on the share capital and number of shares. A share has neither a nominal value nor a book equivalent value. The company's shares are included in the book-entry system of securities maintained by Euroclear Finland Ltd. Euroclear Finland maintains the company's official list of shareholders.

Shareholders

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.

Holdings of the Board of Directors, the President and CEO and the Executive Board

The members of the Board, the President and CEO and the Executive Board, and organisations under their control held a total of 175,670 shares in the company on 31 December 2022, representing 0.5 per cent of the total number of shares and votes. Lassila & Tikanoja plc transferred 8,618 shares to the members of the Board of Directors as a part of their annual fee based on a decision made by the Annual General Meeting on March 17, 2022.

Share-based incentive plans

Lassila & Tikanoja plc transferred 24,522 shares to 9 persons in key roles as part of the Group's share-based incentive plan. The transferred shares form the share-based reward part of the 2021 share-based incentive plan.

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.

Trading in shares in 2022

The company's shares are quoted on the mid-cap list of Nasdaq Helsinki Oy in the Industrials sector. The trading code is LAT1V and the ISIN code is FI0009010854. 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 (137.3). 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 period, 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.

	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
Breakdown of shareholding by sector on 31 December 2022				
Non-financial corporations and housing corporations	944	3.8	3,945,893	10.2
Financial and insurance corporations	51	0.2	6,088,709	15.7
General Government	19	0.1	3,109,862	8.0
Households	23,237	94.6	16,343,112	42.1
Non-profit institutions serving households	231	0.9	6,398,151	16.5
Foreign shareholders	75	0.3	150,016	0.4
Of which nominee-registered	10		2,722,603	7.0
Shares not transferred to the book-entry securities system			40,528	0.1
Own shares	1		653,256	1.7
Total	**24,557**	**100**	**38,798,874**	**100**
Breakdown of shareholding by size of holding				
Number of shares				
1–1,000	22,081	89.9	4,811,281	12.4
1,001–5,000	2,010	8.2	4,273,425	11.0
5,001–10,000	240	1.0	1,713,051	4.4
10,001–100,000	189	0.8	5,125,068	13.2
100,001–500,000	22	0.1	4,313,321	11.1
over 500,000	14	0.1	17,868,944	46.1
of which nominee-registered	10		2,722,603	7.0
Shares not transferred to the book-entry securities system			40,528	0.1
Own shares	1		653,256	1.7
Total	**24,557**	**100**	**38,798,874**	**100**

Major shareholders on 31 December 2022, excluding nominee-registered shares

	Shareholder	Number of shares	Percentage of shares and votes
1	Evald and Hilda Nissi Foundation	3,346,487	8.6
2	Mandatum Life Insurance Company Limited	3,028,547	7.8
3	Nordea investment funds	1,706,466	4.4
4	Maijala Juhani	1,529,994	3.9
5	Åbo Akademi University Foundation	1,066,282	2.8
6	Bergholm Heikki	875,000	2.3
7	Ilmarinen Mutual Pension Insurance Company	790,000	2.0
8	Varma Mutual Pension Insurance Company	729,791	1.9
9	Maijala Mikko	720,000	1.9
10	Lassila & Tikanoja Plc	653,256	1.7
11	Elo Mutual Pension Insurance Company	572,738	1.5
12	Turjanmaa Kristiina	521,465	1.3
13	The State Pension Fund	512,000	1.3
14	Kaleva Mutual Insurance Company	400,000	1.0
15	Oy Chemec Ab	356,320	0.9
16	Maijala Eeva	346,000	0.9
17	Seligson & Co. investment funds	341,995	0.9
18	Samfundet folkhälsan i Svenska Finland rf	336,800	0.9
19	Veritas Pension Insurance	289,396	0.8
20	Lassila Juha	196,461	0.5
	Total	**18,318,998**	**47.2**

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 Pricewaterhouse-Coopers 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.

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 valid for 18 months.

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

Dividend policy

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

Proposal for profit distribution

In 2022, the Group's earnings per share were EUR 0.83 (0.90) and net cash flow from operating activities after investments per share amounted to EUR 1.08 (0.05). The Board of Directors will propose a dividend of EUR 0.47 per share to the Annual General Meeting to be held on 23 March 2023. A dividend of EUR 0.46 per share was paid for the financial year 2021.

Risks and risk management

L&T has a defined risk management process that includes a review of financial, strategic, operational and damage-related risks. L&T has also assessed climate-related risks and opportunities as part of the risk management system in accordance with TCFD reporting.

Key risk management principles

Risk management at L&T aims to identify significant risk factors, prepare for them and manage them in an optimal way so that the Group's strategic and financial objectives are achieved. Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors. The risk management process also aims to assess the opportunities associated with risks.

Responsibilities

The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management. Risk management at L&T Group is controlled by the risk management policy confirmed by L&T's Board of Directors. The policy specifies the objectives and principles, organisation and responsibilities, and procedures of the Group's risk management. The Group's financing policy confirmed by L&T's Board of Directors is followed in the management of financial risks. The principles for insurance risk management are specified in the Insurance Policy.

Identification, assessment and reporting of risks

Risks are surveyed regularly and systematically at both the division and the company level and in central functions considered to be critical. The significance of risks is assessed using a risk matrix. Measures for managing and minimising the identified risks are prepared, and responsibility for these measures is allocated to specified individuals or units. The most significant risks identified and the preparations for them are regularly reported to the President and CEO and the Board of Directors.

Risk analysis

The section Strategic and operative risks describes the most important strategic, operational and damage-related risks of L&T's business which, if realised, can endanger or prevent the achievement of business objectives. Financial risks and their management are described in Note 4.2 to the consolidated financial statements.

Near-term 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 the establishment of 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.

Events after the balance sheet date

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. 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.

Strategic and operative risks

Risk	Risk description	Risk management
Markets and renewal	• The general economic development, functioning of the financial markets and the political environment of L&T's operating countries have an impact on the Group's business operations. • Geopolitical conflicts may cause uncertainty, which can have an effect on the general level of economic activity and industrial production capacity. • Changes in markets and the market environment, such as municipalisation and market changes pertaining to recycled raw materials may have an unfavourable effect on the Group's business operations and business growth. • The development of the market prices of emission rights, secondary raw materials, electricity and oil products may increase production costs. • New COVID-19 variants may lead to new orders or recommendations by the authorities, resulting in customer-specific production restrictions and adjustment measures.	• Creating and regularly updating scenarios, regular assessment, sharpening and updating of the strategy, taking industry changes into account and recognising the need for renewal as part of the continuous strategy process. • Active monitoring of the market situation and legislative developments, and dialogue with the public authorities and legislators. • L&T is independent of large individual customers and has a diverse service offering. • Development of new service product.
Climate change	• Extreme weather phenomena, such as substantial increases in annual rainfall and snowfall, may lead to higher costs due to complications in service production. • More information is provided in the TCFD report on page 18.	• A proactive approach and careful planning of production and operations. • Development of new service products and processes. • More details on the risks associated with climate change are provided in the TCFD report on page 18.
Human rights	• Risks related to human rights, such as deficiencies in working conditions, harassment, racism, discrimination and other unethical conduct.	• Careful compliance with legislation and collective agreements. • L&T mainly operates in Finland and Sweden with local partners, and the risk of human rights violations is low in these countries. • Exercising particular care with regard to employment relationships with employees who are in a vulnerable position.
ICT systems, data security and data protection	• Disruptions, delays and functional challenges related to information and communications systems and their deployment may affect L&T's operations and customer service. • The renewal of business-critical systems may cause disruptions in service production. • Cyber crime may pose risks to L&T's data security and business continuity.	• Developing the systems environment and ensuring the reliability of the ICT environment by, for example, identifying which systems are critical to operations and defining the allocation of responsibilities between the system vendors and L&T. • Comprehensive planning of the deployment of new systems and related operating models. • Data security guidelines and employee training.
Acquisitions	• The success of acquisitions may affect the achievement of the Group's growth and profitability targets. Failures in acquisitions may impact the Group's competitiveness and profitability and change the Group's risk profile.	• Acquisition agreements, the strategic and financial analysis of potential acquirees' business operations, comprehensive due diligence. • Effectively executed business integration programmes.
Reputation	• Topics discussed in mass media or social media concerning the industry or L&T's operations may reduce trust in the company and have a negative impact on its reputation.	• Continuous development of the company's governance model, proactive risk management and monitoring practices. • Quick, reliable and open communication with stakeholders. • Crisis communication principles.
Personnel	• Challenges related to the availability of labour and employee turnover may complicate service production. • The potential reduction of employee satisfaction may affect L&T's competitive advantage, which is largely based on the work of skilled and motivated personnel. • COVID-19 and other highly contagious respiratory infections increase the number of sickness-related absences, which causes disruptions in L&T's service production. • A permanent increase in sickness rates and the personnel's disability and accident pension costs may affect L&T's competitiveness and profitability.	• Improving the employee experience by developing induction training and supervisory work as well as by promoting job rotation and career advancement opportunities for employees. • Co-operation with municipal employment services, central government organisations and various educational institutions to ensure the availability of labour. • Promoting work-based immigration and the employment of special groups. • Regularly conducted job-specific and site-specific risk assessments and workplace surveys, and supporting the employees' work ability and capacity to cope with the demands of work through activities that promote work ability, • L&T's own sickness fund, which supports L&T's work ability management and complements occupational health care. • The Suitable Work model, which supports the rehabilitation and employment of people at risk of disability pension.
Damage-related risks	• A fire at a recycling plant may result in a momentary or extended interruption of the plant's operations. The significance of the risk of fire is reduced by the fact that individual plants or production lines have no substantial impact on L&T's overall profitability.	• Business continuity planning, developing first-hand fire extinguishing preparedness and training employees on how to respond to a fire or other hazardous situations. • Continuous insurance cover that extends to all of the Group's operating countries and subsidiaries and that includes policies for injuries, property damage, business interruption, third-party liability, environmental damage and transport damage, for example.
Risk of environmental damage	• L&T's business includes the collection and transport of hazardous waste as well as processing at the Group's own plants. Incorrect handling of hazardous waste or damage to equipment may result in harmful substances being released into the environment. L&T may become liable for damages due to this. • The most significant environmental risks involved in L&T's operations are related to waste storage and processing as well as chemical safety.	• Systematic environmental surveys of plants, preventive maintenance plans for equipment, audits and the long-term training of personnel. • Insurance.
Financing risks	• Potential interest rate hikes may increase the company's interest costs.	• More detailed information on the management of financing risks is provided in the notes to the consolidated statements, on page 49.

Outlook

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.

Report of the risks and opportunities of climate change in accordance with TCFD

L&T reports on the risks and opportunities related to climate change in accordance with the TCFD (Task Force for Climate-related Financial Disclosures) recommendations. Due to the nature of our operations, L&T plays a significant role in the mitigation of climate change and the transition towards a low-carbon circular economy. Our operations have a large carbon handprint, which means that we generate significant emission reductions for our customers.

TCFD reporting has been taken into account in our review in accordance with the table on this page.

Climate-related risks and opportunities

The mitigation of climate change is a strategic priority for L&T. Our businesses produce solutions that facilitate the transition towards a low-carbon circular economy, promote the sustainable use of materials, energy and natural resources as well as reduce the volume of waste generated and energy consumed. We support our customers by enhancing the use of energy and materials and by replacing fossil fuels with renewable energy sources. Furthermore, we support our customers in the mitigation of climate impacts by optimising the use of properties and their technical systems. L&T has the strong market position required for the implementation of such changes in all of its business areas.

In assessing climate-related risks, L&T has evaluated its transition risks (regulatory, technology-related and reputational risks) and physical risks, as well as their impacts on the Group's operations. The most significant transition risks concern changes that affect carbon neutrality targets for transport or the promotion of the circular economy. The assessment takes into account, for example, the development of prices for emission rights and carbon emissions, different scenarios of the integration of bioeconomy and low-carbon economy, the EU's circular economy package, changes in national waste legislation, national recycling and reuse goals by industrial sector and waste fraction as well as the planned investments in the energy sector. The impacts of changes in weather on occupational safety, for example, have been assessed in general as part of physical risks.

L&T's mission is to make the circular economy a reality. Transitioning to a resource-efficient circular economy is essential for the mitigation of global warming. We support this transition by improving the material, energy and cost efficiency of our customers and by ensuring that materials and the built environment retain their value. Our solutions enable our customers to reduce their waste volumes, extend the life-cycle of their properties, recycle and reuse materials, reduce the consumption of natural resources, fossil fuels and energy, and thereby reduce their emissions.

We research new technologies and solutions that allow our customers to reduce their climate impacts even more efficiently. New projects that increase the processing rate of various material flows promote the circular economy and improve the carbon handprint of L&T's operations.

Scenario analysis is part of the strategy process

The monitoring of the outcomes of climate change related to our business operations is integrated in L&T's strategy process. We have assessed the impacts of climate change on L&T's business operations both during the five-year strategy period and in the long term until 2035. The assessment method is based on the qualitative evaluation of uncertainties in our business environments and the creation of qualitative scenarios about our business environment based on the changes with the highest degree of uncertainty and the financial impact.

In addition, we have applied the IPCC scenarios of climate warming of 1.5°C, less than 2°C and 4°C by the end of the century. The scenarios have been assessed in relation to the latest climate research information on weather changes in Finland.

L&T is able to change its business model flexibly according to the different climate scenarios. The reference scenario was a business environment where the status quo remains unchanged. The business effects of climate change were assessed in the different scenarios through aspects of change in the industry related to regulation, the business model and technological development.

The assessment indicated that L&T's own climate targets, the actions aimed at achieving the targets and the separate climate targets set for the supply chain are in line with the observations made in the scenario analysis. L&T manages transition risks by assessing market changes and responding to them in a timely manner. In addition, we take a proactive approach to influencing regulatory developments in their preparatory stages through the industry's key advocacy organisations, for example.

The alternative strategic scenarios were presented to the Board of Directors as a part of the strategy process. The mitigation of climate change provides L&T's business operations with strategic development opportunities.

	TCFD information	Report contents
Governance	The Board of Directors' duties related to managing risks and opportunities related to climate change.	Risks and risk management, p. 16-17 Scenario analysis is part of the strategy process, p. 18
	The management's duties related to assessing and managing risks and opportunities related to climate change.	Sustainability management, p. 8 Risks and risk management, p. 16-17
Strategy	Climate-related risks and opportunities in the short, medium and long term.	Climate-related risks and opportunities, p. 18
	The impacts of climate-related risks and opportunities on business operations, strategy and financial planning.	Strategy, p. 4 Climate-related risks and opportunities, p. 18
	The flexibility of the strategy with regard to different climate scenarios.	Scenario analysis is part of the strategy process, p. 18
Risk management	Processes for the identification and assessment of climate-related risks.	Scenario analysis is part of the strategy process, p. 18
	Climate risk management methods.	Scenario analysis is part of the strategy process, p. 18
	How are the identification, assessment and management of climate-related risks connected to the organisation's other risk management activities?	Climate-related risks and opportunities, p. 16-17
Indicators and targets	Indicators used to assess climate risks and opportunities.	Report by the Board of Directors, p. 7 Separate Sustainability report

Key figures

Key figures

Key figures on shares

	2022	2021	2020	2019	2018
Earnings per share (EPS), EUR	0.83	0.90	0.50	0.90	0.89
Earnings per share (EPS), diluted, EUR	0.83	0.90	0.50	0.90	0.89
Equity per share, EUR	5.78	5.52	5.05	5.33	5.44
Dividend per share, EUR	0.47[1]	0.46	0.40	0.92	0.92
Payout ratio, %	56.9[1]	51.0	79.7	101.7	103.7
Effective dividend yield, %	4.4[1]	3.4	2.7	5.8	6.1
P/E ratio, %	12.9	14.9	30.0	17.4	16.9
Net cash flow from operating activities after investments per share, EUR	1.08	0.05	1.15	1.81	1.70
Share price adjusted for issues:					
lowest, EUR	9.72	12.82	10.06	12.92	14.34
highest, EUR	13.62	16.10	16.76	16.40	20.00
average, EUR	11.16	14.31	13.55	14.41	16.78
closing, EUR	10.64	13.44	15.06	15.74	14.96
Market capitalisation 31 December, MEUR	405.9	512.2	573.9	610.7	580.4
Number of shares adjusted for issue, 1,000 pcs					
average during the year	38,116	38,111	38,103	38,354	38,405
at year end	38,146	38,112	38,105	38,094	38,406
average during the year, diluted	38,128	38,127	38,118	38,368	38,419
Adjusted number of shares traded during the year, 1,000 pcs	9,397	9,615	12,266	8,172	4,995
As a percentage of the average	24.7	25.2	32.2	21.3	13.0
Volume of shares traded, MEUR	104.9	137.6	166.1	122.3	83.8

[1] 2022 proposal by the Board of Directors

Key figures on financial performance

	2022	2021	2020	2019	2018
Net sales, MEUR	844.1	812.5	751.9	784.3	802.2
Operating profit, MEUR	42.9	42.2	28.2	45.0	47.6
% of net sales	5.1	5.2	3.8	5.7	5.9
Adjusted operating profit, MEUR	40.9	42.4	39.7	40.5	-
% of net sales	4.8	5.2	5.3	5.2	-
EBITDA, MEUR	98.3	95.1	85.2	99.4	90.1
% of net sales	11.6	11.7	11.3	12.7	11.2
Result before taxes, MEUR	37.8	39.0	23.3	42.0	42.7
% of net sales	4.5	4.8	3.1	5.4	5.3
Result for the period, MEUR	31.5	34.4	19.0	34.7	34.1
% of net sales	3.7	4.2	2.5	4.4	4.2
EVA, MEUR	14.5	15.9	3.7	19.8	24.2
Cash flow from operating activities, MEUR	71.8	65.6	83.0	94.5	90.1
Balance sheet total, MEUR	660.5	632.3	596.6	583.6	561.3
Return on equity, % (ROE)	14.6	17.1	9.6	16.8	16.1
Capital employed, MEUR	437.2	406.0	379.2	380.5	361.1
Return on capital employed, % (ROCE)	10.4	10.8	7.5	12.4	12.8
Equity ratio, %[1]	34.3	34.2	33.0	35.6	38.1
Gearing, %	75.9	79.4	70.9	66.8	46.8
Net interest-bearing liabilities, MEUR	167.3	167.1	136.5	135.6	97.8
Gross capital expenditure, MEUR	58.2	72.3	48.2	46.1	37.8
% of net sales	6.9	8.9	6.4	5.9	4.7
Average number of employees in full-time equivalents	7,364	7,319	7,197	7,308	7,566
Total number of full-time and part-time employees at year end	8,371	8,171	8,139	8,207	8,600

[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 process for netting the deferred tax assets and liabilities was re-defined. The figures for 2021 have been adjusted accordingly.

Reconciliation of alternative performance measures

Reconciliation of the adjusted operating profit to the operating profit

1 January - 31 December MEUR	2022	2021
Operating profit	42.9	42.2
Items affecting comparability:		
- costs arising from the discontinuation of business [1]	-0.2	-2.1
- costs arising from business restructurings	-	0.6
- gains or losses arising from divestments[2]	-4.3	-
- costs arising from acquisitions	2.5	1.7
Adjusted operating profit	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 in 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 the EVA result to the operating profit

1 January - 31 December MEUR	2022	2021
Operating profit	42.9	42.2
Capital employed (rolling 12-month quarterly average)	430.4	391.4
Cost calculated on capital employed	-28.5	-26.3
EVA	14.5	15.9

Reconciliation of gross capital expenditure

1 January - 31 December MEUR	2022	2021
Intangible and tangible assets from business acquisitions	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	55.4	64.4
- increases to right-of-use assets excl. heavy vehicles	-15.8	-19.1
- other adjustments	-2.7	-3.9
Gross capital expenditure	58.2	72.3

Return on capital employed (ROCE), %, by segment

1 January - 31 December	2022	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 the key figures

Key figures on shares

Earnings per share (EPS)	=	Result attributable to equity holders of the parent company / Adjusted average basic number of shares	
Earnings per share (EPS), diluted	=	Result attributable to equity holders of the parent company / Adjusted average diluted number of shares	
Equity per share	=	Equity attributable to equity holders of the parent company / Adjusted basic number of shares at the balance sheet date	
Dividend per share[1]	=	Dividend for the financial period / Adjusted basic number of shares at the balance sheet date	
Payout ratio, %[1]	=	Dividend per share / Earnings per share	x 100
Effective dividend yield, %[1]	=	Dividend per share / Closing price of the financial period	x 100
P/E ratio, %	=	Closing price of the financial period / Earnings per share	
Cash flow from operating activities after investments per share	=	Cash flows from operating activities after investments as in the cash flow statement / Adjusted average basic number of shares	
Market capitalization, MEUR	=	Basic number of shares at the balance sheet date x closing price of the financial period	

[1] The calculations are also applied with capital repayment.

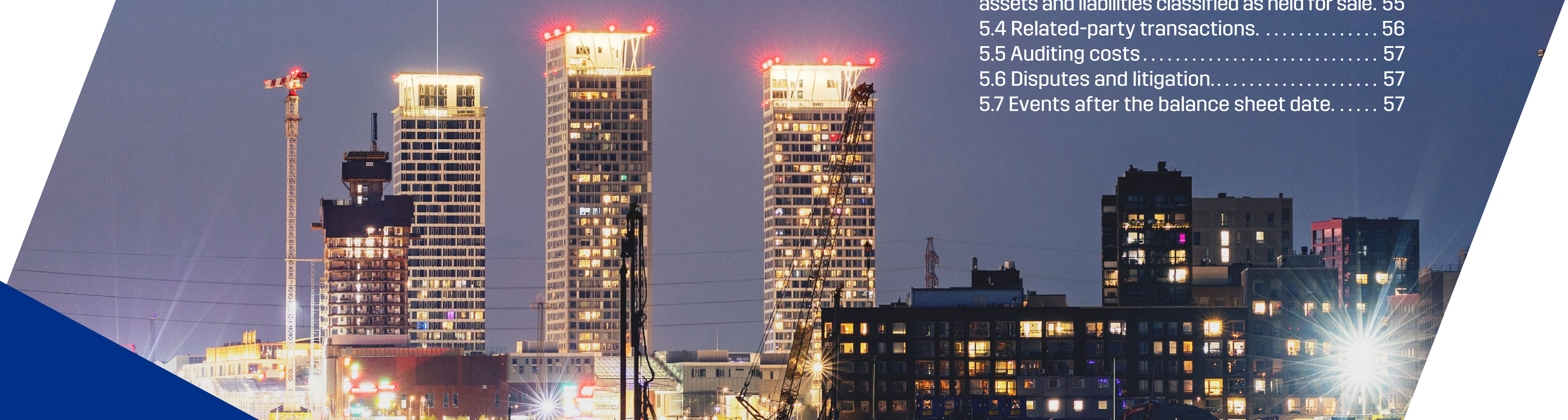
Key figures on financial performance

Adjusted operating profit, MEUR	=	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, MEUR	=	Operating profit + depreciation + impairment
EVA, MEUR	=	Operating profit - cost calculated on capital employed (average of four quarters) before taxes

The cost of capital emlpoyed is calculated using the Group's weighted average cost of capital (WACC 2022: 6.62%, WACC 2021: 6.72%, WACC 2020: 6.64%, WACC 2019: 6.55%, WACC 2018: 6.60%).

Return on equity, % (ROE)	=	Result for the period / Equity (average)
Capital employed, MEUR	=	Equity + Interest-bearing financial liabilities
Return on capital employed, % (ROCE)	=	Operating profit + financial income + share of results in associated companies and joint ventures / Equity + Interest-bearing financial liabilities (average of the end of the period and at the end of comparison period)
Equity ratio, %	=	Equity / Balance sheet total - advances received
Gearing, %	=	Net interest-bearing liabilities / Equity
Net interest-bearing liabilities, MEUR	=	Interest-bearing liabilities - cash and cash equivalents
Gross capital expenditure, MEUR	=	Investments in intangible and tangible assets excluding right-of-use assets and other adjustments including leased heavy vehicles and assets acquired through acquisitions

Financial statements



Consolidated income statement

1 January - 31 December MEUR	2022	2021	Note
Net sales	844.1	812.5	1.2
Other operating income	8.7	3.8	1.4
Materials and services	-286.7	-282.5	
Employee benefit expenses	-353.1	-342.6	1.3
Other operating expenses	-114.7	-95.9	1.4
Depreciation, amortisation and impairment	-55.4	-52.9	3.1, 3.3, 3.4
Operating profit	42.9	42.2	
Financial income	0.4	0.3	
Financial expenses	-6.0	-3.8	
Exchange rate differences (net)	-0.2	0.3	
Financial income and expenses	-5.8	-3.3	1.7
Share of the result of associated companies and joint ventures	0.7	0.0	
Result before taxes	37.8	39.0	
Income taxes	-6.3	-4.6	1.8
Result for the period	31.5	34.4	
Attributable to:			
Equity holders of the company	31.5	34.4	
Earnings per share attributable to the equity holders of the parent company:			
Earnings per share, EUR	0.83	0.90	1.9
Diluted earnings per share, EUR	0.83	0.90	

Consolidated statement of comprehensive income

1 January - 31 December MEUR	2022	2021	Note
Result for the period	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	2.6
Items not to be recognised through profit or loss, total	0.2	-0.0	
Items potentially to be recognised through profit or loss			
Hedging reserve, change in fair value	1.3	0.3	4.2
Currency translation differences	-5.7	-1.6	
Currency translation differences recognised through profit or loss	0.1	-	
Items potentially to be recognised through profit or loss, total	-4.3	-1.3	
Other comprehensive income, total	-4.1	-1.4	
Total comprehensive income, after tax	27.4	33.0	
Attributable to:			
Equity holders of the company	27.4	33.0	

More information on taxes in consolidated statement of comprehensive income is presented in Note 1.8.

Consolidated statement of financial position

31 December MEUR	2022	2021	Note
ASSETS			
Non-current assets			
Intangible assets			3.1
Goodwill	180.7	172.1	
Other intangible assets	36.5	32.5	
	217.2	204.6	
Tangible assets	155.3	153.0	3.3
Right-of-use assets	71.2	69.8	3.4
	226.6	222.8	
Other non-current assets			
Shares in associated companies and joint ventures	14.0	0.0	3.5
Other shares and holdings	0.2	0.2	3.5
Deferred tax assets	1.9	2.7	1.8
Other receivables	1.9	2.0	3.5
	17.9	4.9	
Total non-current assets	461.7	432.3	
Current assets			
Inventories	7.8	5.9	2.2
Trade receivables	91.0	86.8	2.1, 4.1
Contract assets	30.8	22.8	1.2, 2.1, 4.1
Income tax receivables	8.7	7.3	2.1
Other receivables	11.0	10.4	2.1, 4.1
Cash and cash equivalents	49.5	28.6	4.1
	198.8	161.8	
Assets classified as held for sale	-	38.3	5.3
Total current assets	198.8	200.0	
TOTAL ASSETS	660.5	632.3	

31 December MEUR	2022	2021	Note
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent company			4.3
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	1.8
Retirement benefit obligations	1.2	1.4	2.6
Provisions	7.4	8.1	2.5
Financial liabilities	177.5	175.8	4.1
Other liabilities	13.3	7.5	2.4
	227.5	220.0	
Current liabilities			
Financial liabilities	39.3	19.9	4.1
Trade and other payables	170.5	164.9	2.3, 4.1
Income tax liabilities	1.0	3.3	2.3
Provisions	1.7	2.7	2.5
	212.6	190.8	
Liabilities related to assets classified as held for sale	-	11.2	5.3
Total liabilities	440.1	422.0	
TOTAL EQUITY AND LIABILITIES	660.5	632.3	

Consolidated statement of cash flows

1 January - 31 December MEUR	2022	2021	Note
Cash flows from operating activities			
Result for the period	31.5	34.4	
Adjustments			
Income taxes	6.3	4.6	1.8
Depreciation, amortisation and impairment	55.4	52.9	3.1, 3.3, 3.4
Financial income and expenses	5.8	3.3	1.7
Gains and losses on sale of tangible and intangible assets	-1.2	-1.7	
Share of the result of associated companies and joint ventures	-0.7	-0.0	3.5
Gain from sale of subsidiary's net assets to joint venture	-4.3	-	5.3
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 eceived	0.4	0.3	
Income taxes paid	-9.6	-6.7	
Net cash from operating activities	71.8	65.6	

1 January - 31 December MEUR	2022	2021	Note
Cash flows from investing activities			
Acquisitions of subsidiaries and businesses, net of cash acquired	-13.2	-23.2	5.3
Proceeds from sale of subsidiaries and businesses, net of sold cash	-2.0	-	5.3
Purchases of property, plant and equipment and intangible assets	-33.8	-42.3	
Proceeds from sale of property, plant and equipment 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 from operating and investing activities	41.1	1.7	
Cash flows from financing activities			
Proceeds from short-term borrowings	35.0	40.0	4.1
Repayments of short-term borrowings	-35.0	-55.0	4.1
Proceeds from long-term borrowings	75.0	25.0	4.1
Repayments of long-term borrowings	-58.1	-	4.1
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 the beginning of the period	28.6	50.2	
Effect of changes in foreign exchange rates	-0.1	-0.0	
Cash and cash equivalents at the end of the period	49.5	28.6	4.1

Consolidated statement of changes in equity

MEUR	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Total equity	Note
Equity on 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 items		-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	1.5
Dividends paid					-15.2	-15.2	
Returned dividends					0.0	0.0	
Transactions with shareholders, total	-	-	-	-	-15.2	-15.2	
Equity on 31 December 2021	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 items		-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	1.5
Dividends paid					-17.5	-17.5	
Returned dividends					0.0	0.0	
Transactions with shareholders, total	-	-	-	-	-17.3	-17.3	
Equity on 31 December 2022	19.4	-11.5	0.9	0.6	211.0	220.4	

For more information on equity please refer to Note 4.3 Equity, and on taxes recognised in equity to Note 1.8 Income taxes.

Notes to the consolidated financial statements

General information

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

The Group's parent company is Lassila & Tikanoja plc. Lassila & Tikanoja plc is a Finnish public limited liability company domiciled in Helsinki, Finland. The registered address of the Company is Valimotie 27, 00380 Helsinki, Finland.

Lassila & Tikanoja plc is listed on the Nasdaq Helsinki.

The consolidated financial statements are available on the company website at www.lt.fi/en or from the parent company's head office, address Valimotie 27, 00380 Helsinki, Finland.

These consolidated financial statements have been approved for issue by the Board of Directors of Lassila & Tikanoja plc on 8 February 2023.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), with application of the IFRS and IAS standards as well as IFRIC and SIC interpretations in effect on 31 December 2022. In the Finnish Accounting Act and regulations enacted by virtue of it, International Financial Reporting Standards refer to standards and related interpretations approved for adoption within the EU according to the procedure described in regulation (EC) 1606/2002. The notes to the consolidated financial statements also comply with the Finnish accounting and community legislation supplementing the IFRS regulations.

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.

Figures in these financial statements are presented in millions of euros, unless otherwise stated.

Application of new or amended IFRS standards

New and amended standards adopted in 2022

The Group has applied the new standards and interpretations published by IASB with the effective date 1 January 2022. These standards, amendments and interpretations did not have material impact on the entity in the current period, and they are not expected to have any material impact on the entity in the future reporting periods and on foreseeable future transactions.

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

The Group applies new standards and interpretations from the effective date. If the effective date is other than the first day of a financial year, the Group applies the standard or interpretation from the beginning of the following financial year. The impact from other new and amended standards issued but not yet effective is not considered to be material to the Group's financial reporting.

Critical judgements by Management

In drawing up IFRS financial statements, the Group management must make estimates and assumptions concerning the future, the outcome of which may differ from the estimates and assumptions made. The management also employs judgement when making decisions on the selection and application of accounting principles.

Considerations based on discretion apply, in particular, to cases where the applicable IFRS standards provide for alternative methods of recognition, measuremement or presentation.

The preparation of financial statements requires the management to make estimates and assumptions that affect the carrying amounts on the balance sheet date for assets and liabilities and the amounts of income and expenses. The estimates and assumptions reflect the management's best understanding on the closing date, based on previous experience and assumptions about the future that are considered to have the highest probability on the closing date.

The most significant area where management has used the judgement described above relates to the recognition of assets and liabilities for acquired business operations and to fair value measurement.

Key assumptions regarding the future and key uncertainty factors related to estimates on the closing date that involve a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year are described in the following notes:

1.2 Revenue from contracts with customers
1.8 Income taxes
2.5 Provisions
3.2 Goodwill impairment testing
3.4 Right-of-use assets
5.3 Business acquisitions and disposals and assets and liabilities classified as held for sale

1 Financial result

1.1 Segment reporting

Accounting policy

Segment information is reported to the highest operational decision-maker, consistent with internal reporting. The highest operational decision-maker is Lassila & Tikanoja plc's President and CEO.

Segment assets are those operating assets that are employed by a segment in its operating activities and that can be allocated to the segment on a reasonable basis. Items reported under Group administration and other include items related to Group level functions such as expenses associated with Group management, as well as costs incurred from operating as a public company and the corresponding assets and liabilities. Lease liabilities and eliminations are also included in Group Administration and other.

The Group's operating segments

The Group has four reportable segments, which are the Group's business divisions - Environmental Services, Industrial Services, Facility Services Finland and Facility Services Sweden.

Environmental Services division consists of the waste management and recycling business, selling of waste containers and their maintenance, and new circular economy solutions. The division operates only in Finland.

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. 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. L&T Biowatti Oy was reported as part of Environmental Services segment until the merger. For more information on the joint venture, please refer to note 3.5 Other long-term assets.

Industrial Services division covers solutions for industrial material flows and their utilisation, industrial process cleaning solutions, collection and disposal of hazardous waste and sewer system maintenance and repair. The division has operations both in Finland and in Sweden.

Facility Services Finland division provides cleaning and other support services for facilities, property maintenance and technical maintenance, including energy management.

Facility Services Sweden division provides cleaning and other support services for cleaning facilities and technical maintenance.

Geographical segments

Accounting policy

The Group operates in Finland and Sweden. Net sales of geographical areas are reported based on the geographical location of the customer, and assets are reported by geographical location.

MEUR	2022	2021
Net sales		
Finland	682.3	647.2
Sweden	156.6	154.3
Other countries	5.2	11.0
Total	844.1	812.5
Assets		
Finland	604.4	590.6
Sweden	56.1	41.7
Total	660.5	632.3
Capital expenditure		
Finland	41.6	70.5
Sweden	16.6	1.8
Total	58.2	72.3

2022 MEUR	Environmental Services	Industrial Services	Facility Services Finland	Facility Services Sweden	Group administration and other	Group
External net sales	319.7	129.8	254.1	140.4	-	844.1
Inter-division net sales	1.5	2.2	2.2	0.0	-6.0	-
Total net sales	321.2	132.0	256.3	140.4	-6.0	844.1
Operating profit	30.3	12.7	-0.5	0.4	0.1	42.9
Operating margin, %	9.4	9.6	-0.2	0.3		5.1
Adjusted operating profit[1]	30.3	13.6	-0.5	0.4	-2.8	40.9
Adjusted operating margin, %[1]	9.4	10.3	-0.2	0.3		4.8
Financial income and expenses						-5.8
Share of result in associated companies and joint ventures						0.7
Profit before tax						37.8
Income taxes						-6.3
Profit for the period						31.5
Assets	278.6	145.3	90.5	88.4	57.7	660.5
Liabilities	106.3	56.7	56.2	26.4	194.5	440.1
Capital expenditure	20.3	34.6	1.5	0.4	1.3	58.2
Depreciation, amortisation and impairments	26.9	12.3	9.1	5.9	1.3	55.4

2021 MEUR	Environmental Services	Industrial Services	Facility Services Finland	Facility Services Sweden	Group administration and other	Group
External net sales	318.8	102.8	241.1	149.8	-	812.5
Inter-division net sales	1.7	2.3	2.0	0.0	-6.1	-
Total net sales	320.5	105.1	243.1	149.8	-6.1	812.5
Operating profit	29.8	9.2	1.8	3.9	-2.4	42.2
Operating margin, %	9.3	8.7	0.7	2.6		5.2
Adjusted operating profit[1]	29.8	9.2	1.8	3.9	-2.2	42.4
Adjusted operating margin, %[1]	9.3	8.7	0.7	2.6		5.2
Financial income and expenses						-3.3
Share of result in associated companies and joint ventures						0.0
Profit before tax						39.0
Income taxes						-4.6
Profit for the period						34.4
Assets	314.5	110.5	83.9	94.5	29.1	632.3
Liabilities	89.1	42.3	55.4	27.4	207.8	422.0
Capital expenditure	41.7	14.5	13.6	1.8	0.6	72.3
Depreciation, amortisation and impairments	26.7	9.4	9.1	6.5	1.2	52.9

[1] Unaudited

1.2 Revenue from contracts with customers

Accounting policy

Revenue from contracts with customers is recognised when or as the performance obligation is satisfied by transferring a promised good or service to the customer. A good or a service is transferred when the customer obtains control of the good or service. Revenue is recognised based on the transaction price to which L&T expects to be entitled in exchange for transferring the good or service.

The Group acts as a principal in all of its contracts with customers.

The Group applies the practical expedient and does not disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period. This is because the contract period in the Group's customer contracts for project deliveries, is typically short. However, in long-term service agreements the contract period can be several years. For these contracts the Group applies the practical exedient according to which the Group is entitled to a consideration from the customer that corresponds directly with the value to the customer from Groups performance completed to date. In these contracts the Group recognises revenue for the amount that it is entitled to invoice.

Services business

Services business comprises of long-term service agreements and separately ordered services.

Long-term service agreements include for example waste management and recycling services which is part of Environmental Services as well as cleaning and property maintenance services included in Facility Services. Long-term service agreements include one or more performance obligations depending on the amount of distinct services provided to the customer. A typical characteristic of long-term services is that services are delivered evenly throughout the contract term. With one contract customer can order for example inside cleaning services, outside cleaning and upkeep services and property maintenance services that are distinct performance obligations. Each service is a distinct performance obligation as the customer can benefit from the services on its own and could order the services from different service providers. If a contract contains more than one distinct performance obligation, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

In addition to the long-term service agreements, L&T offers services which are separately ordered as part of Industrial Services and Facility Services. Compared to the long-term service agreements, services that are ordered separately are typically short-term in nature and they are provided either occasionally or on a non-recurring basis.

Revenue from services business is recognised over time, as the customer simultaneously receives and consumes the benefits provided by the Group performance. Revenue from services that are invoiced with a fixed monthly fee is recognised evenly over the contract term as also the work is performed evenly over the term. Revenue from services that are invoiced based on hourly fees is recognised based on the work performed. The management has identified that there may be seasonal fluctuation especially in the long-term service agreements of Facility Services as the work performed differs between seasons during the year. Management has estimated that the costs for these services incur evenly throughout the period and, thus, revenue is recognised evenly over the period

Industrial Services receives contaminated soil from customers, for which the performance obligation is the receipt and processing of soil. Measuring progress towards complete satisfaction of the performance obligation is based on the output method. Revenue is recognised based on the amount of processed soil. Customer is invoiced when soil is received and the payment received from the customer is treated as a contract liability.

Project business

Project business includes for example projects for industrial process cleaning and closing of landfills which are part of Industrial Services business and renovation and building technology projects as well as refrigeration and cooling service projects for retailers and energy management projects included in Facility Services. In project business the customer orders the entire project at once and the project is considered as a single performance obligation. In some cases, a contract can also consist of several different locations and each location creates a distinct performance obligation. If the contract contains more than one distinct performance obligation, the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

Revenue from project business is recognised over time as the projects mainly relate to enhancing an asset that the customer controls. In project business the input method based on costs incurred is used for measuring the progress towards complete satisfaction of the performance obligation. The management has estimated that the costs incurred for a project can be determined reliably. Also, due to the contract structure in project business the management has determined that L&T has an enforceable right to payment for performance completed to date. In project business invoicing is typically made based on a predetermined payment schedule.

Sale of equipment and materials

Sale of equipment consists of sale of compactors and balers to customers included in Environmental Services business. Sale of materials consists of sale of wood-based fuels, recycled fuels and delivery of wood raw materials and of sale of recycled raw materials in Environmental Services business. Each equipment or material delivery creates a distinct performance obligation in the sale of equipment and materials. The equipment delivered by the Group does not involve any additional warranties that would be considered as a distinct performance obligation.

Control of the delivered product is transferred when the physical possession of the product has been transferred to the customer, which typically occurs at delivery.

Environmental Services business delivers wood-based fuels, recycled fuels and wood raw materials to customers. The consideration received from a customer is based on the amount of delivered fuel and the energy level of the fuel or on the amount of the delivered material. In some cases, the final transaction price is determined after the customer has measured the fuel's energy value or amount of fuel delivered, and, thus, there is uncertainty relating to the amount of final transaction price. Management has estimated that the level of uncertainty related to the transaction price is low and any adjustments to be made to the transaction price when the uncertainty is resolved are not considered to be material.

Lease income

In addition to the sale of compactors and balers, customers can also lease the equipment through an external financing company. The agreement made between the Group and the financing company includes a repurchase obligation at the end of the lease period with a predetermined residual value. Due to the repurchase obligation management has determined that all the risks and rewards incidental to ownership of the assets are not transferred substantially to the customer and, thus, the leased equipment is treated as tangible assets. At the inception of the lease, advances received from the financing company as well as the residual value of the asset are recognised as a liability in the balance sheet. Lease income is recognised monthly during the lease term. Management has estimated that the amount of payment received from the financing company does not Include a significant financing component.

Estimating variable consideration

The contracts with customers may include components of variable considerations, such as bonuses and penalties for delay. Management has determined that the level of uncertainty relating to the variable consideration is typically low. The estimate of the amount of variable considerations is reassessed at the end of each reporting period.

Contract balances

Contract assets and trade receivables

A contract asset is a right to consideration in exchange for goods or services that are transferred to a customer. If goods or services are transferred to a customer before the invoice is sent to the customer, the amount is presented as a contract asset. If the company has an unconditional right to the consideration, a trade receivable is presented in the statement of financial position.

Contract assets and trade receivables are assessed for impairment in accordance with IFRS 9. The general payment term for customers is 14 days, but it can vary depending on the specific case.

Contract liabilities
A contract liability is an obligation to transfer goods or services to a customer for which L&T has received consideration from the customer. If a customer pays consideration before goods or services are transferred to the customer, a contract liability is presented in the statement of financial position when the payment is made by the customer.

Incremental costs of obtaining a contract
The company does not have material incremental costs to obtain a contract. The company applies a practical expedient which allows the costs to obtain a contract to be recognised when they occur.

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.

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
Interdivision						-6.0
External net sales						844.1

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
Interdivision						-6.1
External net sales						812.5

Critical judgements by Management
The amount and timing of revenue recognition involves management's judgement especially in the following areas:
- Identification of performance obligations for services business
- Timing of revenue recognition in services and project business
- Treatment of repurchase agreements relating to compactors and balers in Environmental Services business including the assessment of the existence of a significant financing component
- Measurement of a variable consideration

These judgements have been described in more detail in the description relating to revenue recognition.

Contract balances

MEUR	2022	2021
Trade receivables	91.0	86.8
Contract assets	30.8	22.8
Contract liabilities[1]	7.2	8.1

[1] The figures of the comparison period have been adjusted.

Contract liabilities are mainly related to the long-term service agreements and are recognised as revenue entirely during the following period. Contract liabilities are included in the balance sheet item Trade and other payables.

No revenue was recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods.

1.3 Employee benefit expenses

Accounting policy
The Group's employee benefits include wages, salaries and bonuses paid to employees, post-employment benefits (defined contribution plans and defined benefit plans), share-based payments and other personnel expenses (statutory social security costs).

Details on share-based payments are presented in Note 1.5 Share-based payments. The employee benefits of the top management are presented in Note 5.4 Related-party transactions. Details on the items of defined benefit pension plans in the consolidated statement of financial position are presented in Note 2.6 Retirement benefit obligations.

MEUR	2022	2021
Wages and salaries	282.4	274.6
Pension costs		
Defined contribution plans	60.9	58.7
Defined benefit plans	0.0	0.0
Share-based payments	0.1	0.4
Other personnel expenses	9.7	8.9
Total	353.1	342.6

Average number of employees in full-time equivalents

	2022	2021
White collar	1,264	1,298
Blue collar	6,100	6,021
Total	7,364	7,319
Finland	6,199	5,953
Sweden	1,165	1,366
Total	7,364	7,319

1.4 Other operating income and expenses

Accounting policy
Other operating income includes items that are not considered as being directly related to the Group's normal business, such as gains from sales of assets and business activities and received compensations. Other operating expenses include, for instance, fees for expert and consulting services, losses from sales of assets and business activities, bad debts and changes in allowances for credit losses, expenses related to the use of vehicles and machinery, ICT costs, voluntary social security costs, travel costs, real estate costs and implementation costs of cloud computing arrangements.

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

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

Other operating income

MEUR	2022	2021
Gains on sales of property, plant and equipment	1.7	2.0
Gain from sale of subsidiary's net assets to joint venture	4.3	-
Reimbursements and government grants	0.6	0.8
Other	2.1	1.0
Total	8.7	3.8

Other operating expenses

MEUR	2022	2021
ICT costs	16.6	16.3
Travel costs	10.3	8.6
Bad debts and changes in allowances for expected credit losses	0.4	0.2
Vehicles and machinery	56.8	48.5
Rents and real estate costs	5.0	3.6
Expert fees	7.6	6.1
Voluntary social security costs	7.6	5.3
Discontinuation of Russian operations	-0.2	-2.1
Other	10.5	9.4
Total	114.7	95.9

1.5 Share-based payments

Accounting policy

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

Share-based incentive programme 2019

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 12 December 2018 on a new share-based incentive programme. Potential rewards were based on the EVA result of Lassila & Tikanoja Group.

Based on the programme a maximum of 32,850 shares of the company could be granted.

Under the programme, a total of 1,092 Lassila & Tikanoja plc's shares were granted in 2020. The shares paid out as rewards were transferred from the shares held by the company. The programme covered 8 persons.

Share-based incentive programme 2020

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 28 January 2020 on a new share-based incentive programme. Potential rewards were based on the EVA result of Lassila & Tikanoja Group.

Based on the programme a maximum of 40,050 shares of the company could be granted.

Based on the decision by the board of directors no Lassila & Tikanoja plc's shares were granted in 2021 from the share-based incentive programme of year 2020. The programme covered 9 persons.

Share-based incentive programme 2021

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 27 January 2021 on a new share-based incentive programme. Potential rewards were based on the EVA result and the carbon handprint of the Group.

Based on the programme a maximum of 37,300 shares of the company could be granted.

Based on the decision by the board of directors a total of 24,522 Lassila & Tikanoja plc's shares were granted in 2022 from the share-based incentive programme of year 2021. The programme covered 9 persons.

Share-based incentive programme 2022

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 26 January 2022 on a new share-based incentive programme. Potential rewards are based on the EVA result and the carbon handprint of the Group.

Based on the programme a maximum of 37,300 shares of the company can be granted.

The performance criteria for the share-based incentive programme 2022 were not met, and no Lassila & Tikanoja Plc's shares will be granted in 2023. The programme covered 9 persons.

Performance share plan 2023-2027

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 14 December 2022 on a new share-based incentive programme. 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. The Board of Directors decides on the performance criteria of the plan and the performance levels to be set for each performance criterion at the beginning of a performance period. Potential rewards of performance period 2023-2025 will be based on return on capital employed (ROCE), total shareholder return (TSR) and reduction of the carbon footprint (ESG) during the period 2023-2025.

The rewards to be paid based on the performance period 2023–2025 correspond to the value of approximately 237,300 Lassila & Tikanoja plc shares in maximum total, also including the portion to be paid in cash. 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.

Bridge plan 2023-2026

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 14 December 2022 on a new share-based incentive programme. The Bridge Plan 2023–2026 has two (2) one-year (1) performance periods covering the calendar years 2023 and 2024. A performance period is followed by a two-year retention period. The aim of the plan is to support the transition from the old Performance Share Plan to the new Performance Share Plan.The Board of Directors decides on the performance criteria of the plan and the performance levels to be set for each performance criterion at the beginning of a performance period. Potential rewards of performance period 2023 will be based on return on capital employed (ROCE) and reduction of the carbon footprint (ESG) in 2023.

Share-based incentive programme	2023-2027	2023-2026	2022	2021	2020	2019
Grant date	-	-	26 Jan 2022	27 Jan 2021	28 Jan 2020	12 Dec 2018
Start of the earnings period	1 Jan 2023	1 Jan 2023	1 Jan 2022	1 Jan 2021	1 Jan 2020	1 Jan 2019
End of the earnings period	31 Dec 2025	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Average share price at grant date	-	-	13.06	15.40	15.18	16.16
Maximum number of shares	237,300	83,800	37,300	37,300	40,050	32,850
Realisation on closing date, shares			-	24,522	-	1,092
Returned shares			-	-	-	-
Obligation to hold shares, years	-	2	2	2	2	2
Release date of shares	-	31 Mar 2026	31 Mar 2025	31 Mar 2024	31 Mar 2023	31 Mar 2022
Number of persons included	50	10	9	9	9	8

Expenses arising from share-based incentive programmes, MEUR	2022	2021
Share component	0.1	0.1
Cash component	-	0.3
Total	0.1	0.4

The rewards to be paid based on the performance period 2023 correspond to the value of approximately 83,800 Lassila & Tikanoja plc shares in maximum total, also including the portion to be paid in cash. The target group of the Bridge Plan during the performance period 2023 consists of approximately 10 key employees, including the Group's President and CEO and the Group Executive Board.

1.6 Lease expenses

Accounting policy

The Group leases production and office premises including related land areas, vehicles and ICT equipment. At the commencement date of the lease contract, a right-of-use asset and a lease liability, measured at the present value of the remaining lease payments, is recognised in the statement of financial position.

The right-of use asset is subsequently measured at cost less accumulated depreciation and less any accumulated impairment losses and adjusted for any remeasurements of the lease liability. Depreciation is calculated using the straight-line method from the commencement date to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset. The depreciations of right-of-use assets are presented in depreciation, amortisation and impairments in the income statement.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or price level or if the Group changes its assessment of whether it will exercise a purchase, extention or termination option. The interest expense on the lease liability is included in the financial income and expenses in the income statement. In the statement of cash flow, the amortisation of lease liabilites is presented in the cash flows from financing activities and the interest paid in the cash flows from operating activities. The cash flows related to leases in 2022 totalled EUR -25.3 million (-23.1).

The Group applies the exemption for short-term leases to production and office premises leases and the exemption for low-value assets to leases of ICT equipment. For these leases, the right-of-use asset and lease liability is not recognised. The lease payments of low-value assets and short-term leases are presented in Other operating expenses and Materials and services in the income statement.

MEUR	2022	2021
Depreciation expense of right-of-use assets	-19.5	-19.1
Interest expense of lease liabilities	-1.5	-1.4
Expenses related to leases of low-value assets[1]	-4.3	-3.5
Total	-25.3	-24.0

[1] The figures of the comparison period have been adjusted.

1.7 Financial income and expenses

Accounting policy

Exchange rate gains and losses arising from foreign-currency transactions and the translation of monetary items are recognised in the income statement. Foreign exchange gains and losses on business transactions are included in the respective items above operating profit. Foreign exchange gains and losses on financial assets and liabilities are included in financial income and costs.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the acquisition cost of that asset. There were no such assets at the end of the reporting period.

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

MEUR	2022	2021
Financial income		
Interest income on loans and other receivables	0.2	0.3
Interest income from joint ventures	0.2	-
Foreign exchange gains	-	0.3
Total financial income	0.4	0.6
Financial expenses		
Interest expenses on borrowings measured at amortised cost	5.2	3.5
Other financial expenses	0.8	0.3
Losses on foreign exchange	0.2	-
Total financial expenses	6.2	3.8
Financial income and expenses	-5.8	-3.3

1.8 Income taxes

Accounting policy

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

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts. The deferred taxes are determined using tax rates enacted by the balance sheet date and that are expected to apply when the deferred tax asset is realised or liability settled. No deferred tax is recognised for impairment of goodwill that is not tax-deductible. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised.

The most significant temporary differences arise from fair value measurements related to acquisitions and new intangible assets.

Tax effects of components of other comprehensive income

MEUR	2022 Before tax	2022 Tax expense/ benefit	2022 After tax	2021 Before tax	2021 Tax expense/ benefit	2021 After tax
Items arising from re-measurement of defined benefit plans	0.2	-0.0	0.2	-0.1	0.0	-0.0
Hedging reserve, change in fair value	1.7	-0.3	1.3	0.3	-0.1	0.3
Currency translation differences	-5.7	-	-5.7	-1.6	-	-1.6
Currency translation differences recognised through profit or loss	0.1	-	0.1	-	-	-
Components of other comprehensive income	-3.7	-0.4	-4.1	-1.3	-0.1	-1.4

Income tax in the income statement

MEUR	2022	2021
Income tax for the period	-5.7	-5.6
Income tax for previous periods	-0.0	0.2
Change in deferred tax	-0.6	0.8
Total	-6.3	-4.6

The reconciliation of income tax expense recognised in the income statement and income tax calculated at the statutory tax rate in Finland

MEUR	2022	2021
Profit before tax	37.8	39.0
Income tax at Finnish tax rate 20%	-7.6	-7.8
Difference between tax rate in Finland and in other countries	-0.0	-0.0
Expenses not deductible for tax purposes	-0.3	-0.2
Tax exempt income	1.6	0.6
Income tax for previous periods	0.0	0.5
Deferred taxes on tax losses generated in previous periods	-	1.8
Unrecognised deferred tax on loss for the period	-0.0	-0.3
Utilisation of previously unrecognised tax losses	0.1	0.3
Other items	-0.2	0.4
Total	-6.3	-4.6

Deferred taxes in the statement of financial position

MEUR	2022	2021
Deferred tax assets	1.9	2.7
Deferred tax liabilities	-28.1	-27.2
Deferred taxes, net	-26.3	-24.5

The Group companies have a total of EUR 0.4 million (1.5) tax losses, on which no deferred tax asset has been recognised as the realisation of the tax benefit is not considered probable.

Deferred tax is recognised in the statement of financial position as tax assets and tax liabilities. Deferred tax assets and deferred tax liabilities are set off when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Critical judgements by Management

The recognition of deferred tax assets involves significant management's judgement. The appropriateness for recognising deferred tax assets is assessed at each balance sheet date. For this purpose, the Group estimates the probability of subsidiaries generating recoverable taxable income against which unused tax losses and unused tax compensations can be utilised. The factors used in the estimates may differ from the actuals, which may lead to write-down of deferred tax assets.

Deferred tax assets and liabilities

MEUR	At 1 Jan 2022	Recognised in income statement	Recognised in equity	Other changes	Business acquisitions	At 31 Dec 2022
Deferred tax assets						
Tax losses	1.8	-0.0		-0.2		1.6
Pension benefits	0.2		-0.0			0.2
Provisions	2.2	-0.4				1.7
Fair value adjustments	0.1		-0.1			-
Unused depreciation	1.3	0.1				1.4
Other temporary differences	0.1	2.0				2.0
Netting of deferred taxes	-2.9					-5.1
Total	2.7	1.6	-0.2	-0.2	-	1.9
Deferred tax liabilities						
Acquisitions	-23.9	-1.2		0.3	-0.9	-25.7
Depreciation differences	-5.6	-0.3				-5.9
Fair value adjustments	-		-0.2			-0.2
Other temporary differences	-0.7	-0.7			0.0	-1.4
Netting of deferred taxes	2.9					5.1
Total	-27.2	-2.2	-0.2	0.3	-0.9	-28.1

MEUR	At 1 Jan 2021	Recognised in income statement	Recognised in equity	Other changes	Business acquisitions	At 31 Dec 2021
Deferred tax assets						
Tax losses[1]	0.7	1.2		-0.0		1.8
Pension benefits	0.2					0.2
Provisions	2.0	0.1				2.2
Fair value adjustments	0.2		-0.1			0.1
Unused depreciation	1.3	0.1				1.3
Other temporary differences	0.2	-0.1				0.1
Netting of deferred taxes	-					-2.9
Total	4.5	1.2	-0.1	-0.0	-	2.7
Deferred tax liabilities						
Acquisitions	-22.9	0.4		0.1	-1.5	-23.9
Depreciation differences	-4.7	-0.9				-5.6
Other temporary differences	-0.6	0.1			-0.2	-0.7
Netting of deferred taxes	-					2.9
Total	-28.3	-0.4	-	0.1	-1.6	-27.2

[1] The increase in deferred tax asset on tax losses in 2021 is related to a Swedish subsidiary, whose ability to generate taxable income has improved according to the management's latest assesments, and thus the subsidiary will be able to utilise the tax losses.

1.9 Earnings per share

Accounting policy

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

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

	2022	2021
Result attributable to equity holders of the company, MEUR	31.5	34.4
Adjusted weighted average number of ordinary shares outstanding during the year, million shares	38.1	38.1
Earnings per share, EUR	0.83	0.90
Dilutive effect of the share-based incentive programme, million shares	0.0	0.0
Adjusted average number of shares during the period, diluted, million shares	38.1	38.1
Earnings per share, diluted, EUR	0.83	0.90

2 Operational assets and liabilities

2.1 Trade and other receivables

Accounting policy

Trade and other receivables are recognised in the balance sheet at historical cost less expected credit losses. The receivables are non-interest bearing and the general payment term for customers is 14 days. Trade receivables are classified as financial assets, that are presented in notes 4.1 Financial assets and liabilities and 4.2 Financial risk management..

A simplified impairment model allowed by IFRS 9 standard is applied to the recognition of expected credit losses. Expected credit losses are calculated by dividing trade receivables into categories based on maturity and by dividing said categories with the credit loss percentage based on historical data on credit losses realised from trade receivables and the outlook for the short-term future. This impairment model covers the company's trade receivables and assets based on agreement and the previous recognition of their credit losses.

Based on historical data and the outlook for the short-term future, an allowance for impairment is recognised as follows (credit loss percentage applied in the previous year in brackets): Trade receivables not past due 0.1 per cent (0.1), past due 1-90 days 0.7 per cent (1.0); past due 91-365 days 8.6-25.0 per cent (25.0-45.0 per cent). Trade receivables due over 360 days are written down completely. If the customer has become insolvent, such as in the case of bankruptcy or debt restructuring, the trade receivable is written down as a final credit loss when a payment can no longer be expected with reasonable certainty.

MEUR	2022	2021
Trade receivables	91.0	86.8
Contract assets	30.8	22.8
Accrued income	9.3	9.5
Prepayments	0.2	0.4
Tax receivables	8.7	7.3
Derivative receivables	1.2	-
Other receivables	0.3	0.4
Total	141.6	127.3
Specification of accrued income		
Employees' health care compensation	1.7	2.4
Licences	0.9	1.8
Other	6.8	5.3
Total	9.3	9.5

Change in allowance for impairment

MEUR	2022	2021
Allowance for impairment, 1 January	0.4	0.6
Change in the income statement	0.1	-0.1
Allowance for impairment, 31 December	0.5	0.4

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

Impairment losses and reversals of impairment losses recognised in previous periods are shown in Note 1.4 Other operating income and expenses.

Financial assets are not collateralised. No impairment was recognised on other financial assets.

Maturity of trade receivables, contract assests and allowance for impairment

	2022		2021	
MEUR	Trade receivables	of which the allowance for impairment	Trade receivables	of which the allowance for impairment
Trade receivables and contract assets not past due	106.5	0.1	98.8	0.1
Past due 1-90 days	14.4	0.1	10.7	0.1
Past due 91-365 days	1.4	0.2	0.4	0.1
Past due over 365 days	0.1	0.1	0.1	0.1
Total	122.4	0.5	110.0	0.4

2.2 Inventories

Accounting policy

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

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

MEUR	2022	2021
Raw materials and consumables	3.0	2.6
Finished goods	1.8	1.2
Other inventories	2.9	2.1
Total	7.8	5.9

The carrying value of the inventories was written down to the net realisable value. The expense of EUR 0.0 million (0.1) is included in Materials and services in the income statement.

2.3 Trade and other current payables

Accounting policy
Trade and other current non-interest-bearing liabilities are recognised in the balance sheet at historical cost. The effect of discounting is not essential considering the maturity of the payables. Trade payables are classified as financial liabilities that are presented in Notes 4.1 Financial assets and liabilities and 4.2 Financial risk management.

MEUR	2022	2021
Advances received[2]	9.5	10.2
Trade payables	60.1	58.3
Derivative liabilities	-	0.5
Current tax liabilities	1.0	3.3
Other liabilities[2]	25.7	26.7
Accrued expenses and deferred income[2]	75.2	69.2
Total	171.5	168.2
Accrued expenses and deferred income:		
Liabilities related to personnel expenses[1]	68.0	64.5
Other accrued expenses	7.2	4.7
Total	75.2	69.2

[1] Liabilities related to personnel expenses include ordinary accruals for salaries, pensions and other statutory personnel expenses.
[2] The figures of the comparison period have been adjusted.

The advances received include contract liabilities as well as advances received for rental payments. The fair values of trade and other current payables equal their book values.

2.4 Other non-current liabilities

MEUR	2022	2021
Advances received[2]	7.6	7.4
Deferred consideration[1]	5.7	-
Other liabilities	0.0	0.1
Total	13.3	7.5

[1] 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.
[2] The figures of the comparison period have been adjusted.

2.5 Provisions

Accounting policy
A provision is recognised when the Group has a legal or factual obligation towards a third party resulting from an earlier event, fulfilment of the payment obligation is probable, and its amount can be reliably estimated. Provisions are measured at the current value of the expenditure required to settle the obligation. Increase in provisions due to the passage of time is recognised as interest expense. Changes in provisions are recognised in the income statement in the same item in which the provision is originally recognised.

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. The most significant provisions recognised in the statement of financial position are the site restoration provisions for landfills and the processing sites for contaminated soil.

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 during the year	-0.5	-1.3	-1.8
Reversals	-0.4	-0.5	-0.8
Effect of discounting	0.1	-	0.1
Provisions at 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 during the year	-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

MEUR	2022	2021
Non-current provisions	7.4	8.1
Current provisions	1.7	2.7
Total	9.1	10.8

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.

Other provisions

Other provisions consist mainly of provision for restructuring and accident insurance contribution.

Critical judgements by Management
Recognition and measurement of provisions require management to assess the best estimate of the expenditure needed to settle the present obligation at the end of the reporting period. The actual amount and timing of the expenditure might differ from the estimates made.

2.6 Retirement benefit obligations

Accounting policy

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

The company operates a few defined benefit plans originating mainly from business acquisitions. The Group is responsible for some of these defined benefit pension plans, while others are covered by pension insurance. The obligations have been calculated for each plan separately, using the projected unit credit method. Pension costs are recognised in the income statement over employees' periods of service, in accordance with actuarial calculations. When calculating the present value of pension obligations, the discount rate is based on the market yield of the high-quality bonds issued by the company, whose maturity materially corresponds to the estimated maturity of the pension obligation. The risk premium is based on bonds issued by companies with an AA credit rating. The pension plan assets measured at fair value on the balance sheet date are deducted from the present value of the pension obligation to be recognised in the balance sheet. The net liabilities (or assets) associated with a defined benefit pension plan are recognised in the balance sheet.

The expense (pension expense) based on the work performed during the period and the net interest of the defined benefit plan's net debt are recognised in the profit and loss statement and included in employee benefit expenses. Items (such as actuarial gains and losses and return on funded defined benefit plan assets, except items related to net interest) arising from the redefinition of the net liabilities (or assets) associated with a defined benefit plan are recognised in other comprehensive income in the period in which they arise.

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

The Group has in Sweden pension deposits concerning a few people. The group has no legal or factual obligation to pay further contributions to these arrangements. The value of the deposits is recognised in other non-current receivables and a corresponding liability is recognised in pension liabilities.

MEUR	2022	2021
Amounts recognised in the statement of financial position		
Present value of funded obligations	0.3	0.4
Fair value of plan assets	-0.3	-0.3
	0.0	0.1
Present value of unfunded obligations	0.5	0.7
Liability related to pension deposits	0.7	0.6
Closing net liability	1.2	1.4
Changes in present value of obligation		
Opening defined benefit obligation	1.7	1.7
Current service cost	0.0	0.0
Interest cost	0.0	0.0
Actuarial gain (-) and loss (+) on obligation	-0.2	0.0
Benefits paid	-0.1	-0.1
Change in liability related to pension deposits	0.0	0.1
Closing value of obligation	1.5	1.7

MEUR	2022	2021
Changes in fair value of plan assets		
Opening fair value of plan assets	0.3	0.4
Interest income	0.0	0.0
Employers' contributions	0.0	0.0
Actuarial gain (+) and loss (-)	-0.0	-0.0
Benefits paid	-0.0	-0.0
Closing fair value of plan assets	0.3	0.3

MEUR	2022	2021
Movements in the liability recognised in the statement of financial position		
Opening liability	1.4	1.4
Expense recognised in the income statement	0.0	0.0
Employers' contributions	0.0	0.0
Actuarial gain (-) and loss (+)	-0.2	0.0
Contributions paid	-0.0	-0.1
Change in liability related to pension deposits	0.0	0.1
Closing liability	1.2	1.4
Amounts recognised in the statement of comprehensive income		
Current service cost	0.0	0.0
Interest cost	0.0	0.0
Interest income	-0.0	-0.0
Actuarial gain (-) and loss (+)	-0.2	0.0
Total	-0.2	0.1

The Group estimates that it will contribute EUR 36 thousand to defined benefit plans in 2023.

MEUR	2022	2021
Present value of obligation	1.5	1.7
Fair value of plan assets	-0.3	-0.3
Deficit	1.2	1.4
Principal actuarial assumptions used, %		
Discount rate	3.8	0.7
Expected rate of return on plan assets	2.6	2.1
Expected rate of salary increase	4.9	4.4
Expected rate of inflation	2.4	1.9

Defined contribution maturity of the obligation

MEUR	2022	2021
Maturity of less than one year	0.1	0.1
1-5 years	0.2	0.2
5-10 years	0.3	0.3
10-15 years	0.2	0.2
15-20 years	0.2	0.1
20-25 years	0.1	0.1
25-30 years	0.1	0.1
over 30 years	0.1	0.1
Total	1.2	1.2

3 Intangible and tangible assets and other non-current assets

3.1 Goodwill and other intangible assets

Accounting policy

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

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

Other intangible assets consist primarily of software and software licences.

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

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

Depreciation will cease when an intangible asset is classified as held for sale (or included in a disposal group held for sale).

MEUR	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Intangible rights	Other intangible assets	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan 2022	186.6	55.4	24.1	10.1	9.3	32.7	3.5	321.8
Additions					0.5	0.1	6.5	7.1
Business acquisitions	11.5	5.4	0.1			0.0		17.0
Disposals					-0.1	-2.7		-2.8
Transfers between items						1.8	-1.8	-0.0
Exchange differences	-3.6	-1.6	-0.1	-0.0	-0.3	-0.0		-5.7
Acquisition cost, 31 Dec 2022	194.6	59.1	24.2	10.0	9.5	31.8	8.2	337.4
Accumulated depreciation, 1 Jan 2022	-14.6	-37.2	-24.0	-9.8	-5.8	-25.7		-117.1
Accumulated amortisation on disposals and transfers					0.0	2.7		2.7
Amortisation charge		-3.5	-0.1	-0.1	-0.9	-3.2		-7.8
Exchange differences	0.6	1.1	0.1	0.0	0.2	0.0		2.0
Accumulated depreciation, 31 Dec 2022	-13.9	-39.7	-24.0	-9.8	-6.6	-26.2		-120.2
Carrying amount at 31 Dec 2022	180.7	19.4	0.2	0.3	2.9	5.6	8.2	217.2

Other intangible assets arising from acquisitions include mainly environmental permits.
Contractual commitments related to intangible assets totalled EUR 1.0 million (0.0).

MEUR	Goodwill	Customer contracts arising from acquisitions	Agreements on prohibition of competition	Other intangible assets arising from acquisitions	Intangible rights	Other intangible assets	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan 2021	168.7	48.6	24.0	10.1	8.3	32.4	2.8	295.0
Additions					1.3	0.3	4.1	5.7
Business acquisitions	18.9	7.2	0.1			0.0		26.3
Disposals		0.0			-0.2	-3.1	-0.5	-3.8
Transfers between items						3.1	-2.9	0.2
Exchange differences	-1.0	-0.5	-0.0	-0.0	-0.1	0.0		-1.5
Acquisition cost, 31 Dec 2021	186.6	55.4	24.1	10.1	9.3	32.7	3.5	321.8
Accumulated depreciation, 1 Jan 2021	-14.7	-34.3	-24.0	-9.7	-5.4	-24.0		-112.1
Accumulated amortisation on disposals and transfers					0.2	1.5		1.7
Amortisation charge		-3.2	-0.1	-0.1	-0.6	-3.2		-7.1
Exchange differences	0.2	0.2	0.0	0.0	0.0	0.0		0.5
Accumulated depreciation, 31 Dec 2021	-14.6	-37.2	-24.0	-9.8	-5.8	-25.7		-117.1
Carrying amount at 31 Dec 2021	172.1	18.1	0.2	0.3	3.5	6.9	3.5	204.6

Accounting policy

On each balance sheet date, the Group assesses the carrying amounts of its assets for any impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is made.

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

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

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

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

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

3.2 Goodwill impairment testing

Accounting policy

The goodwill impairment testing is conducted at least annually or more frequently if there is any indication that goodwill may be impaired. Impairment testing is conducted according to the business structure in force at the time of the impairment testing.

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

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

Goodwill allocation

The carrying amounts of goodwill are allocated to cash-generating units in accordance with the table below:

MEUR	2022	2021
Environmental Services	87.6	86.9
Industrial Services	30.6	19.8
Facility Services Finland	28.6	28.6
Facility Services Sweden	33.9	36.8
Total	180.7	172.1

The goodwill generated from the acquisition of Sand & Vattenbläst i Tyringe AB in the first quarter of 2022 is included in the goodwill allocated to Industrial Services.

Goodwill impairment testing in 2022

The goodwill impairment testing has been prepared based on value-in-use calculations in which future cash flows are discounted to net present value. The terminal growth rate used in the value-in-use calculations of cash generating units is 1.9 per cent, which corresponds to the mid-term inflation goal of the European Central Bank. The same terminal growth rate is used in all cash generating unit based on similar business environment.

The discount rates used in calculations are based on the Group's weighted average cost of capital (WACC). Factors in WACC are risk-free income, market risk premium, company-specific beta, cost of capital as well as the ratio between equity and liabilities. A discount rate has been defined for each cash generating unit.

Discount rates used in the calculations (pre tax)

%	2022	2021
Environmental Services	8.5	7.7
Industrial Services	8.5	7.8
Facility Services, Finland	8.4	7.7
Facility Services, Sweden	8.5	7.7

According to the impairment testing, the value-in-use of all the cash generating units in the Group exceeded the carrying amounts of the tested assets. Thus, no impairments were recognised in 2022.

Sensitivity analyses of impairment testing

A sensitivity analysis of each cash-generating unit was performed, during which the key calculation assumptions were tested. The key assumptions used in the testing were discount rate and EBITDA per cent used in calculation of the terminal value. The EBITDA per cent was based on the historical development of the cash-generating unit. In the sensitivity analysis, a key assumption was tested by changing the threshold values to a value at which the value-in-use would equal the carrying amount.

In Facility Services Sweden, a decrease of EBITDA per cent by 1.8 percentage points or an increase of discount rate by 3.3 percentage point would result in the value-in-use of Facility Services Sweden equaling the carrying amount of the tested assets. At the time of the testing, the difference between the value-in-use and the carrying amount of Facility Services Sweden was EUR 36.5 million and the EBITDA per cent in the forecast period was 7.1 per cent.

Regarding the other cash-generating units, any change in the key assumptions which would be considered as somewhat likely could not result in the carrying amount of the cash-generating unit exceeding the value-in-use.

Critical judgements by Management

The preparation of value-in-use based calculations used in goodwill impairment testing requires the use of management judgement. The future cash flows are based on forecasts for the strategy period approved by the Board of Directors. These forecasts are based on actual development and management's view on the growth outlook for the industry. The terminal growth rate is based on the management's view on the long-term growth outlook for the business. Though the assumptions used are appropriate according to the management's judgement, the estimated cash flows may differ fundamentally from those realised in the future.

3.3 Tangible assets

Accounting policy
Tangible assets are recognised at historical cost less accumulated depreciation and impairment losses. The historical cost includes expenditure that is directly attributable to the acquisition of the asset. Borrowing costs immediately arising from the acquisition, construction or manufacture of tangible assets that meet the conditions are capitalised as part of the asset's acquisition cost. Possible restoration costs are also included in the acquisition cost.

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

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

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

Buildings and structures	5–30 years
Vehicles	6–15 years
Machinery and equipment	4–15 years

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

When an asset included in tangible assets consists of several components with different estimated useful lives, each component is treated as a separate asset. Ordinary repair and maintenance costs are recognised in the income statement during the period in which they are incurred. Costs of significant modification and improvement projects are capitalised if it is probable that the projects will result in future economic benefits to the Group. When a tangible asset is classified as held for sales in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, depreciation will no longer be recorded. Gains and losses on sales and disposal of tangible assets are recognised through profit or loss and are presented in other operating income or expenses.

At each balance sheet date, the Group assesses the balance sheet values of its assets for any impairment. If any indication exists, an estimate of the asset's recoverable amount is made.

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

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

An impairment loss recognised in prior periods is reversed if there is a change in circumstances and the recoverable amount has changed.

MEUR	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan 2022	7.4	138.9	408.9	0.1	10.1	565.4
Additions	0.8	0.6	12.8	0.1	12.4	26.7
Business acquisitions		0.2	4.3	0.1		4.6
Disposals	-0.1	-1.7	-19.6	-0.0	-0.1	-21.5
Transfers between items		3.6	9.9		-13.5	0.0
Exchange differences		-0.0	-0.1	-0.0		-0.2
Acquisition cost, 31 Dec 2022	8.2	141.6	416.1	0.3	9.0	575.1
Accumulated depreciation, 1 Jan 2022	-0.5	-103.8	-308.0	-0.1		-412.4
Accumulated depreciation on disposals and transfers		0.6	18.6	0.0		19.3
Depreciation for the period		-6.2	-21.8	-0.0		-28.1
Exchange differences		1.1	0.4	0.0		1.5
Accumulated depreciation, 31 Dec 2022	-0.5	-108.4	-310.8	-0.1		-419.8
Carrying amount at 31 Dec 2022	7.7	33.2	105.3	0.2	9.0	155.3

The carrying amount of machinery and equipment includes EUR 12.6 million (11.5) of compactors and balers sold through an external financing company. Due to the repurchase obligation the leased equipment is treated as tangible assets.

Contractual commitments related to property, plant and equipment totalled EUR 19.7 million (17.2).

MEUR	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan 2021	5.8	134.4	393.3	0.1	8.9	542.6
Additions	1.7	2.3	15.4		20.2	39.6
Business acquisitions			2.0			2.0
Disposals	-0.1	-1.0	-17.4			-18.5
Transfers between items		3.2	15.6		-19.0	-0.2
Exchange differences		-0.0	-0.0	-0.0		-0.0
Acquisition cost, 31 Dec 2021	7.4	138.9	408.9	0.1	10.1	565.4
Accumulated depreciation, 1 Jan 2021	-0.5	-98.4	-303.8	-0.1		-402.8
Accumulated depreciation on disposals and transfers		0.6	16.6			17.1
Depreciation for the period		-5.9	-20.8			-26.7
Exchange differences		0.0	0.0	0.0		0.0
Accumulated depreciation, 31 Dec 2021	-0.5	-103.8	-308.0	-0.1		-412.4
Carrying amount at 31 Dec 2021	6.9	35.1	100.8	0.1	10.1	153.0

3.4 Right-of-use assets

Accounting policy

A right-of-use asset is recognised from a lease contract at the commencement date of the lease, which is the date that the underlying asset is made available for use. Right-of-use assets are measured at cost less any cumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset includes the amount of lease liability recognised, any initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Possible restoration obligations are also considered in the cost of the right-of-use asset. At each balance sheet date, the carrying amounts of right-of-use assets are assessed for any impairment, as described in note 3.3.

The lessee recognises the lease liability at the inception of the contract by discounting the future minimum lease payments to the present value. Since the interest rate implicit in the lease is not readily available in most of the Group's lease contracts, the future minimum lease payments are discounted using The Group's incremental borrowing rate. According to the standard, the incremental borrowing rate is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic situation. The Group has determined the incremental borrowing rate taking into consideration the lease term and the financial environment of the lease.

The Group's lease liability covers the lease liabilities of commodities leased through a financial company as well as the lease liabilities of other lease agreements excluding the short-term leases or leases for low-value assets, for which the right-of-use asset and lease liability is not recognised.

MEUR	Land	Buildings and constructions	Machinery and equipment	Total
Acquisition cost, 1 Jan 2022	12.9	47.7	60.4	121.1
Additions	3.4	10.2	9.2	22.7
Disposals	0.1	-2.4	-1.1	-3.5
Exchange differences	-	-0.4	-0.7	-1.1
Acquisition cost, 31 Dec 2022	16.4	55.1	67.8	139.2
Accumulated depreciation, 1 Jan 2022	-2.6	-20.5	-28.1	-51.3
Accumulated depreciation on disposals and transfers		1.4	0.7	2.2
Depreciation for the period	-1.0	-9.4	-9.1	-19.5
Exchange differences	-0.0	0.2	0.5	0.6
Accumulated depreciation, 31 Dec 2022	-3.7	-28.3	-36.0	-68.0
Carrying amount at 31 Dec 2022	12.7	26.8	31.8	71.2

MEUR	Land	Buildings and constructions	Machinery and equipment	Total
Acquisition cost, 1 Jan 2021	13.5	40.9	52.0	106.4
Additions	1.9	11.6	8.8	22.3
Disposals	-2.5	-4.7	-0.3	-7.5
Exchange differences	-	-0.1	-0.1	-0.1
Acquisition cost, 31 Dec 2021	12.9	47.7	60.4	121.1
Accumulated depreciation, 1 Jan 2021	-2.2	-14.5	-18.9	-35.6
Accumulated depreciation on disposals and transfers	0.6	2.5	0.1	3.2
Depreciation for the period	-1.1	-8.6	-9.4	-19.1
Exchange differences	-	0.0	0.1	0.1
Accumulated depreciation, 31 Dec 2021	-2.6	-20.5	-28.1	-51.3
Carrying amount at 31 Dec 2021	10.3	27.2	32.3	69.8

On the balance sheet date, no new lease agreements are known which will become valid in the coming financial years that would have a significant impact on the amount of debt resulting from a right-of-use asset or a lease agreement.

For more information about the lease agreement expenses, please refer to note 1.7 Lease expenses.

Critical judgements by Management

The Group has lease contracts relating mainly to real estate and land areas which are valid until further notice. For such contracts, the management evaluates the lease term on a lease-by-lease basis. In evaluating the lease term the Group considers e.g. any significant leasehold improvements undertaken over the lease term, costs relating to the termination of the lease and the importance of the underlying asset to the Group's operations taking into account, for example, whether the underlying asset is a specialised asset, the location of the underlying asset and the availability of suitable alternatives. The lease term is reassessed in future periods to ensure that the lease term reflects the current circumstances.

3.5 Other non-current assets

Accounting policy

The Group's other non-current assets consist of shares in associated companies and joint ventures as well as other shares and holdings. The Group's interests in associated companies and joint ventures are accounted for using the equity method of accounting. Investments in associated companies and joint ventures are initially measured at fair value. The Group's share of its associated companies' or joint ventures' post-acquisition profits or losses after tax are recognised in the income statement. When the Group's share of losses in an associated company or a joint venture equals or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company or joint venture. Other shares and holdings include shares in a few smaller companies as well as golf shares, and they are measured at fair value through profit or loss. Other receivables mainly include deposits related to pension obligations in Sweden as well as non-current advance payments.

MEUR	Shares in associated and joint venture companies	Other shares and holdings	Other receivables
Acquisition cost 1 Jan 2022	0.0	0.2	2.0
Additions	13.3	0.0	0.5
Disposals	-	-0.0	-0.6
Share of the result of associated companies and joint ventures	0.7	-	-
Exchange differences	-	-	-0.1
Acquisition cost 31 Dec 2022	14.0	0.2	1.9

MEUR	Shares in associated and joint venture companies	Other shares and holdings	Other receivables
Acquisition cost 1 Jan 2021	0.0	0.2	1.1
Additions	-	0.0	1.7
Disposals	-	-0.0	-0.8
Share of the result of associated companies and joint ventures	0.0	-	-
Exchange differences	-	-	-0.0
Acquisition cost 31 Dec 2021	0.0	0.2	2.0

Information about the substantial joint venture company

	Domicile	Direct ownership (%)	
Name		2022	2021
Laania Oy	Helsinki	55	-

Financial information about the substantial joint venture company

MEUR	2022	2021
Intangible and tangible assets	3.3	-
Right-of-use assets	2.4	-
Other non-current receivables	0.0	-
Inventories	51.4	-
Trade and other receivables	27.3	-
Assets total	84.4	-
Non-current interest-bearing liabilities	32.5	-
Trade payables	11.6	-
Other payables	15.1	-
Liabilities total	59.1	-
Net sales	89.7	-
Depreciation and amortisation	-0.8	-
Financial income and expenses	-0.5	-
Income taxes	-0.3	-
Result for the period	1.3	-
The reconciliation of the joint venture's financial information to the Group's book value:		
The Group's ownership, %	55.0	-
The Group's share of net assets	14.0	-
The value of the joint venture in the consolidated statement of financial position	14.0	-

For more information on the joint venture please refer to note 5.3.

4 Financial risks and capital structure

4.1 Financial assets and liabilities

Accounting policy

The Group's financial assets and liabilities include cash and cash equivalents, loan receivables from joint ventures, trade and other receivables, trade and other payables, borrowings, lease liabilities and derivatives. Financial assets and liabilities are classified into following measurement categories:

Fair value through profit and loss

- Deferred considerations relating to acquisitions

Amortised cost

- Cash and cash equivalents
- Trade and other receivables
- Interest-bearing liabilities, such as bank loans, bonds, commercial papers, lease liabilities
- Trade and other payables

This classification is performed when the asset or liability is acquired. The classification of financial assets into different measurement categories depends on the business model for managing the financial asset and the contractual cash flow characteristics of the financial asset acquired. The classification of financial liabilities into different measurement categories depends on the purpose for which the financial liabilities were initially acquired.

A financial asset is derecognised when the rights to the cash flows from the asset expire, or when all material risks and rewards of the ownership of the asset have been transferred outside the Group. A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets measured at amortised cost

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

Trade and other receivables are measured at amortised cost. Receivables are classified as current financial assets unless their maturity date is more than 12 months from the balance sheet date. Trade and other receivables are recognised at historical cost less allowances for impairment. A valuation allowance for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The Group applies the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. Impairments are recognised as an expense in the income statement. Sold non-recourse trade receivables' credit risk and contractual rights are transferred from the Group on the selling date and related expenses are recognised as financial expenses.

Financial liabilities measured at fair value through profit or loss

Deferred considerations related to acquisitions are measured at fair value through profit and loss. Deferred considerations are recognised in the balance sheet on group level only. They are usually non-current liabilities with maturity more than 12 months. Measurement of fair value of the deferred considerations depends on the sale and purchase agreement. Both realised and unrealised gains and losses arising from the changes in fair value are recognised in the income statement for the financial period during which they incurred.

Financial liabilities measured at amortised cost

Financial liabilities measured at amortised are recognised in the statement of financial position on the settlement date at fair value, on the basis of the consideration received. Transaction costs directly attributable to the acquisition or issue of a loan are included in the original carrying amount of financial liabilities. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in the income statement using the effective interest rate method. Financial liabilities that expire within 12 months from the balance sheet date, including bank overdrafts in use, are recognised within current interest-bearing liabilities, and those expiring in a period exceeding 12 months, are recognised within non-current interest-bearing liabilities.

Derivatives

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

Lease liabilities

Fair value of ease liabilities is calculated by discounting future cash flows using the incremental borrowing rate. More information on the accounting policies for lease liabilities is presented in note 3.4.

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

Financial assets and liabilities recognised at fair value must be categorised by using a three-level fair value hierarchy that reflects the significance of the input data used in fair value measurement. Hierarchy level 1 includes such financial instruments, whose fair value is directly based on quated prices in active markets. Financial instruments of hierarchy level 2 include over-the-counter (OTC) derivatives as well as loan receivables and loans measured at amortised cost. A financial instrument is categorised to level 3 if it's fair value cannot be determined based on observable market information.

In the Group, derivatives and deferred consideration relating to acquisitions are recognised at fair value. Derivatives, which comprise interest rate swaps are categorised in hierarchy level 2. The fair values of financial instruments are based on prices derived from prices quoted in an active market or generally accepted valuation models that are, to a significant degree, based on verifiable market data. The fair value of the deferred consideration is categorised in hierarchy level 3. Its valuation is described in more detail on the following page.

MEUR	2022 Amortised cost	2022 Derivatives under hedge accounting	2022 Fair value through profit or loss	2022 Carrying amounts by balance sheet item	2021 Amortised cost	2021 Derivatives under hedge accounting	2021 Carrying amounts by balance sheet item	Fair value hierarchy level	Note
Non-current financial assets									
Other receivables	1.4			1.4	1.4		1.4		
Current financial assets									
Trade and other receivables[2]	91.3			91.3	87.2		87.2		2.1
Derivative receivables		1.2		1.2		-	-	2	4.2
Cash and cash equivalents	49.5			49.5	28.6		28.6		
Total financial assets	142.1	1.2	-	143.3	117.2	-	117.2		
Non-current financial liabilities									
Borrowings	126.0			126.0	124.8		124.8	2	
Lease liabilities	51.5			51.5	51.0		51.0		4.2
Deferred consideration[1]			5.7	5.7				3	
Current financial liabilities									
Borrowings	18.3			18.3	0.0		0.0	2	
Lease liabilities	21.0			21.0	19.9		19.9		4.2
Trade and other payables[2]	65.8			65.8	63.5		63.5		2.3
Derivative liabilities		-		-		0.5	0.5	2	4.2
Total financial liabilities	282.6	-	5.7	288.3	259.2	0.5	259.6		

[1] 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 through profit or loss. It will mature on 1 February 2026 at the earliest.
[2] The figures of the comparison period have been adjusted.

Non-current other liabilities do not include advances received. Trade and other receivables do not include tax receivables and accruals, and trade and other payables do not include statutory liabilities (e.g. tax liabilities). The fair values of balance sheet items do not differ significantly from the carrying amounts of the balance sheet items.

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.

Net interest-bearing liabilities

MEUR	2022	2021
Loans from financial institutions	51.4	74.9
Bonds	74.6	49.9
Lease liabilities	51.5	51.0
Non-current interest-bearing liabilities	177.5	175.8
Bonds	17.7	-
Lease liabilities	21.0	19.9
Current loans	0.7	0.0
Current interest-bearing liabilities	39.3	19.9
Total interest-bearing liabilities	216.8	195.6
Cash and cash equivalents	49.5	28.6
Net interest-bearing liabilities	167.3	167.1

Change in net interest-bearing liabilities

	2022					2021				
MEUR	**Loans from financial institutions**	**Bonds**	**Lease liabilities**	**Cash and cash equivalents**	**Total**	**Loans from financial institutions**	**Bonds**	**Lease liabilities**	**Cash and cash equivalents**	**Total**
Carrying amount on 1 Jan	-74.9	-49.9	-70.9	28.6	-167.1	-64.9	-49.8	-72.0	50.2	-136.5
Change in net interest-bearing liabilities, cash:										
Proceeds from non-current loans		-75.0			-75.0	-25.0				-25.0
Repayments of non-current loans	25.9	32.3			58.1					-
Proceeds from current loans	-35.0				-35.0	-40.0				-40.0
Repayments of current loans	35.0				35.0	55.0				55.0
Repayments of lease liabilities			19.4		19.4			18.1		18.1
Change in cash and cash equivalents				21.0	21.0				-21.7	-21.7
Total cash flows	25.9	-42.7	19.4	21.0	23.6	-10.0	-	18.1	-21.7	-13.5
Change in net interest-bearing liabilities, non-cash:										
Change in lease liablities			-21.1		-21.1			-17.0		-17.0
Other changes	-3.0	0.3		-0.1	-2.8	0.0	-0.1		-0.0	-0.1
Total non-cash movements	-3.0	0.3	-21.1	-0.1	-23.9	0.0	-0.1	-17.0	-0.0	-17.1
Carrying amount on 31 Dec	-52.0	-92.3	-72.5	49.5	-167.3	-74.9	-49.9	-70.9	28.6	-167.1

4.2 Financial risk management

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

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

Foreign exchange risk

The Group consists of a parent company operating in Finland and subsidiaries operating in Finland and Sweden. The company ceased operations in Russia and the Russian subsidiaries were sold during 2021. The parent company's and the Finnish subsidiaries' functional and reporting currency is the euro. The foreign subsidiaries' functional and reporting currency is the currency of their country of location. Thus, changes in foreign exchange rates have impact on the Group's result and equity.

Translation risk

The exposure to translation risk consists of net investments in foreign subsidiaries, which include equity investments and retained earnings. The position of net investments in foreign subsidiaries is not hedged, as these holdings are considered long-term strategic investments. The company has recognised in financial liabilities an estimate of a deferred consideration related to the acquisition of Sand&Vattenbläst i Tyringe AB. The Swedish krona denominated deferred consideration exposes the company to a translation risk.

In 2022, translation differences totalling EUR -5.6 million (-1.6) were accumulated in the equity due to the fluctuations of currency rates. The translation difference in 2022 is totally related to the Swedish business. At the balance sheet date, the Swedish krona denominated translation position was EUR 24.5 million (48.9).

Transaction risk

The business operations of the Group's foreign subsidiaries are carried out almost completely in their functional currency and thus does not cause any transaction risk. Group companies operating in Finland use euro as the invoicing currency for sales almost exclusively. Financing for subsidiaries is provided through intra-Group loans that are denominated in the functional currency of each subsidiary.

Price risk of investments

The Group has not invested in listed securities, the value of which changes as the market prices change, and is thus not exposed to securities price risk. The Group has a 55% holding in Laania Oy, a joint venture established on 1 July 2022 with Neova. The investment in the joint venture is accounted for using the equity method of accounting, and it's carrying value in the balance sheet was EUR 14.0 million at the end of the reporting period. More information on the joint venture and its measurement can be found in note 3.5 Other non-current receivables. The Group's other holdings in unlisted shares are not material, and there is no substantial price risk related to these shares.

Commodity price risk

The fluctuations of the world market price of crude oil are reflected in the price of fuel used in production equipment as well as in the purchase prices of environmental products through oil-based raw materials. In waste management, some customer contracts specify such invoicing periods and contract terms that the sales prices cannot be raised monthly. This means that the rise in fuel prices is passed on to service prices with a delay.

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

Interest rate risk

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

At end of the financial period, 86 per cent (64) of the company's borrowings were either fixed interest rate borrowings or hedged with interest rate swaps. Variable-rate borrowings accounted for 14 per cent (36). Therefore changes in the interest rate level will not impact interest costs in full. The average interest rate of long-term loans, excluding lease liabilities, with interest rate hedging, was 2.5 per cent (1.1).

All interest rate swaps made to hedge the cash flow are hedges in accordance with the Group's risk management policy and hedge accounting is applied to them. Most of the Group's net sales are generated by long-term service agreements. Due to good cash flow predictability, the Group's treasury policy specifies that the company shall seek to minimise the amount of interest-bearing assets in proportion to the current short-term financing requirements, and to invest in relatively short-term instruments.

Credit and counterparty risk

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

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

A simplified credit loss model is used for trade receivables and contract assets and the amount of expected credit losses is based on the lifetime expected credit losses of receivables. The model is based on historical observed default amounts over the expected life of the trade receivables and is adjusted for forward-looking estimates depending on the overdue of the receivables. More information on allowance for expected credit losses can be found in note 2.1.

With regard to Finnish trade receivables, collection operations are managed centrally by the financel function. The foreign subsidiaries manage the collection of their trade receivables locally.

Credit risk related to financial assets

MEUR	2022	2021
Other non-current receivables	1.4	1.4
Trade receivables	91.0	86.8
Other current receivables	0.2	0.4
Derivative receivables	1.2	-
Cash and cash equivalents	49.5	28.6

Liquidity and refinancing risk

Liquidity risk management ensures that the Group continuously will be able to answer for its financial obligations associated with operations at the lowest possible cost. The Group seeks to maintain good liquidity through efficient cash management and by investing in money market instruments that can be realised quickly. The liquidity situation is monitored in real time and predicted using cash flow forecasts. The Group uses a group bank account system which facilitates the management of cash funds. To ascertain the availability of funding, the Group uses several banks in its financial operations. Refinancing risk is managed by a broad-based maturity profile of loans and by maintaining the level of the average duration of the loan portfolio for at least two years.

The Group seeks to keep its cash assets fairly small, while ensuring sufficient credit limits for liquidity management purposes. To meet any temporary need for cash arising from cash flow fluctuations, the Group has EUR 10 million account limit and committed credit limit totalling EUR 40 million. The account limit as well as the committed credit limit were not in use, as was the case in the comparison period. In addition the Group has commercial paper programme totalling EUR 100 million which was in all unused (comparison period: all unused). At the end of the financial period, the Group's liquid assets amounted to EUR 49.5 million (28.6).

In May 2022, the company issued senior unsecured sustainability-linked notes in the amount of EUR 75 million. At the same time, the company repurchased for a total of EUR 32 million the company's outstanding notes maturing on 17 September 2023.The new notes will mature in the second quarter of 2028 and bear fixed annual interest at the rate of 3.375 per cent.

The following table shows the Group's financial liabilities classified according to contractual maturity dates at the balance sheet date. The figures shown are undiscounted contractual cash flows. The long-term borrowings include financial covenants such as equity ratio and net debt to EBITDA ratio, which restrict giving of collaterals to other financiers and discontinuance or disposal of present business. In addition to financial covenants, the committed credit limit and the senior unsecured sustainability-linked notes issued in May 2022 are linked to sustainability targets. At the end of the reporting period, the financial covenants were fulfilled.

Maturity of financial liabilities

MEUR 2022	Carrying amount	Contractual cash flows	2023	2024	2025	2026	2027	2028 and later
Loans from credit institutions	52.0	52.5	1.6	50.9	-	-	-	-
Bonds	92.3	108.2	20.5	2.5	2.5	2.5	2.5	77.5
Lease liabilities	72.5	80.0	21.4	17.9	11.8	4.9	3.0	21.0
Trade and other payables	65.8	65.8	65.8	-	-	-	-	-
Total	282.6	306.5	109.3	71.4	14.3	7.4	5.6	98.5

MEUR 2021	Carrying amount	Contractual cash flows	2022	2023	2024	2025	2026	2027 and later
Loans from credit institutions	74.9	76.4	0.5	25.5	50.4	-	-	-
Bonds	49.9	51.3	0.6	50.6	-	-	-	-
Lease liabilities	70.9	76.2	20.0	17.8	13.8	7.7	5.6	11.4
Derivative liabilities	0.5	0.5	-	-	0.5	-	-	-
Trade and other payables	82.0	82.0	82.0	-	-	-	-	-
Total	278.1	286.4	103.6	93.9	64.7	7.7	5.6	11.4

Breakdown of borrowings and facilities

MEUR	2022 In use	2022 Undrawn	2022 Total	2021 In use	2021 Undrawn	2021 Total
Loans from financial institutions and pension loans	52.0	-	52.0	74.9	-	74.9
Bonds	92.3	-	92.3	49.9	-	49.9
Account limit	-	10.0	10.0	-	10.0	10.0
Committed credit facility	-	40.0	40.0	-	30.0	30.0
Commercial paper programme	-	100.0	100.0	-	100.0	100.0
Lease liabilities from financial institutions	26.0	24.0	50.0	25.3	24.7	50.0
Other lease liabilities	46.5	-	46.5	45.6	-	45.6
Total	216.8	174.0	390.8	195.6	164.7	360.4

Sensitivity to interest rate risks arising from financial instruments

The following sensitivity analysis illustrates the sensitivity of the Group's profit for the period and equity to changes in the interest rate level with regard to financial instruments in the statement of financial position, including financial assets and liabilities as well as derivative contracts. Changes in the fair value of derivative contracts under hedge accounting are assumed to be allocated entirely to equity.

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

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

Sensitivity analysis of interest rate risk arising from financial instruments

MEUR	2022 Profit after tax	2022 Equity	2021 Profit after tax	2021 Equity
Floating rate loans:				
+ 0.5% change in market interest rates	-0.4		-0.6	
- 0.2% change in market interest rates	0.4		0.0	
Hedging instruments:				
+ 0.5% change in market interest rates		0.3		0.4
- 0.2% change in market interest rates		-0.3		-0.1

Derivative financial instruments and hedge accounting

Accounting policy

In accordance with L&T's financing policy, derivative agreements are used for the reduction of financial risks related to changes in market interest rates. The Group has currently one interest rate swap, which has been implemented to protect the cashflows of floating rate loans from the interest rate risk.

Derivatives are recognised in the balance sheet initially at fair value. After the acquisition they will, however, be recognised at the fair value applicable on the balance sheet date. The fair values are based on market prices on the balance sheet date. Any profits and losses from the measurement at fair value are processed in the accounting according to the purpose of use of the derivative agreement.

All interest hedges meet the requirements of effective hedging stated in the L&T's risk management. Any profits and losses resulting from derivatives under hedge accounting are recognised in line with the underlying asset. Hedge accounting is applied to all interest swap agreements.

The efficiency of hedging relationships is registered initially and in conjunction with each interim report by evaluating the hedging instrument's ability to reverse the changes in the cashflow of the hedged item. If the hedging is effective, the changes in the fair value of hedging instruments are recognised in the hedging reserve under capital and reserves. When a hedging instrument matures, it is sold or when the criteria for hedge accounting no longer meet the group's risk management requirements, the profit or loss generated from the hedging instrument remains in equity until the hedged cashflow is realised. If the hedged cashflow is no longer expected to become realised, the profit or loss generated from the hedging instrument is immediately recognised in the income statement. Any ineffective part of a hedging relationship is also immediately recognised in the income statement.

The positive fair values of all derivatives are recognised in the balance sheet as derivative receivables. Correspondingly, the negative fair values of derivatives are recognised as derivative liabilities. All fair values of derivatives are included in short-term assets or liabilities.

Interest rate swaps

MEUR	2022 Nominal value	2022 Fair value	2021 Nominal value	2021 Fair value
Maturity of interest rate swaps under hedge accounting				
Not later than one year	-	-	-	-
Later than one year and not later than three years	30.0	1.2	30.0	-0.5
Total	30.0	1.2	30.0	-0.5

The interest rate swap is used to hedge cash flows related to floating rate loans. The hedge has been effective, and the changes in the fair value are shown in the consolidated statement of comprehensive income for the period.

The fixed interest rates of the interest rate swap at 31 December 2022 were 0.8 per cent (0.8). The floating interest rate was 6-month Euribor.

4.3 Equity

Accounting policy

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

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

The Annual General Meeting held on 17 March 2022 authorised Lassila & Tikanoja plc's Board of Directors to make decisions on the repurchase of the company's own shares using the company's unrestricted equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on a share issue and the issuance of special rights entitling their holders to shares.

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

At the end of the financial year 2022, the company held 653,256 treasury shares (686,396) representing 1.7 per cent (1.8) of all shares and votes.

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

MEUR	Number of outstanding shares, 1,000 shares	Share capital	Invested non-restricted equity reserve	Own shares	Total
At 1 Jan 2022	38,112	19.4	0.6	-10.6	9.4
25 Feb 2022 Transfer of own shares	25			0.4	0.4
2 May 2022 transfer of own shares	9			0.1	0.1
At 31 Dec 2021	38,146	19.4	0.6	-10.1	9.9

MEUR	Number of outstanding shares, 1,000 shares	Share capital	Invested non-restricted equity reserve	Own shares	Total
At 1 Jan 2021	38 105	19.4	0.6	-10.7	9.3
26 March 2021 Transfer of own shares	7			0.1	0.1
At 31 Dec 2021	38 112	19.4	0.6	-10.6	9.4

Other reserves

Translation reserve

Translation differences arise from the translation of the equity and earnings of subsidiaries into euros.

Hedging reserves

Hedging reserve includes effective changes in the fair values of derivative instruments used for hedging of cash flow.

Capital management

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

The amount of annual dividend is linked to earnings. Profits not considered necessary for ensuring the healthy development of the company are distributed to shareholders.

The development of the capital structure is monitored quarterly using the equity ratio and gearing.

MEUR	2022	2021
Equity in the consolidated statement of financial position	220.4	210.4
Equity and liabilities total	660.5	632.3
Current advances received	-9.5	-10.2
Non-current advances received	-7.6	-7.4
Capital total	648.5	617.6
Equity ratio, %	34.3	34.2

MEUR	2022	2021
Equity in the consolidated statement of financial position	220.4	210.4
Non-current borrowings	177.5	175.8
Current borrowings	39.3	19.9
Cash and cash equivalents	-49.5	-28.6
Net interest-bearing liabilities	167.3	167.1
Gearing, %	75.9	79.4

4.4 Dividend per share

At the Annual General Meeting on 23th March 2023, the Board of Directors will propose that a dividend of EUR 0.47 per share be paid for the 2022 financial year. On the basis of a decision taken by the Annual General Meeting, the company paid a dividend of EUR 0.46 per share for 2021.

4.5 Contingent liabilities

MEUR	2022	2021
Collaterals for own commitments		
Mortgages on rights of tenancy[1]	0.1	0.1
Company mortgages[1]	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[1]	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	-

[1] The figures of the comparison period have been adjusted..

Other securities are guarantee deposits.

The Group has a 55% holding in Laania Oy, a joint venture established on 1 July 2022 with Neova. The amount of liability is stated according to the Group's share of ownership of the maximum liability.

The Group's leasing commitments related to lease agreements for low-value assets amount to EUR 0.9 million (1.0) in the year following the reporting period and after that EUR 0.9 million (0.8).

5 Consolidation and other notes

5.1 Consolidation

Subsidiaries

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

Intra-Group shareholdings have been eliminated using the acquisition method. Consideration given and the identifiable assets and liabilities of an acquired company are recognised at fair value on the date of acquisition. Any costs associated with the acquisition, with the exception of costs arising from the issuance of debt securities or equity instruments, have been recorded as expenses. Any conditional additional sale price has been measured at fair value on the date of acquisition and classified as a liability or as equity. Additional sale price classified as a liability is measured at fair value on the closing day of each reporting period, and the resulting gains or losses are recognised through profit or loss. Additional sale price classified as equity will not be re-measured. Any non-controlling interests in the acquired entity are recognised either at fair value or at the proportionate share of non-controlling interests in the acquired entity's net identifiable assets. The principle applied in measurement is specified separately for each acquisition. The treatment of goodwill from acquisition of subsidiaries is presented in Note 3.1 Goodwill and other intangible assets.

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

The profit or loss for the period and the comprehensive income are attributed to the parent company's shareholders and non-controlling interests, even if this would result in the non-controlling interest being negative. Equity attributable to non-controlling interests is presented as a separate item in the statement of financial position, as an equity component. Changes in the parent company's holdings in the subsidiary and not resulting in loss of controlling interest are presented as equity transactions. The Group has no non-controlling interests.

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

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

Associated companies and joint ventures

Associates companies are entities over which the Group has significant influence but no control. L&T has significant influence when it holds more than 20% of the voting rights or otherwise has significant influence but a non-controlling interest. Joint ventures are arrangements in which the Group has joint control.

The Group's interests in associated companies and joint ventures are accounted for using the equity method of accounting. Investments in associated companies and joint ventures are initially measured at fair value. The Group's share of its associated companies' or joint ventures' post-acquisition profits or losses after tax are recognised in the income statement. When the Group's share of losses in an associated company or a joint venture equals or exceeds its interest in the associated company or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company or joint venture.

Foreign currency translationn

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

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

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

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

5.2 Group companies

	Group holding of shares and votes, %
Group's parent company	
Lassila & Tikanoja plc	
Finnish subsidiaries	
L&T Toimi Oy, Helsinki	100.0
L&T Hankinta Ky, Helsinki	100.0
L&T Työllistämispalvelut Oy, Helsinki	100.0
L&T Kiinteistöhuolto Oy, Helsinki	100.0
L&T Kiinteistötekniikka Oy, Helsinki	100.0
L&T Siivous Oy, Helsinki	100.0
L&T Ympäristöpalvelut Oy, Helsinki	100.0
L&T Teollisuuspalvelut Oy, Helsinki	100.0
Sihvari Oy, Jyväskylä[1]	100.0
Turun Seudun Hyötykuljetus Oy, Masku	100.0
Spectra yhtiöt Oy, Lohja[1]	100.0
Foreign subsidiaries	
Lassila & Tikanoja Service AB, Stockholm, Sweden	100.0
Lassila & Tikanoja FM AB, Stockholm, Sweden	100.0
Sand & Vattenbläst i Tyringe AB, Hässleholm, Sweden	70.0
Cisternservice i Hässleholm AB, Hässleholm, Sweden	70.0
Joint ventures	
Laania Oy, Helsinki[2]	55.0
Associated companies	
Suomen Keräystuote Oy, Helsinki	40.0

[1] In voluntary liquidation
[2] Information on the joint venture is presented in note 3.5 Other non-current assets

5.3 Business acquisitions and disposals and assets and liabilities classified as held for sale

Accounting policy

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

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

Assets and liabilities held for sale are measured at lower of the carrying amount and fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and their sale is highly probable. The non-current assets classified as held for sale are not depreciated.

Critical judgements by Management

Assets and liabilities acquired in business combinations as well as assets and liabilities classified as held for sale are measured at fair value. Whenever possible, the management uses available market values when determining the fair values. When this is not possible, the measurement is based on the historical income from the asset. In particular, the measurement of intangible assets is based on discounted cash flows and requires the management to make estimates on future cash flows. Although these estimates are based on the management's best knowledge, actual results may differ from the estimates. The carrying amounts of assets are reviewed continuously for impairment. More information on this is provided in Notes 3.1-3.3.

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.

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, are also included in the acquisition.

On 1 July 2021, Lassila & Tikanoja acquired the entire share capital of Spectra Yhtiöt Oy, a company offering support services for retail sector.

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.

In the first quarter of the year 2022, the fair values of Sihvari's assets were adjusted by EUR 0.4 million. The adjustment is included in the table in column Business acquisitions 2022.

The initial accounting of the businesses acquired in 2022 is final. The figures for other acquired businesses are stated in aggregate, as none of them is of material importance when considered separately.

Fair value, MEUR	Business acquisitions 2022	Sihvari Oy 2021	Other business acquisitions 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	-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

Divested businesses 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. In the financial statements for 2021, L&T classified L&T Biowatti Oy's assets and liabilities as held for sale. 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. Afther this, the Group's share of the joint venture's net result is recognised in the income statement on a separate line. For more information on the joint venture, please refer to note 3.5 Other long-term assets.

In the comparison period L&T did not have any business disposals.

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 disposal

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

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 transaction 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.

Assets and liabilities classified as held for sale

MEUR	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
Non-current interest-bearing liabilities	0.0
Trade payables	7.1
Other payables	3.6
Liabilities total	11.2

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.

5.4 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.

Lists of the Group's parent and subsidiary relationships, associated companies and joint ventures are presented in Note 5.2. Group companies.

The contributions paid by the group companies to the L&T sickness fund during the financial year amounted to EUR 1.0 million (0.8).

Transactions with the joint venture

The Group's business transactions with Laania Oy are presented in the following table. In addition to the ordinary business transactions, Laania paid loans totalling EUR 16.4 million to L&T in the final quarter of 2022. The Group has also provided guarantees for Laania's financing arrangements, which are specified in Note 4.5.

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

Employee benefits to the President and CEO

TEUR	2022	2021
Salaries and other short-term employee benefits	458.6	461.6
Bonuses	157.2	-
Share-based payments	265.1	-
Pension expenses, statutory	53.3	39.9
Total	934.3	501.5

Employee benefits to other members of the Group Executive Board

TEUR	2022	2021
Salaries and other short-term employee benefits	1,570.8	1,506.3
Bonuses	225.0	105.4
Share-based payments	304.9	-
Pension expenses, statutory	198.8	164.8
Total	2,299.6	1,776.5

Salaries and remunerations paid to members of the Board of Directors

TEUR	2022	2021
Jukka Leinonen, Chairman of the Board	73	39
Sakari Lassila, Deputy Chairman of the Board	53	57
Teemu Kangas-Kärki	39	42
Laura Lares	39	43
Pasi Tolppanen	39	40
Laura Tarkka	38	40
Heikki Bergholm[1]	20	80
Miikka Maijala[2]	-	3

[1] Board member and the Chairman of the Board until 17 March 2022
[2] Board member until 18 March 2021

On 25 February 2022, 24,522 shares were transferred to the President and CEO and the members of the Group Executive Board from the share-based incentive programmes (in 2021 no shares were transferred).

On 5 May 2022, 8,618 shares were transferred to the members of the Board of Directors as part of the remuneration of the Board (23 March 2021: 7,193).

The members of the Board of Directors, the President and CEO or other members of the Group Executive Board have no pension contracts with the company.

In 2022, the company sold services included in normal business operations at market price to parties related to the key personnel for a total amount of EUR 25 thousand (5).

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

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

5.5 Auditing costs

MEUR	2022	2021
PwC		
Auditing	0.3	-
Other assignments in accordance with the auditing act	0.0	-
Tax consulting services	0.0	-
Other services	0.2	-
Total	0.4	-
KPMG		
Auditing	0.1	0.3
Other assignments in accordance with the auditing act	0.0	0.0
Tax consulting services	0.0	0.0
Other services	-	0.0
Total	0.1	0.3

Non-audit services performed by the statury auditor PricewaterhouseCoopers Oy in the financial year 2022 totalled EUR 166.6 thousand.

5.6 Disputes and litigation

Lassila & Tikanoja plc is party to a few disputes related to the Group's ordinary business operations. The outcome of these disputes are not expected to have a material effect on the Group's financial position.

5.7 Events after the balance sheet date

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.

Financial statements of the parent company

Income statement of the parent company

EUR thousand	2022	2021	Note
Net sales	23,281.0	22,781.0	1
Other operating income	141.6	252.7	4
Employee benefit expenses	-9,698.4	-9,315.3	2
Other operating expenses	-18,658.9	-16,205.5	3, 4
Depreciation, amortisation and impairment	-902.7	-878.9	
Operating result	-5,837.3	-3,366.1	
Financial income and expenses	-2,541.6	-1,124.9	5
Result before appropriations and taxes	-8,378.9	-4,490.9	
Appropriations			
Increase/decrease in accumulated depreciation difference	209.5	257.5	
Group contribution	23,550.0	20,540.0	6
Income taxes	-3,434.1	-3,053.6	7
Result for the period	11,946.6	13,253.0	

Balance sheet of the parent company

EUR thousand	2022	2021	Note
ASSETS			
Non-current assets			
Intangible assets			8
Intangible rights	36.4	62.2	
Other intangible assets	1,738.6	1,595.2	
Advance payments and construction in progress	832.4	527.1	
	2,607.4	2,184.5	
Tangible assets			9
Buildings and constructions	165.2	185.8	
Machinery and equipment	117.2	125.1	
Other tangible assets	42.2	22.2	
Advance payments and construction in progress	-	12.0	
	324.6	345.1	
Investments			10
Shares in group companies	181,590.5	126,129.4	
Shares in joint venture	9,946.8	-	
Other shares and holdings	170.8	170.8	
	191,708.1	126,300.2	
Total non-current assets	194,640.0	128,829.9	
Current assets			
Non-current receivables			
Loan receivables from group companies	-	69,687.8	
Prepaid expenses and accrued income	378.8	-	
Other non-current receivables	299.9	302.3	
Deferred tax assets	480.2	344.6	12
	1,158.8	70,334.7	
Current receivables			
Receivables from group companies	40,400.8	63,431.0	11
Trade receivables from joint venture	6.6	-	
Other receivables	114.4	139.2	
Prepaid expenses and accrued income	1,827.1	2,581.3	11
	42,349.0	66,151.4	
Cash and cash equivalents	46,921.0	25,985.4	
Total current assets	90,428.8	162,471.6	
Total assets	285,068.8	291,301.5	

EUR thousand	2022	2021	Note
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			13
Share capital	19,399.4	19,399.4	
Invested non-restricted equity reserve	727.1	727.1	
Retained earnings	49,045.9	53,210.7	
Profit for the period	11,946.6	13,253.0	
	81,119.0	86,590.2	
Accumulated appropriations			
Depreciation difference	450.1	659.6	
Obligatory provisions			14
Non-current	273.4	304.5	
Current	609.0	1,229.2	
	882.4	1,533.7	
Liabilities			15
Non-current			
Loans from financial intitutions	50,000.0	75,000.0	
Bonds	75,000.0	49,853.1	
	125,000.0	124,853.1	
Current			
Bonds	17,730.0	-	
Trade payables	2,313.5	2,545.8	
Liabilities to group companies	53,069.6	68,787.4	
Other liabilities	693.0	596.8	
Accrued expenses and deferred income	3,811.1	5,734.7	
	77,617.3	77,664.8	
Total liabilities	202,617.3	202,517.9	
Total shareholders' equity and liabilities	285,068.8	291,301.5	

Cash flow statement of the parent company

EUR thousand	2022	2021
Operating activities		
Profit (+) / loss (-) before appropriations and taxes	-8,378.9	-4,490.9
Adjustments:		
Depreciation, amortisation and impairments	902.7	878.9
Gains and losses on sales of non-current assets	-	-16.9
Financial income and expenses	2,541.6	1,124.9
Provisions	-651.3	-182.6
Other adjustments[1]	2,069.1	247.3
Cash flow before change in working capital and change in cash pool account balance	-3,516.9	-2,439.4
Change in working capital		
Increase/decrease in current non-interest-bearing receivables	1,298.1	-238.6
Increase/decrease in current non-interest-bearing liabilities	-478.2	-14,208.5
Cash flow from operations before financial income/expenses and tax	-2,697.0	-16,886.6
Change in cash pool account balance[2]	-3,777.6	22,350.1
Interest expenses and other financial expenses paid	-3,100.5	-1,990.7
Interest received from operations	1,060.1	863.5
Direct taxes paid	-6,363.9	419.8
Cash flow from operating activities	-14,878.8	4,756.2

[1] Includes an adjustment for merger loss totalling EUR 1,942.5 thousand.
[2] In 2022, the item was reclassified from cash flow from investing activities to cash flow from operating activities. The figures of the comparative period have been adjusted accordingly.

EUR thousand	2022	2021
Investing activities		
Investments in tangible and intangible assets	-1,306.3	-894.2
Repayment of loan receivables from joint venture	16,391.3	-
Proceeds from sale of tangible and intangible assets	-	46.3
Change in other non-current receivables	2.4	-302.3
Cash flow from investing activities	15,087.4	-1,150.2
Financing activities		
Paid Group contributions	-4,300.0	-3,050.0
Received Group contributions	24,840.0	320.0
Proceeds from short-term borrowings	35,000.0	40,000.0
Repayments of short-term borrowings	-35,000.0	-55,000.0
Proceeds from long-term borrowings	75,000.0	25,000.0
Repayments of long-term borrowings	-57,270.0	-
Dividends paid	-17,543.0	-15,242.1
Cash flow from financing activities	20,727.0	-7,972.1
Change in cash and cash equivalents	20,935.5	-4,366.2
Cash and cash equivalents at 1 January	25,985.4	30,351.6
Cash and cash equivalents at 31 December	46,921.0	25,985.4
Cash and cash equivalents at 31 December		
Cash and cash equivalents	46,921.0	25,985.4

Accounting policies of the parent company

Basis of preparation

Lassila & Tikanoja plc is the parent company of the Lassila & Tikanoja Group, domiciled in Helsinki. The Company provides to other group companies administrative services, which are centralised to the parent company.

The financial statements of Lassila & Tikanoja plc have been prepared in accordance with the Finnish Accounting Standards (FAS). The financial statements are prepared in euros and the items in the financial statements are measured at historical cost.

When appropriate, the financial statements of Lassila & Tikanoja plc comply with the Group's accounting policies based on IFRS. The accounting policies of the consolidated financial statements are presented in the notes to the consolidated financial statements. Those accounting policies, in which the financial statements of Lassila & Tikanoja plc differ from the accounting policies of the consolidated financial statements, are described below.

Subsidiary shares

Subsidiary shares in the balance sheet are measured at historical cost less impairment losses. The carrying amounts of the subsidiary shares are assessed as part of the Group's impairment testing, where cash flow forecasts based on value-in-use calculations are prepared for the Group's cash-generating units. In the impairment testing of subsidiary shares, the cash flows are further allocated to subsidiaries' recoverable amounts. An impairment loss is recognised, if the carrying amount of the subsidiary shares and the amount of net loan receivables from the subsidiary exceed the recoverable amount of the corresponding assets.

Leases

The lease payments of the lease contracts are expensed over the rental period and they are included in other operating expenses. Assets leased and related liabilities are not recognised in the parent company's balance sheet.

Research and development expenditure

Research and development expenditure is recognised as an expense.

Obligatory provisions

Obligatory provisions in the balance sheet are based on legal or contractual obligations towards third parties, that have not been realised, are related to the past or current financial period and at the balance sheet date it is certain or probable, that the obligation will be realised, but the exact amount and timing are uncertain and the corresponding income from the obligation is neither certain nor probable. The changes in obligatory provisions are included in the income statement.

Pensions

Most of the company's pension plans are defined contribution plans, under which the company pays fixed contributions for pensions to insurance companies. These payments are recognised to the income statement in the financial period to which they relate.

The defined benefit plans operated by the company are small and concern only a few persons.

Notes to the financial statements of the parent company

1. Net sales

EUR thousand	2022	%	2021	%
Net sales				
Administrative Services, Group Companies	23,281.0	100.0	22,781.0	100.0
Total	23,281.0	100.0	22,781.0	100.0
Net sales by market area				
Finland	23,281.0	100.0	22,781.0	100.0
Total	23,281.0	100.0	22,781.0	100.0

2. Personnel and administrative bodies

	2022	2021
Average personnel		
Salaried employees	117	107
Total	117	107

EUR thousand	2022	2021
Personnel expenses		
Salaries and bonuses	7,991.0	7 283.3
Pension expenditure	1,439.5	1 743.9
Other salary-related expenses	267.9	288.1
Total	9,698.4	9 315.3

Salaries, bonuses and pension benefits of the management are described in the Note 5.4 Related-party transactions of the consolidated financial statements.

No loans were granted to the related parties of the Group Companies.

3. Auditor's fees

EUR thousand	2022	2021
PwC		
Auditing	53.9	-
Other assignments in accordance with the auditing act	2.0	-
Tax consulting services	6.5	-
Other services	154.4	-
Total	216.8	-
KPMG		
Auditing	11.0	66.1
Other assignments in accordance with the auditing act	25.7	26.7
Tax consulting services	2.0	5.5
Other services	-	17.0
Total	38.7	115.4

4. Other operating income and expenses

EUR thousand	2022	2021
Other operating income		
From joint ventures	71.1	-
From others		
Government grants	37.0	60.3
Other operating income	33.5	192.4
Total	141.6	252.7
Other operating expenses		
Merger losses	1,942.5	-
ICT costs	9,975.6	10,400.1
Travel costs	226.9	60.5
Vehicles and machinery	24.8	34.1
Rents and real estate costs	1,487.5	1,694.9
Expert fees	3,129.0	2,554.3
Voluntary social security costs	924.4	821.9
Other	948.1	639.7
Total	18,658.9	16,205.5

5. Financial income and expenses

EUR thousand	2022	2021
Interest and other financial income	1,836.7	856.7
Interest and other financial expenses	-4,378.3	-1,981.5
Total financial income and expenses	-2,541.6	-1,124.9
Financial income and expenses include:		
Interest income		
from group companies	727.3	489.7
from joint ventures	150.8	-
from others	185.0	45.9
Foreign exchange gains		
from others	773.6	321.1
Interest expenses		
to group companies	-869.5	-345.7
to others	-2,745.9	-1,433.8
Other financial expenses		
to others	-762.9	-202.0
Total	-2,541.6	-1,124.9

6. Appropriations

EUR thousand	2022	2021
Increase/decrease in accumulated depreciation difference		
Intangible assets	209.5	273.1
Tangible assets	-	-15.6
	209.5	257.5
Group contribution		
Group contribution received	23,550.0	24,840.0
Group contribution paid	-	-4,300.0
Total group contributions	23,550.0	20,540.0
Total Appropriations	23,759.5	20,797.5

7. Income taxes

EUR thousand	2022	2021
Income taxes on operations for the financial year	3,303.1	3,188.9
Income taxes from previous financial years	-2.0	-172.3
Change in deferred taxes	133.0	37.0
Total	3,434.1	3,053.6

8. Intangible assets

EUR thousand	Intangible rights	Goodwill	Other intangible assets	Prepayments and construction in progress	Total
2022					
Acquisition cost, 1 Jan	344.6	85,394.7	21,121.7	527.1	107,388.2
Additions			16.6	1,233.7	1,250.4
Disposals	-0.0	-85,394.7	-13.9		-85,408.6
Transfers between items			928.5	-928.5	-
Acquisition cost, 31 Dec	344.6	-	22,052.9	832.4	23,229.9
Accumulated amortisation, 1 Jan	-282.4	-85,394.7	-19,526.5		-105,203.6
Accumulated amortisation on disposals and transfers	0.0	85,394.7	12.5		85,407.2
Amortisation during the period	-25.8		-800.3		-826.2
Accumulated amortisation, 31 Dec	-308.2	-	-20,314.4		-20,622.6
Total carrying amount, 31 Dec	36.4	-	1,738.6	832.4	2,607.4

Other intangible assets includes several ICT projects.

EUR thousand	Intangible rights	Goodwill	Other intangible assets	Prepayments and construction in progress	Total
2021					
Acquisition cost, 1 Jan	2,015.9	114,454.6	35,880.3	2,607.1	154,957.9
Transfer between acquisition cost and accumulated amortisation	-	-	82.3	-	82.3
Transfers in connection with incorporation	-1,668.1	-29,059.9	-14,434.8	-1,981.2	-47,144.0
Additions	-	-	18.3	752.3	770.6
Disposals	-3.2	-	-1,275.4	-	-1,278.6
Transfers between items	-	-	851.0	-851.0	-
Acquisition cost, 31 Dec	344.6	85,394.7	21,121.7	527.1	107,388.2
Accumulated amortisation, 1 Jan	-1,163.5	-113,156.9	-27,910.4		-142,230.8
Transfer between acquisition cost and accumulated amortisation	0.0	-	-82.3		-82.3
Transfers in connection with incorporation, accumulated amortisation	923.2	27,762.2	8,483.9		37,169.3
Accumulated amortisation on disposals and transfers	3.2	-	684.5		687.7
Amortisation during the period	-45.3	-	-702.2		-747.6
Accumulated amortisation, 31 Dec	-282.4	-85,394.7	-19,526.5		-105,203.6
Total carrying amount, 31 Dec	62.2	-	1,595.2	527.1	2,184.5

9. Tangible assets

EUR thousand	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
2022					
Acquisition cost, 1 Jan	358.7	680.5	22.2	12.0	1,073.4
Additions		35.2	20.0	0.7	56.0
Disposals		-304.2			-304.2
Transfers between items		12.8		-12.8	-
Acquisition cost, 31 Dec	358.7	424.2	42.2	-	825.1
Accumulated depreciation, 1 Jan	-172.9	-555.4			-728.3
Accumulated depreciation on disposals and transfers		304.2			304.2
Depreciation during the period	-20.6	-55.9			-76.5
Accumulated depreciation, 31 Dec	-193.5	-307.0			-500.6
Total carrying amount, 31 Dec	165.2	117.2	42.2	-	324.6

EUR thousand	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
2021						
Acquisition cost, 1 Jan	5,191.9	107,509.7	361,566.8	26.4	8,914.3	483,209.0
Transfer between acquisition cost and accumulated depreciation	-	997.9	21.4	-	-	1,019.3
Transfers in connection with incorporation	-5,191.9	-108,080.8	-360,638.7	-4.2	-8,857.3	-482,772.8
Additions	-	6.4	26.9	-	92.8	126.0
Disposals	-	-212.1	-296.0	-	-	-508.2
Transfers between items	-	137.7	-	-	-137.7	-
Acquisition cost, 31 Dec	-	358.7	680.5	22.2	12.0	1,073.4
Accumulated depreciation, 1 Jan		-74,628.2	-261,387.5			-336,015.7
Transfer between acquisition cost and accumulated depreciations		-997.9	-21.4			-1,019.3
Transfers in connection with incorporation, accumulated depreciation		75,261.0	260,672.1			335,933.1
Accumulated depreciation on disposals and transfers		208.9	296.0			504.9
Depreciation during the period		-16.8	-114.5			-131.3
Accumulated depreciation, 31 Dec		-172.9	-555.4			-728.3
Total carrying amount, 31 Dec	-	185.8	125.1	22.2	12.0	345.1

10. Investments

EUR thousand	Shares in Group companies	Shares in joint ventures	Other shares and holdings	Yhteensä
2022				
Acquisition cost, 1 Jan	126,129.4	-	170.8	126,300.2
Additions	75,315.1	9,946.8	-	85,261.9
Disposals	-19,854.0	-	-	-19,854.0
Acquisition cost, 31 Dec	181,590.5	9,946.8	170.8	191,708.1
Total carrying amount, 31 Dec	181,590.5	9,946.8	170.8	191,708.1
2021				
Acquisition cost, 1 Jan	31,089.0	-	334.7	31,423.7
Transfers in connection with in-corporation	-	-	-163.9	-163.9
Additions	95,040.4	-	0.0	95,040.4
Disposals	-	-	-0.0	-0.0
Acquisition cost, 31 Dec	126,129.4	-	170.8	126,300.2
Total carrying amount, 31 Dec	126,129.4	-	170.8	126,300.2

	Holding of shares and votes, %
Holdings in group companies	
L&T Toimi Oy, Helsinki	100.0
L&T Työllistämispalvelut Oy, Helsinki	100.0
L&T Kiinteistöhuolto Oy , Helsinki	100.0
L&T Kiinteistötekniikka Oy, Helsinki	100.0
L&T Siivous Oy , Helsinki	100.0
L&T Ympäristöpalvelut Oy, Helsinki	100.0
L&T Teollisuuspalvelut Oy, Helsinki	100.0
Lassila & Tikanoja FM AB	100.0
Lassila & Tikanoja Service AB	100.0
Sand & Vattenbläst i Tyringe AB	70.0
Joint ventures	
Laania Oy, Helsinki	55,0

11. Short-term receivables

EUR thousand	2022	2021
From Group Companies		
Loan receivables	16,844.4	38,038.0
Trade receivables	3.4	552.9
Group contribution receivable	23,550.0	24,840.0
Prepaid expenses and accrued in-come	3.0	-
Total	40,400.8	63,431.0
Receivables from joint venture		
Trade receivables	6.6	-
Total	6.6	-
Prepaid expenses and accrued income		
Employees' health care compensation	30.5	48.3
Annual discounts	5.2	-
Licences	896.3	1,769.1
Other	895.1	763.9
Total	1,827.1	2,581.3

12. Deferred tax assets

EUR thousand	2022	2021
Unused depreciation	8.1	10.8
Obligatory provisions	176.5	306.7
Impairment of non-current assets	27.0	27.0
Merger of L&T Relations Oy	268.6	-
Total	480.2	344.6

13. Shareholders' equity

EUR thousand	2022	2021
Restricted equity		
Share capital at 1 Jan / 31 Dec	19,399.4	19,399.4
Restricted equity, total	19,399.4	19,399.4
Non-restricted equity		
Invested non-restricted equity reserve 1 Jan	727.1	727.1
Invested non-restricted equity reserve 31 Dec	727.1	727.1
Retained earnings at 1 Jan	66,463.7	68,318.4
Dividend distribution	-17,543.0	-15,242.1
Expired dividends	37.3	34.5
Transfer of treasury shares	87.9	99.9
Retained earnings at 31 Dec	49,045.9	53,210.7
Profit for the period	11,946.6	13,253.0
Non-restricted equity total	61,719.6	67,190.8
Shareholders' equity at 31 Dec	81,119.0	86,590.2
Distributable funds		
Retained earnings	49,045.9	53,210.7
Profit for the period	11,946.6	13,253.0
Invested non-restricted equity reserve	727.1	727.1
Total distributable funds	61,719.6	67,190.8

14. Obligatory provisions

EUR thousand	2022	2021
Pension liabilities	273.4	304.5
Provision for accident insurance contribution	609.0	1,229.2
Total	882.4	1,533.7

15. Liabilities

Repayments of non-current liabilities in coming years

EUR thousand	2023	2024	2025-2027	After 2027
Loans from credit institutions	-	50,000.0	-	-
Bonds	17,730.0	-	-	75,000.0

EUR thousand	2022	2021
Short term liabilities to Group Companies		
Trade payables	3.8	-0.1
Interest-bearing liabilities	53,065.1	68,787.6
Accrued expenses and deferred income	0.7	-
Total	53,069.6	68,787.4
Accrued expenses and deferred income		
Personnel expenses	1,772.1	2,141.7
Interest expenses	1,912.3	403.2
Taxes	126.1	3,188.9
Other expenses	0.7	0.9
Total	3,811.1	5,734.7

16. Contingent liabilities

EUR thousand	2022	2021
For own commitments		
Mortgages on rights of tenancy	121.6	121.6
Liabilities related to leasing and leases (incl. VAT)		
Maturity within 1 year	694.3	1,535.2
Maturity in subsequent years	745.8	3,363.2
Total	1,440.1	4,898.5
Guarantees for group companies	44,000.0	29,500.0
Guarantees for joint ventures	35,750.0	-
Other bank guarantees	264.7	684.7
Mortgages under own control		
Company mortgages	210.2	210.2

According to the shareholders' agreement, the Company is committed to acquire the remaining 30 per cent share of Sand & Vattenbläst i Tyringe AB in February 2026 at the earliest. The estimated value of the commitment at the end of the reporting period totalled EUR 5,700.6 thousand.

17. Derivatives

Interest rate swaps

EUR thousand	2022	2021
Nominal value	30,000.0	30,000.0
Fair value	1,210.8	-549.7

Interest rate swaps are used for hedging purposes. Their fair values are based on the market prices at the balance sheet date.

Proposal by the Board of Directors for profit distribution

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amounts to EUR 61,719,573.87, with the result 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 is to 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 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
To be retained and carried forward	EUR 43,791,133.41
Total	EUR 61,719,573.87

Signatures to the Report of the Board of Directors and the Financial Statements for the year 2022:

Helsinki on 8 February 2023

Jukka Leinonen

Sakari Lassila

Teemu Kangas-Kärki

Laura Lares

Laura Tarkka

Pasi Tolppanen

Eero Hautaniemi
President and CEO

The Auditor's Note

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

Helsinki on 23 February 2023

PricewaterhouseCoopers Oy

Samuli Perälä
KHT

Auditor's Report

To the Annual General Meeting of Lassila & Tikanoja Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Lassila & Tikanoja Plc (business identity code 1680140-0) for the year ended 31 December 2022. The financial statements comprise:

- the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including significant accounting policies
- the parent company's balance sheet, income statement, cash flows statement, accounting policies and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

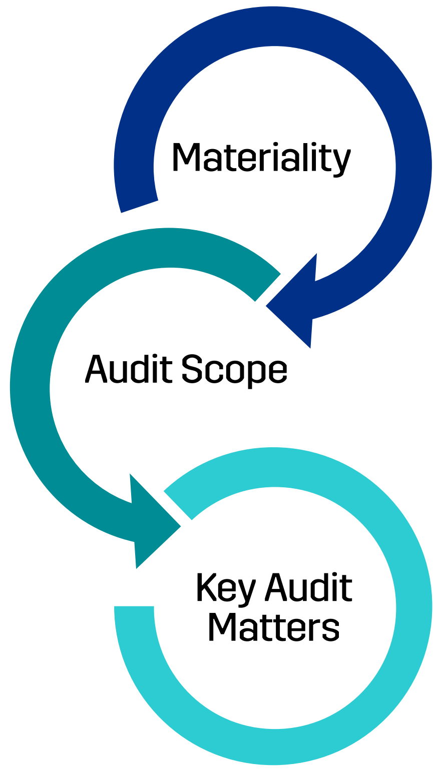
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 5.5 to the Financial Statements.

Our Audit Approach

Overview



- We have applied an overall group materiality of 5,000,000 euros.

- The group audit scope included the most significant group companies and covered a sufficient share of group's revenues, assets, and liabilities.

- Revenue recognition
- Employee benefit expenses
- Valuation of goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	5,000,000 euros
How we determined it	We used a combination of revenue and profit before taxes as benchmarks to determine overall group materiality.
Rationale for the materiality benchmark applied	We consider that revenue and profit before taxes provide a suitable representation of the volume and profitability of Lassila & Tikanoja's operations.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates. The Group has four reportable segments: Environmental Services, Industrial Services, Facility Services Finland and Facility Services Sweden, its main markets being Finland and Sweden. We have scoped our audit to obtain sufficient audit coverage of Lassila & Tikanoja Group's consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the consolidated financial statements	How our audit addressed the key audit matter
Revenue recognition *(Refer to note 1.1 and 1.2 in the consolidated financial statements)* The group's total net sales amounted to EUR 844 million. Revenue from contracts with customers is generated from multiple revenue streams as described in note 1.2. Revenue recognition principles vary depending on the nature of the revenue stream. Revenue recognition is considered a key audit matter due to the significance of revenue to the financial statements and due to management judgement involved in selecting the appropriate revenue recognition method for the different revenue streams.	Our audit procedures included, for example, the following: • We obtained an understanding of the company's revenue recognition policies and compared these to the respective IFRS standards • We obtained an understanding of the internal controls that the company uses to assess the completeness, accuracy, and timing of revenues • We tested revenue transactions on a sample basis • We tested, on a sample basis, revenue related balance sheet items such as contract assets and liabilities.
Employee benefit expenses *(Refer to note 1.3 and 5.4 in the consolidated financial statements)* The Group operates in a highly labor-intensive business. Wages, salaries, and other employee benefit expenses form a significant part of the Group's operating expenses. In 2022 employee benefit expenses were EUR 353 million. Employee benefit expenses is considered a key audit matter due to its significance to the consolidated financial statements.	Our audit procedures included, for example, the following: • We obtained an understanding of the company's payroll process • We evaluated and tested the internal controls that the company uses to assess the accuracy of employee benefit expenses • We performed analytical audit procedures in relation to employee benefit expenses • We tested on a sample basis employee benefit expenses related accruals.
Valuation of goodwill *(Refer to note 3.1 and 3.2 in the consolidated financial statements)* As of 31.12.2022, Goodwill in the consolidated balance sheet amounted to EUR 181 million. Goodwill is not amortised but is tested at least annually for impairment. Goodwill impairment testing has been prepared based on value-in-use calculations in which future cash flows are discounted to current value. Value-in-use calculations include significant management judgment in respect of profitability levels, long-term growth rates and discount rates. The valuation of goodwill is considered a key audit matter due to its significance as well as due to the management judgement involved in the impairment testing.	Our audit procedures included, for example, the following: • We obtained an understanding of the methodology and assumptions used in the goodwill impairment testing • We tested the mathematical accuracy of the calculations • We assessed the reasonableness of the estimated future profitability levels and their consistency with the budgets and forecasts made by the management in connection with the strategy process • We assessed the reasonableness of the discount rates, long-term growth rates and certain other assumptions by e.g., comparing the inputs to observable market data • We assessed management's sensitivity analysis to ascertain the extent of change in key assumptions that either individually or collectively could result in an impairment of goodwill • We assessed the adequacy of the disclosures.

Key audit matter in the audit of the parent company financial statements	How our audit addressed the key audit matter
Valuation of shares in group companies and receivables from group companies in the parent company financial statements *(Refer to the parent company's accounting policies and Note 10)* The investments in shares in group companies amounted to EUR 182 million and current receivables from group companies to EUR 40 million. The valuation of shares in group companies and receivables from group companies is assessed annually and tested for impairment when necessary. Impairment testing is performed using the discounted cash flow model. Valuation of shares in group companies and receivables from group companies is considered a key audit matter in the audit of the parent company due to the significance of these investments to the financial statements and due to management judgement involved in the impairment testing of these investments.	Our audit procedures included, for example, the following: • We assessed the reasonableness of the management estimates by e.g., checking their consistency with the approved budgets and forecasts • We assessed the methodology used in determining the discount rates and long-term growth rates by e.g., comparing the inputs to observable market data.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment
We were first appointed as auditors by the annual general meeting on 17 March 2022.

Other Information
The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the financial review, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors and the financial review prior to the date of this auditor's report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions
We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki 23 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

LEADER OF THE **REGENERATIVE SOCIETY**

Corporate Governance Statement 2022

Lassila & Tikanoja plc

Corporate Governance Statement 2022

This Corporate Governance Statement complies with the Securities Market Association's Finnish Corporate Governance Code, which entered into force on 1 January 2020. Lassila & Tikanoja plc ("L&T" or "the company") presents this Corporate Governance Statement separately from the Report by the Board of Directors. This statement and other information disclosed in accordance with the Corporate Governance Code are available on L&T's website at www.lt.fi/en/investors/corporate-governance.

This statement has been reviewed by the Audit Committee of L&T's Board of Directors and approved by the Board. The company's auditor has verified that the descriptions of the main features of the internal control and risk management systems relating to the financial reporting process included in the statement are consistent with the descriptions included in the financial statements.

Descriptions concerning corporate governance

General Meeting of Shareholders

The Annual General Meeting is the supreme decision-making body of L&T. The Annual General Meeting decides on the matters stipulated in the Companies Act, such as the acceptance of the financial statements and proposed dividend, the release from liability of members of the Board of Directors and the President and CEO, the election of the members of the Board of Directors and the auditors, and the compensation paid to them. The Annual General Meeting is held by the end of April as determined by the Board of Directors. Each share of Lassila & Tikanoja plc entitles the holder to one vote.

The notice to the meeting and other Annual General Meeting documents, including the Board of Directors' proposals to the Annual General Meeting are disclosed to the shareholders at the latest three weeks before the meeting on the company's website at www.lt.fi/en/investors/corporate-governance/general-meeting. The notice to the meeting is also disclosed in a stock exchange release. The members of the Board of Directors, President and CEO, principal auditor and prospective directors attend the Annual General Meeting, unless there are well-founded reasons for their absence.

The minutes of the Annual General Meeting will be available on the company's website within two weeks of the Annual General Meeting. The resolutions by the Annual General Meeting will be published in a stock exchange release immediately after the meeting.

Shareholders' Nomination Board

The Nomination Board is responsible for preparing and presenting proposals covering the remuneration and number of members of the Company's Board of Directors, as well as proposals on the members, Chairman and Vice Chairman of the Board of Directors to the Annual General Meeting and, where needed, to an Extraordinary General Meeting. The Nomination Board shall also be responsible for identifying successors to existing Board members.

The Nomination Board consist of four (4) members, three (3) of whom are appointed by the Company's three largest shareholders, who appoint one (1) member each. The Chairman of the Company's Board of Directors serves as the fourth member of the Nomination Board. The Nomination Board was established to operate until further notice. Its members are elected annually and their term of office ends when new members are elected to replace them.

The Shareholders' Nomination Board's selection process, composition and duties are described in detail in the charter, which is available at www.lt.fi/en/investors/corporate-governance/shareholders-nomination-board.

Composition of the Nomination Board tasked with preparations for the Annual General Meeting 2023

The following members were appointed to the Shareholders' Nomination Board of Lassila & Tikanoja on 9 September 2022: Patrick Lapveteläinen (Chairman), representing Mandatum Life Insurance Company Limited, Miikka Maijala, representing a group of shareholders, Juhani Lassila, representing the Evald and Hilda Nissi Foundation, and Jukka Leinonen as the Chairman of the Board of Directors of Lassila & Tikanoja plc. The Nomination Board met four times during its term.

It submitted its proposals to the Annual General Meeting on 11 January 2023. The proposals were published in the form of a stock exchange release.

Board of Directors

Composition and election of the Board of Directors

In accordance with the Articles of Association, the Board of Directors of Lassila & Tikanoja plc comprises a minimum of three members and a maximum of seven. The members of the Board of Directors are elected by the Annual General Meeting. The term of each member of the Board of Directors expires at the end of the next Annual General Meeting of Shareholders following their election.

Board members

The following six members were elected to the Board of Directors by the Annual General Meeting of 2022.

Jukka Leinonen, Chairman (born 1962)

Independent of the company and major shareholders
Board member: since 2021
Board committees: Chairman of the Personnel and Sustainability Committee
Education: M.Sc. (Eng.)
Key work experience: Telenor ASA, EVP and Head of Nordics, member of Telenor's Group Executive Management 2019–2022, DNA Oyj, CEO 2013–2021, Vice President, Corporate Business 2010–2013, TeliaSonera, various management positions in corporate business sales, marketing and product management 2002–2009, Sonera Oyj, management positions 2000–2002, Sonera Solutions Oy (Yritysverkot Oy), President and CEO 1996–1999
Membership on other Boards: DNA Oyj, Chairman of the Board 2021–2022, Representative Council of the Confederation of Finnish Industries 2020–2021, Altia Oyj 2020–2021, FiCom ry, Chairman of the Board 2019–2021 and Member of the board 2013–2018, Service Sector Employers PALTA ry 2013–2017

Sakari Lassila, Vice Chairman (born 1955)

Independent of the company and major shareholders
Board member: since 2011
Board committees: Chairman of the Audit Committee
Education: M.Sc. (Econ.)
Key work experience: Indcrea Oy, Managing Director 2008–2018, Cupori Group Oy, member of the Management Board 2008–2014, Managing Director of Cupori AB 2012–2014, Carnegie Investment Bank AB, Finland Branch, executive positions 2002–2005, Alfred Berg Finland Oyj, executive positions within investment banking 1994–2002
Citibank Oy, head of corporate bank 1991–1994,
Union Bank of Finland: supervisory and executive positions 1983–1991
Membership on other Boards: Evald and Hilda Nissi Foundation, Vice Chairman of the Board, member 1987–, Aplagon Oy, Chairman of the Board 2009–

Teemu Kangas-Kärki (born 1966)
Independent of the company and major shareholders
Board member: since 2016
Board committees: Member of the Audit Committee
Primary occupation: Nokian Tyres Oyj, CFO
Education: M.Sc. (Econ.)
Key work experience: Fiskars Oyj, Chief Operating Officer and Deputy to the CEO 2017–2018, Interim President 2017, Chief Operating Officer and Chief Financial Officer, deputy to the CEO 2014–2017, President, Home Business Area 2012–2014 and Chief Financial Officer 2008–2012, Alma Media Corporation, CFO 2003–2008, Kesko Oyj, Vice President, Corporate Controller 2002–2003, Corporate Business Controller 2000–2001, Nestlé Finland Oy, Finance Director 1999–2000, Smith & Nephew Oy, Finance Manager 1996–1998, Unilever Oy & Gmbh, Marketing Controller & Internal Auditor 1992–1996
Membership on other Boards: Marimekko Oyj, Vice Chair of the Board, Chair of the Audit and Remuneration Committee 2022–

Laura Lares (born 1966)
Independent of the company and major shareholders
Board member: since 2014
Board committees: Member of the Audit Committee
Primary occupation: Ablers Oy, Managing Director and Board member
Education: Ph.D. (Tech.)
Key work experience: Woimistamo Oy, Managing Director 2012–2018, Kalevala Koru Oy & Lapponia Jewelry Oy, Managing Director 2007–2012, UPM Kymmene Corporation, Director of Wood Products Division, Director of Business Development & Human Resources 2004–2006
Membership on other Boards:
Ablers Oy 2018–, Lappeenranta University of Technology 2009–2017, Woikoski Oy 2012–2016

Laura Tarkka (born 1970)
Independent of the company and major shareholders
Board member: since 2017
Board committees: Member of the Personnel and Sustainability Committee
Primary occupation: Gigantti Oy, CEO
Education: M.Sc. (Eng.), CEFA degree
Key work experience: Kämp Group Oy/Kämp Collection Hotels Oy, CEO 2014–2020, Diacor Terveyspalvelut Oy, CFO and deputy CEO 2013–2014, Fazer Group, Director 2007–2012, Icecapital Securities Ltd, investment banker 2001–2007, Mandatum Stockbrokers Ltd, investment banker 1997–2001
Membership on other Boards: Oy Karl Fazer Ab 2021–, Caruna Oy 2019–, Central Chamber of Commerce 2021–, the Finnish Fair Corporation 2019–2021, Viking Line Oyj 2020–2021, Docrates Oy 2016–2021

Pasi Tolppanen (born 1967)
Independent of the company and major shareholders
Board member: since 2020
Board committees: Member of the Personnel and Sustainability Committee
Primary occupation: YIT Corporation, Executive Vice President, Infrastructure segment and member of the Group Management Team
Education: Ph.D. (Tech.)
Key work experience: DEN Group Oy, CEO 2020–2021, Maintpartner Group Oy, CEO 2017–2019, Pöyry Oyj, President Regional Operations Northern Europe, Managing Director of Pöyry Finland Oy and member of the Management Board 2013–2016 and various managerial positions 2007–2012
Membership on other Boards: Forcit Oy 2019–; Terrawise Oy 2019–2021; Maintpartner Ab, Chairman 2017–2022

In 2022, the Board of Directors also had Heikki Bergholm as a member. His membership ended at the Annual General Meeting 2022.

Diversity of the Board of Directors

The company considers diversity essential to achieving its strategic targets. Diversity is also viewed from several perspectives when planning the composition of the Board of Directors. In the election of Board members, the aim is to ensure that the Board of Directors as a whole supports the company's business and its development. It is important from the point of view of the effective operation of the Board of Directors that the Board of Directors is sufficiently diverse and comprises of an adequate number of members, and that the members have diverse expertise and experience to complement each other.

In assessing the composition of the Board of Directors, it is, for example, considered whether the professional and educational background, and gender and age distribution of the Board is adequately diverse and whether it includes suitable decision-making ability, skills and experience to be able to meet the requirements set by the company's business operations and strategic targets. The company's aim is that both genders are represented in the Board of Directors. The principles regarding the diversity of the Board of Directors are taken into consideration in the successor planning of Board members. Both genders have been represented in the Board of Directors for a long time. In 2022, four of the Board members were male and two were female. The age range of the Board members was 52–67 years. The less represented gender accounted for 33 per cent of the Board of Directors.

Independence of the members of the highest governance body

None of the members of the Board of Directors are in an employment relationship with the company. The Board of Directors has assessed that all of its members are independent of the company. In the assessment, it was taken into consideration that Sakari Lassila has been a member of the Board of Directors for more than 10 years consecutively. The Board of Directors has not identified any reasons why Sakari Lassila should not be considered independent of the company. All of the members of the Board of Directors are also independent of the company's major shareholders.

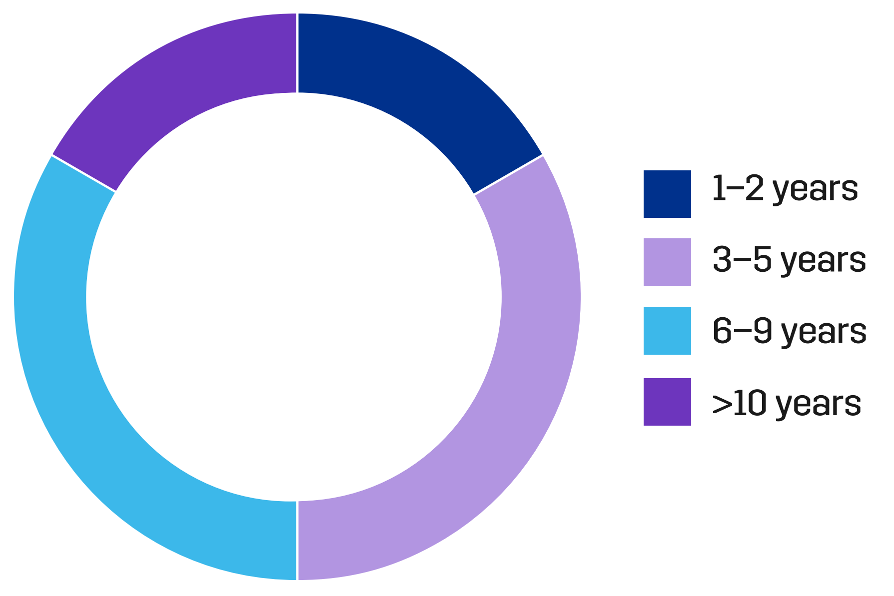
The areas of expertise of the Board of Directors

Name	Board member since	Primary areas of expertise	Independent of the company	Independent of significant shareholders	Committee memberships: Audit Committee	Committee memberships: Personnel and Sustainability Committee	Concurrent Board memberships in listed companies
Jukka Leinonen*	2021	Customer experience, ICT and data analytics, operational management, strategy and M&A	Yes	Yes		Chairman	
Sakari Lassila	2011	Internal control and risk management, strategy and M&A, finance	Yes	Yes	Chairman		
Teemu Kangas-Kärki	2016	Governance, internal control and risk management, strategy and M&A, finance	Yes	Yes	Member		1
Laura Lares	2014	ESG and sustainability, strategy and M&A, industry expertise and technologies	Yes	Yes	Member		
Laura Tarkka	2017	Customer experience, ESG and sustainability, human resources management, operational management	Yes	Yes		Member	
Pasi Tolppanen	2020	Customer experience, international market insight, operational management, industry expertise	Yes	Yes		Member	

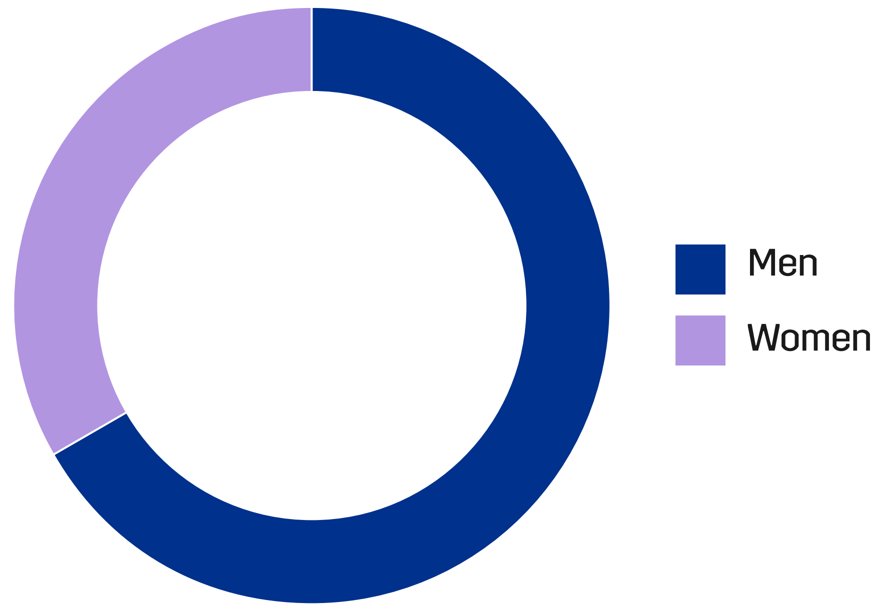
Yes No

The table presents the key areas of expertise of the members of the Board of Directors on 31 December 2022. A particular area of expertise not being specifically mentioned for a Board member does not mean that the member in question lacks expertise in that area.
* Chairman of the Board from 17 March 2022 onwards, member of the Board prior to that date.

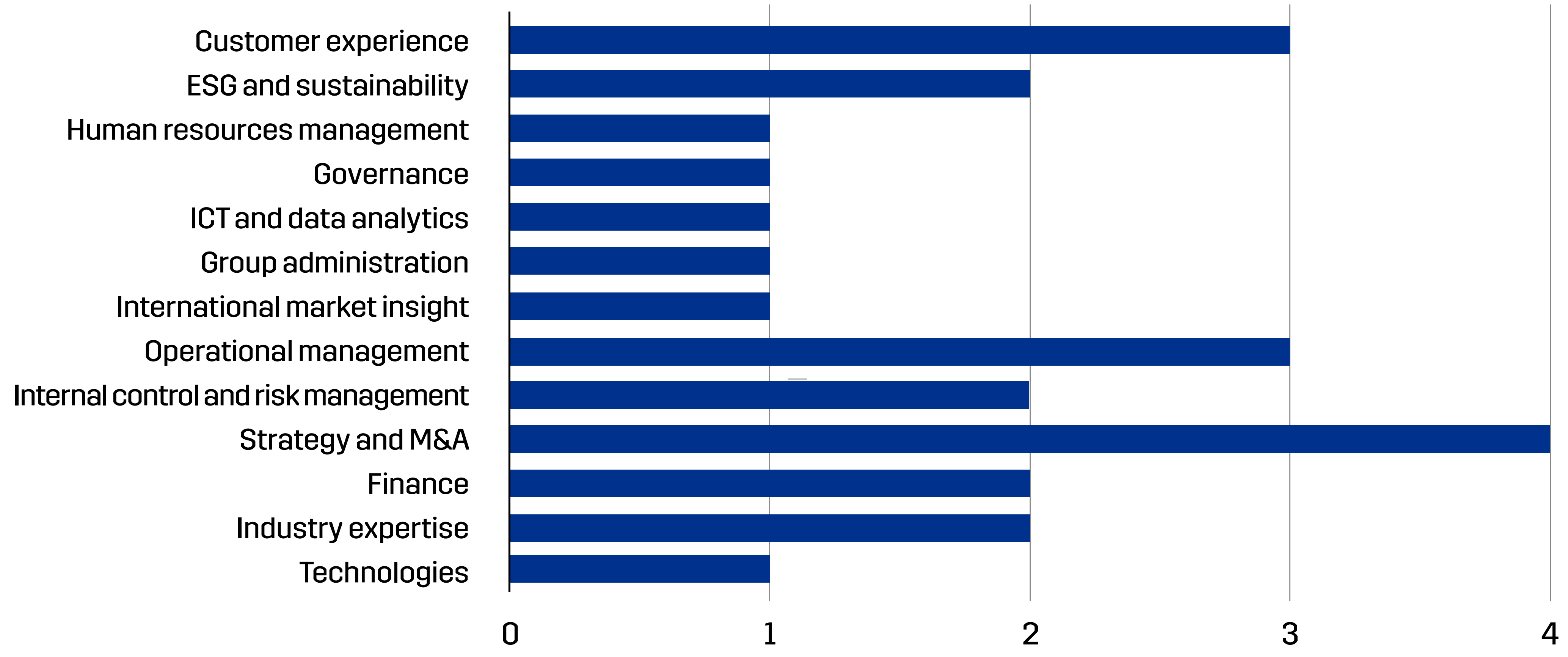
Duration of Board membership in years (number of persons)



Gender distribution (number of persons)



Main areas of expertise



Board members' shareholding 31 December 2022
Shares in the company held by the Board members and any corporations over which they exercise control have been taken into account in terms of shareholding. Board members do not hold shares in any group companies other than Lassila & Tikanoja plc. Information about the Board members' remuneration is disclosed in the Remuneration report of the governing bodies, which is published in connection with the Report of the Board of Directors and is available at lt.fi/en/investors.

BOARD MEMBERS' SHAREHOLDING

	31.12.2022
Jukka Leinonen	37,351
Sakari Lassila	21,427
Teemu Kangas-Kärki	5,943
Laura Lares	7,266
Laura Tarkka	5,294
Pasi Tolppanen	3,325
Total	**80,606**

Duties of the Board of Directors
The Board of Directors is responsible for the management of the company, the proper arrangement of the company's operations, and the proper arrangement and supervision of the company's accounting and financial management. The Board of Directors decides upon matters that are of major importance, in view of the scope and size of the operations of the company. The Board of Directors is also responsible for the duties specified in the Companies Act and the Articles of Association, and in other regulations. The Board of Directors has drawn up a written charter for its work. It governs the Board's work in addition to the company's Articles of Association and Finnish laws and regulations.

According to the charter, the duties of the Board of Directors include, for example:

- being responsible for the development of shareholder value
- confirming the company's goals
- deciding on the corporate strategy and confirming divisional strategies
- deciding on the Group structure and organisation
- ensuring the operation of the management system
- handling and adopting interim reports, half-year financial reports, financial statements and annual reports
- confirming the Group's operating plan, budget and investment plan
- deciding on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements, as well as financing arrangements and contingent liabilities
- drawing up the dividend policy
- confirming treasury, investment, disclosure, risk management and insurance policies, as well as the principles of internal control
- approving the sustainability programme
- nominating and dismissing the President and CEO and monitoring and evaluating their work
- deciding on the nomination, remuneration and other financial benefits of the President and CEO's immediate subordinates

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

Meetings of the Board of Directors
Board meetings are held at the company's head office in Helsinki, other group locations or other places decided on by the Board of Directors. If necessary, the Board of Directors may also hold meetings virtually and make decisions without convening.

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

The company's President and CEO and CFO usually participate in Board meetings. Where necessary, such as in conjunction with discussing the strategy or budget, the meetings are also attended by other members of Lassila & Tikanoja plc's Group Executive Board. The company's General Counsel acts as the secretary of the Board of Directors.

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

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

Activities of the Board of Directors in 2022
The Board of Directors met 14 times during 2022. The average attendance rate of the members at the meetings was 98 per cent. Key themes in Board work included strategy and directing and supporting its implementation, monitoring strategic projects, developing the corporate structure and business portfolio and directing risk management.

Committees of the Board of Directors
The Board has an Audit Committee and a Personnel and Sustainability Committee. The Audit Committee consists of three (3) Board members, and the Personnel and Sustainability Committee consists of three (3) Board members. At its organisational meeting after the Annual General Meeting, the Board of Directors elects chairmen and members of the Committees from among its number for a term of one year at a time. The committee members must have the expertise and experience required by the duties of the committee. The Board of Directors confirms the charters of the committees annually. The committees have no independent decision-making authority; the Board of Directors makes the decisions based on the preparation work by the committees.

The chairman of the committee reports on the work of the committee at the Board meeting following the committee meeting. Minutes of the committees' meetings are provided to the Board members for information.

Audit Committee
At its organisational meeting after the Annual General Meeting on 17 March 2022, the Board of Directors appointed Sakari Lassila (Chairman), Laura Lares and Teemu Kangas-Kärki as members of the Audit Committee. All of the members of the Audit Committee are independent of the company and its major shareholders. The Audit Committee will convene at least four times a year.

The duties of the Audit Committee pursuant to the charter include:

- monitoring the financial position and financing of the Group.
- monitoring the reporting process of financial statements.
- supervising the financial reporting process.
- monitoring the efficiency of the company's internal control, internal audit and risk management systems.
- reviewing the operating principles of the company's internal control.
- reviewing the plans and reports of the company's internal audit.
- reviewing the company's corporate governance statement.
- monitoring related-party transactions.
- monitoring the statutory audit of the financial statements and consolidated financial statements.
- evaluating the independence of the auditing company
- evaluating the provision of non-audit services to the company by the auditing firm.
- preparing the proposal and/or recommendation concerning the auditor of the company.

- maintaining contact with the company's auditor and reviewing the reports prepared for the committee by the auditor.
- assessing compliance with laws and provisions.

The Audit Committee met five times in 2022. The attendance rate of the members at the meetings was 100 per cent.

Personnel and Sustainability Committee
At its organisational meeting after the Annual General Meeting of 17 March 2022, the Board of Directors appointed Jukka Leinonen (Chairman), Laura Tarkka and Pasi Tolppanen as members of the Personnel and Sustainability Committee. All of the members of the Committee are independent of the company and its major shareholders. The Personnel and Sustainability Committee meets at least four times a year.

The duties of the Personnel and Sustainability Committee pursuant to the charter include:

- handling, evaluating and making statements on the salary structure of the Group management and personnel as well as remuneration and incentive schemes.
- monitoring the functionality of the remuneration systems to ensure that the management's incentive schemes promote the achievement of the company's targets and are based on personal performance.
- handling and preparing executive appointment issues for consideration by the Board of Directors.
- discussing and preparing matters related to the organisational structure and the development of management and human resources.
- dealing with management succession plans.
- prepare the remuneration policy of the company's governing bodies and the remuneration report.
- presenting the governing bodies' remuneration policy and reporting to the Annual General Meeting and answering related questions.
- monitoring and evaluating the development of sustainability in the Group.
- monitoring developments in the business environment and regulation
- monitoring and evaluating the development of occupational safety and work ability issues in the Group.
- monitoring the development of stakeholder support (employee and customer experience as well as other external stakeholders).
- monitoring the results of the Group's ESG assessments and analyses.
- reviewing the statement of non-financial information as part of the Board's report.
- processing the Annual Report.
- monitoring and evaluating the development of diversity in the workplace community.

The Committee met four times in 2022. The attendance rate of the members at the meetings was 100 per cent.

President and CEO

Lassila & Tikanoja plc's President and CEO is appointed by the Board of Directors. The President and CEO is responsible for day-to-day operations in keeping with the instructions of the Board of Directors. They are also responsible for the strategy process. Eero Hautaniemi, M.Sc. (Econ.), has served as the President and CEO since 1 January 2019. The more detailed personal and shareholding information of the President and CEO is disclosed below in connection with the personal and shareholding information of the members of the Group Executive Board.

Group Executive Board

The Group Executive Board assists the President and CEO in the management of the company. The Group Executive Board has no authority based on legislation or the Articles of Association. The Group Executive Board comprises of the President and CEO as the chairman and Group executives confirmed by the Board of Directors. The members of the Group Executive Board report to the President and CEO. The Group Executive Board convenes at least once a month.

On the date of this statement, the Group Executive Board comprised the following persons:

Eero Hautaniemi (born 1965)
President and CEO
Member of the Group Executive Board since: 1 January 2019
Education: M.Sc. (Econ.)
Key work experience: Oriola-KD Oyj, CEO 2006–2017, GE Healthcare Finland Oy, President 2004–2005, GE Healthcare IT, General Manager, Oximetry, Supplies and Accessories business area 2003–2004, Instrumentarium Corporation, specialist and executive positions 1990–2003
Membership on other Boards:, Ilmarinen Mutual Pension Insurance Company, member of the Supervisory Board 2019–

Tina Hellstadius (born 1973)
Senior Vice President, Facility Services Sweden
Member of the Group Executive Board since: 19 April 2022
Education: M.Sc. (Technology)
Key work experience: SOL Sweden, CEO 2017–2022, Telia Group, Director, Supply Chain Excellence 2014–2017, LRF Samköp, CEO 2010–2014, Euromaint Rail AB, Head of Contracts 2008–2010, Bid Manager 2007–2008, Scania CV, Vice Commodity Manager 2006–2007, Sourcing Manager 2005–2006, Team Leader 2004–2005

Sirpa Huopalainen (born 1965)
General Counsel
Member of the Group Executive Board since: 26 February 2019
Education: OTK, Master of Laws (Aus.)
Key work experience: Lassila & Tikanoja plc, General Counsel 2012–, Atria Plc, General Counsel 2007–2012, Metso Automation Oy, Legal Counsel 2004–2007, Metso Corporation, Legal Counsel 1999–2004, Rauma Corporation, Legal Counsel 1996–1999

Jorma Mikkonen (born 1963)
Senior Vice President, Public Affairs and Sustainability
Member of the Group Executive Board since: 1 June 2015
Education: Master of Laws
Key work experience: Lassila & Tikanoja plc: Vice President, Environmental Services 2009–2012, Vice President, Industrial Services 2000–2009, Säkkiväline Oy, Administrative Director 1999–2000, Corporate Lawyer 1992–1999, Helsinki Finnish Saving Bank, Corporate Lawyer 1991–1992

Antti Niitynpää (born 1972)
Senior Vice President, Facility Services Finland
Member of the Group Executive Board since: 30 July 2021
Education: eMBA
Key work experience: Lassila & Tikanoja plc, Business Director, Cleaning Services 2019–2021, Lassila & Tikanoja plc, Business Director, Property Maintenance 2014–2018, Lassila & Tikanoja plc, Regional Director, Helsinki metropolitan area 2013–2016, ISS Finland, Regional Director, Service Director, Customer Accounts Director 2006–2013, Suomen Laatutakuu Palvelut Oy, Project Director 1999–2006, Purkat Oy, CEO 1995–1999
Membership on other Boards: Kiinteistötyönantajat ry (Employers' association of property management) 2022–

Valtteri Palin (born 1973)
CFO
Member of the Group Executive Board since: 1 August 2019
Education: M.Sc. (Econ.)
Key work experience: Lassila & Tikanoja plc, CFO, responsible for controller operations, 2019, SRV Yhtiöt Oyj, CFO, 2008–2019, SRV Toimitilat Oy, business controller 2005–2008, Skanska Oy, Finance Manager, business controller and controller, 1998–2005

Hilppa Rautpalo (born 1974)
Senior Vice President, Human Resources
Member of the Group Executive Board since: 1 January 2020
Education: Master of Laws (trained at the bench)
Key work experience: Arctia Ltd, SVP, Legal Affairs and HR 2018–2019, Unisport-Saltex Oy, General Counsel, Group HR Director 2017–2018, Ekokem Oyj, SVP, Legal Affairs and HR 2013–2017, Amer Sports Oyj, Senior Legal Counsel 2007–2009, Metsä Group, Group Legal Counsel 2000–2007
Membership on other Boards Finnpilot Pilotage Oy, 2020–

Petri Salermo (born 1970)
Senior Vice President, Environmental Services
Member of the Group Executive Board since: 1 January 2013
Education: eMBA, CBM
Key work experience: Lassila & Tikanoja plc: Business Director, Environmental Services 2009–2012; Sales Director, Environmental Services 2003–2009; Sales Manager, Environmental Services 2001–2003, Europress Oy: Sales Director 1998–2001, managerial positions in sales 1995–1998

Antti Tervo (born 1978)
Senior Vice President, Industrial Services
Member of the Group Executive Board since: 14 February 2012
Education: M.Sc. (Econ.)
Key work experience: Lassila & Tikanoja plc: Chief Officer responsible for procurement and supply chain, 2012–2014, Siemens North West Europe: Head of Commodity Management 2009–2012; Project Manager, Procurement and Supply Chain Management 2008–2009, Siemens Oy: Director, Procurement 2005–2009; Procurement Manager 2003–2005; Supply Chain Consultant 2001–2003

Group Executive Board members' shareholding 31 December 2022

Eero Hautaniemi	46,827
Tina Hellstadius	0
Sirpa Huopalainen	6,744
Jorma Mikkonen	7,107
Antti Niitynpää	1,107
Valtteri Palin	1,560
Hilppa Rautpalo	1,758
Petri Salermo	19,105
Antti Tervo	10,856
Total	**95,064**

Shares in the company held by the Group Executive Board members and any corporations over which they exercise control have been taken into account in terms of shareholding. Group Executive Board members do not hold shares in any group companies other than Lassila & Tikanoja plc. Information on the President and CEO's remuneration is provided in the remuneration report, which has been published in connection with the Report of the Board of Directors. The remuneration report and information on the Group Executive Board's remuneration is available online at www.lt.fi/en/investors.

Descriptions of internal control procedures and main features of risk management system

The Group's financial reporting

The financial reporting principles represent an essential element of L&T's Integrated Management System. The financial information of the Group and its divisions is reported and analysed internally within the Group monthly and disclosed as interim reports, half-year financial reports and financial statements releases. The Group's and its divisions' budgets and long-term financial plans are updated annually.

The Group's financial reporting process includes both financial accounting and management accounting. The internal control and risk management processes and procedures pertaining to the financial reporting process are explained in more detail below. Their purpose is to ensure that the information disclosed in the financial reports published by the company is essentially correct.

Audit Committee

The Board of Directors' Audit Committee supervises and monitors the efficiency of L&T's financial reporting process and internal control systems. The Audit Committee has reviewed L&T's internal control policy and the Board of Directors has approved it.

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

L&T's financial reporting process

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

L&T's foreign subsidiaries each have independent financial management departments operating in compliance with the accounting principles and reporting instructions issued by the Group's financial management. L&T's domestic business segments and foreign subsidiaries submit a monthly reporting package to the Group according to the Group's instructions. Controllers supervise the financial reports of domestic business segments and foreign subsidiaries. L&T's Group financial management is responsible for preparing and updating the Group accounting policies and instructions, and for preparing reporting schedules.

The financial management department consolidates subsidiaries' financial statements into consolidated financial statements, which include notes to the financial statements, and prepares interim and half-year financial reports, financial statements releases and the annual financial statements. Public financial reporting is realised with the same principles, and it is subject to the same control methods as monthly internal financial reporting. The Audit Committee reviews the interim report, half-yearly report and financial statements and proposes its recommendation on their processing to the Board of Directors. The Board of Directors approves the interim report, half-yearly report, financial statements release and financial statements prior to their publication.

Internal control

Internal control is a material part of the Group's administration and management. The purpose of internal control is to ensure the reliability of the Group's financial reporting, efficiency and profitability of operations, and compliance with legislation and other regulations. Tools of internal control include policies and principles, guidelines, manual and IT system-based automatic controls, follow-up reports and inspections or audits.

The company's Board of Directors has ratified L&T's internal control policy. The Board of Directors and the President and CEO are responsible for the organisation of internal control.

The Audit Committee of the Board of Directors monitors the efficiency and performance of internal control and correctness of financial reporting. The financial development of the company is monitored monthly by an operational reporting system covering the whole Group.

In addition to actual data, the system provides budgets, forecasts and investment reports. L&T's operations and financial reports are monitored and compared against budgets and forecasts at different organisational levels. Group management, divisional management and area management, as well as business unit management, analyse the results and any nonconformities. Those responsible for finances at the divisions also analyse the financial reports and prepare reports for management use. Their duties also include supervision of the accuracy of financial reports and analysis of results.

Risk management

L&T has a defined a risk management process that includes a review of financial, strategic and operational risks. Risk management at L&T aims to identify significant risk factors, prepare for them, and manage them in an optimal way so that the achievement of the company's strategic and financial objectives is not compromised. Comprehensive risk management endeavours to manage the Group's risk as a whole and not just individual risk factors.

Responsibilities

The principles of L&T's risk management are approved by the company's Board of Directors. The Board monitors the implementation of risk management and assesses the efficiency of the methods employed. The President and CEO is responsible for the organisation and implementation of risk management. Risk management at L&T Group is controlled by the risk management and insurance policy confirmed by L&T's Board of Directors. The policy specifies the objectives and principles, organisation and responsibilities, and procedures of the Group's risk management. The Group's financing policy confirmed by L&T's Board of Directors is followed in the management of financial risks. The principles for insurance risk management are specified in the Risk Management and Insurance Policy.

Identification, assessment and reporting of risks
Risks are surveyed regularly and systematically at both the division and company levels and in functions considered to be critical. The significance of risks is assessed using a risk matrix. Measures for managing and minimising the identified risks are prepared, and responsibility for these measures is allocated to specified individuals or units. The most significant risks identified, and the preparations for them are regularly reported to the President and CEO and the Board of Directors.

Other information disclosed in the CG statement

Internal audit
Internal audit enhances the realisation of the monitoring responsibility of L&T's Board of Directors. It is the task of L&T's internal audit to support the company and its senior management in the achievement of strategic and financial goals by providing a systematic and independent approach to assessing and developing the effectiveness of the organisation's internal control, risk management and governance systems and performance, efficiency and appropriateness of business processes.

The Board's Audit Committee confirms the annual plan of internal audit, in which items to be audited are selected based on the Group's strategic objectives, estimated risks and focal areas specified by the Board of Director and the President and CEO. The internal audit function reports to the Audit Committee of L&T's Board of Directors. In addition, the President and CEO, the CFO, the General Counsel and the management of each audited division are informed of the audit results. The implementation of the measures resulting from the internal audit recommendations is monitored and the monitoring results are reported to the Audit Committee.

Insider guidelines
The company complies with the Market Abuse Regulation (596/2014, "MAR") and the Securities Market Act and related regulations and guidelines issued by the European Securities Markets Authority, the Finnish Financial Supervisory Authority and Nasdaq Helsinki Ltd. Moreover, the Board of L&T's has also verified insider guidelines to supplement the Guidelines for Insiders issued by Nasdaq Helsinki Ltd.

Certain key aspects of the insider guidelines are described below. The insider guidelines clearly specify certain practices and decision-making procedures to ensure that the company's insider management has been arranged in a consistent and reliable way. The General Counsel is responsible for insider issues in the company. L&T maintains an internal non-public list of the persons discharging managerial duties and the persons closely associated with them who, pursuant to MAR, are under an obligation to disclose their transactions involving L&T's financial instruments.

L&T has defined the company's Board of Directors and the President and CEO as persons discharging managerial duties pursuant to the Market Abuse Regulation, and each of these persons has been instructed to inform the persons closely associated with them of the notification obligation concerning transactions. Transactions by managers and the persons closely associated with them are published as stock exchange releases via the company website.

The company maintains separate project-specific insider lists pursuant to MAR on significant projects that may have a significant impact on the value of financial instruments issued by L&T. Such lists are established and maintained following the decision to postpone the disclosure of inside information.

Persons who are entered in a project-specific insider list or other persons in possession of inside information concerning L&T may not trade in financial instruments issued by L&T. In addition, L&T's aforementioned persons discharging managerial duties may not trade in L&T's financial instruments for a closed period of 30 days preceding the publication of the company's interim reports, half-year report and financial statements release, including the date of publication.

The closed period preceding result announcements and the restriction on carrying out transactions during the closed period also apply to the persons who participate in the preparation of interim reports and the financial statements release, or who otherwise have regular access to L&T's undisclosed financial information.

Transactions with related parties
The company and its Board of Directors evaluates and monitors transactions between the company and its related parties, and aims to ensure that any conflicts of interest are taken into consideration in decision-making. If the related-party transactions are material to the company and deviate from the company's ordinary business operations or are made in deviation from ordinary market terms, the company must report the decision-making procedure concerning such related-party transactions.

L&T's related-party transactions are described in Note 5.4 to the financial statements. L&T did not carry out any business transactions with related parties that were material to the company, deviated from its normal business operations or were not made on market or market equivalent terms in 2022.

Auditor
L&T has one auditor that must be a firm of auditors approved by the Finland Chamber of Commerce. The auditor is elected by the Annual General Meeting. PricewaterhouseCoopers Oy, Authorised Public Accountants, was elected by the Annual General Meeting of 2022 as the company's auditor, with Samuli Perälä, Authorised Public Accountant, as the principal auditor. During the financial years 2012–2021, the company's auditor was KPMG Oy Ab, Authorised Public Accountants, and auditors representing KPMG.

The Audit Committee of the Board of Directors processes the audit plan annually and reviews the audit findings with the Board of Directors. In 2022, the fees paid for the Group's statutory auditing totalled EUR 364,000 (264,000). The fees paid to the auditing company and companies belonging to the same group for non-audit services totalled EUR 167,000 (23,000).

LEADER OF THE **REGENERATIVE SOCIETY**

Remuneration Report 2022
Lassila & Tikanoja plc

Remuneration Report

This Remuneration Report has been prepared in accordance with the applicable legislation and the Securities Market Association's Finnish Corporate Governance Code for Finnish listed companies, which entered into force on 1 January 2020. This report describes the remuneration of the Company's governing bodies, namely the Board of Directors and the President and CEO, for the financial year 2022. The Personnel and Sustainability Committee of the Board of Directors has discussed this report and it will be presented to the 2023 Annual General Meeting of Lassila & Tikanoja plc (hereinafter referred to as "L&T" or the "Company"). The resolution of the Annual General Meeting concerning the Remuneration Report is advisory. The 2022 Annual General Meeting voted for the Remuneration Report for the financial year 2021 and affirmed it by an advisory resolution. This Remuneration Report, other information disclosed in accordance with the Corporate Governance Code, and information on the remuneration of the members of the Group Executive Board are available on the Company's website.

Introduction

L&T's Personnel and Sustainability Committee has drafted and the Board of Directors has approved the Remuneration Policy, presented to the 2020 Annual General Meeting. The Remuneration Policy describes the remuneration principles concerning the Company's governing bodies, namely the Board of Directors and the President and CEO. During the financial year 2022, L&T complied with the Remuneration Policy presented to the Annual General Meeting. An analysis of the total compensation of the key management is prepared annually by a consultant independent from the company. The analysis is reviewed by the Personnel and Sustainability Committee.

There were no deviations from the Remuneration Policy and no clawback of remuneration. In accordance with the Remuneration Policy, the aim of the remuneration scheme of the Board of Directors and the President and CEO is to contribute to the positive development of shareholder value, as well as to enhance the Company's competitiveness, long-term financial success, and fulfilment of the strategy and goals set by the Company.

The key principle of the Remuneration Policy is that remuneration of the Board of Directors and the President and CEO shall contribute to the achievement of the abovementioned goals and provide – in terms of both level and structure – a fair and competitive package that promotes commitment and retention and is in line with market practices. The aim of all remuneration throughout Lassila & Tikanoja Group is to promote good performance and to motivate personnel to engage in long-term efforts to promote the achievement of the Company's goals.

Remuneration is one factor through which the Company strives to ensure the availability of skilled and motivated persons for all positions at all levels of the organisation. These principles apply also to the remuneration of the members of the Board of Directors and the President and CEO. The chart shows the development of the remuneration of the Board members and the President and CEO during the financial years 2018–2022 relative to the development of the average remuneration of employees and the Group's financial performance.

Fees paid to the Board of Directors for the financial year 2022

The Annual General Meeting annually determines the annual fees and the meeting fees payable to the members of the Board of Directors for Board and committee work. The Shareholders' Nomination Board prepares proposals on remuneration for the Annual General Meeting to be held in the spring 2023.

Annual fees, meeting fees for Board and committee meetings, and other financial benefits
The Annual General Meeting held on 17 March 2022 resolved on the remuneration of the Board of Directors in 2022 as follows:

- Chairman of the Board EUR 60,000
- Vice Chairman of the Board EUR 40,000
- members EUR 30,000

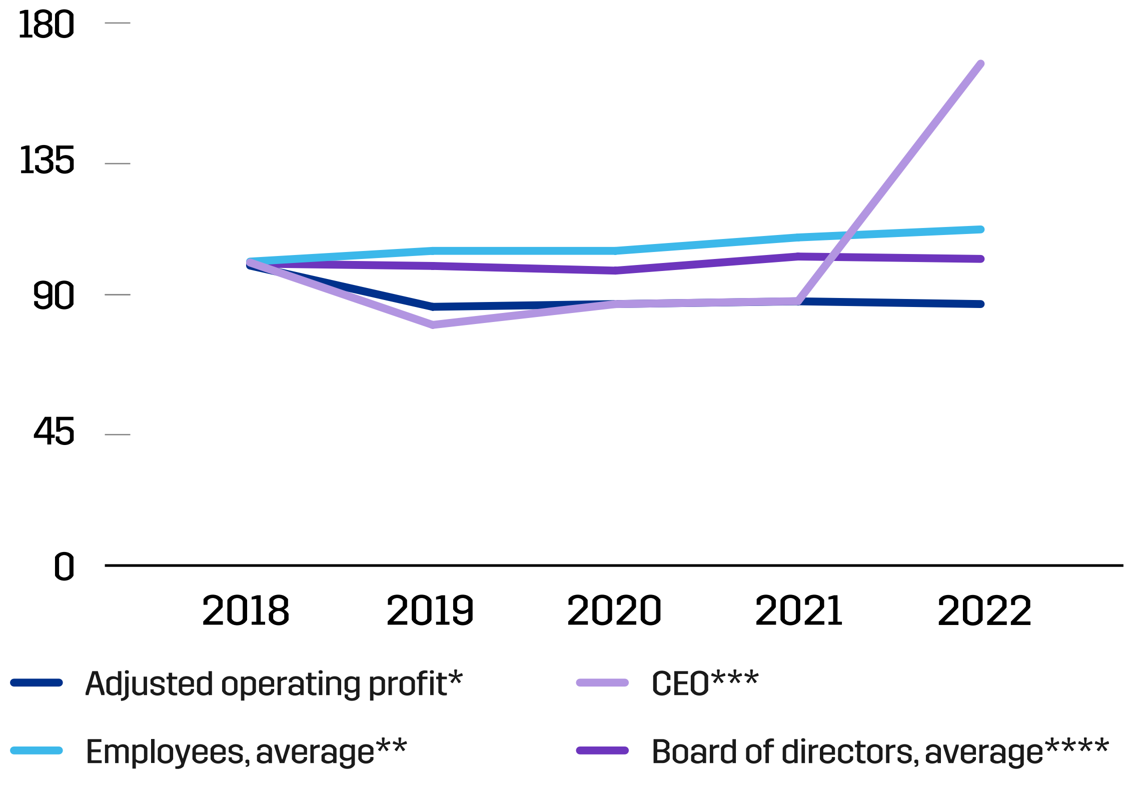
The fees shall be paid so that 40% of the annual fee is paid in Lassila & Tikanoja plc shares held by the Company or, if this is not feasible, shares acquired from the market, and 60% in cash. Shares are to be issued to Board members and, where necessary, acquired directly from the market on behalf of Board members on the third trading day after the publication of the interim report for the first quarter of the year.

In addition, meeting fees were paid to the members of the Board of Directors as follows: EUR 1,000 to the Chairman, EUR 700 to the Vice Chairman, and EUR 500 to each member for each meeting. Meeting fees were also paid to the Chairmen and members of committees established by the Board of Directors: EUR 700 to the Chairman of a committee and EUR 500 to each member for each meeting.

None of the members of the Board of the Directors is employed by the company or a company belonging to the same group of companies with the company or acts as the company's advisor, and thereby they receive no salary, pension benefits, other financial benefits associated with employment or service, or other emoluments or fees not associated with Board work from the company.

The members of the Board are not included in the company's share-based incentive schemes and they do not have any pension contracts with the company. For the payment of the 40 per cent proportion of the annual fee of the members of the Board of Directors, a total of 8,618 shares held by the Company were transferred to the Board members on 2 May 2022 at a rate of EUR 10.205 per share in the following amounts: 2,351 shares to the Chairman, 1,567 shares to the Vice Chairman, and 1,175 shares to each member.

Development of business and remuneration, indexed, 2018=100



* Reported operating profit for 2018 does not differ significantly from the adjusted operating profit

** Employee salaries relative to the total number of personnel, converted to a full-time equivalent basis

*** Total remuneration, with the incentive schemes being based on the preceding year's results (based on the achievement of the performance criteria for the earnings period that corresponded to the financial year 2021, the incentive bonus was earned at 72% of the maximum amount for the short-term incentive scheme and at 69.9% of the maximum amount for the long-term incentive scheme)

**** Total remuneration

Fees paid to the members of the Board of Directors

EUR	2022 Annual fee	2022 Meeting fees	2022 Total
Jukka Leinonen, Chairman*)	60,000	13,400	73,400
Heikki Bergholm, Chairman**)		4,400	4,400
Sakari Lassila, Vice Chairman	40,000	12,600	52,600
Teemu Kangas-Kärki, member	30,000	9,000	39,000
Laura Lares, member	30,000	9,000	39,000
Laura Tarkka, member	30,000	7,500	37,500
Pasi Tolppanen, member	30,000	8,500	38,500

*) Chairman of the Board from 17 March 2022, member of the Board until that date.
**) Chairman of the Board until 17 March 2022.

Remuneration of the President and CEO for the financial year 2022

The Board of Directors decides on the remuneration and financial benefits payable to the President and CEO. Before decision-making by the Board of Directors, the matter is prepared by the Personnel and Sustainability Committee of the Board. Eero Hautaniemi has served as the President and CEO since 1 January 2019. The Company did not have a Deputy CEO.

Key remuneration principles

The remuneration of the President and CEO consists of a fixed monthly salary and benefits, and a separate annually decided short-term incentive. In addition, the President and CEO is included in the share-based incentive scheme, which serves as a long-term incentive scheme. The short-term incentive scheme and the share-based incentive scheme that serves as a long-term incentive scheme constitute the variable components of the President and CEO's remuneration.

Short-term incentive scheme

The short-term incentive bonus for the President and CEO corresponds to six months' salary at a maximum. The objectives of the short-term incentive scheme are set – and their achievement assessed – annually. Any incentives are usually paid in February of the year following the earnings period typically spanning a calendar year. The precondition for payment is that the President and CEO is employed by the Company at the time.

The President and CEO's incentive bonus for the earnings period that corresponds to the financial year 2022 was based on the Group's profit performance and strategic targets defined by the Board of Directors as follows: consolidated operating profit (70% weight), employee Net Promoter Score (eNPS, 10% weight) and customer satisfaction (NPS, 10% weight). Based on the achievement of the earnings criteria for the earnings period that corresponded to the financial year 2022, the incentive bonus was earned at 29% of the maximum amount. The President and CEO will be paid EUR 63,882 in the financial year 2023 for the earnings period that corresponds to the financial year 2022.

Long-term incentive scheme

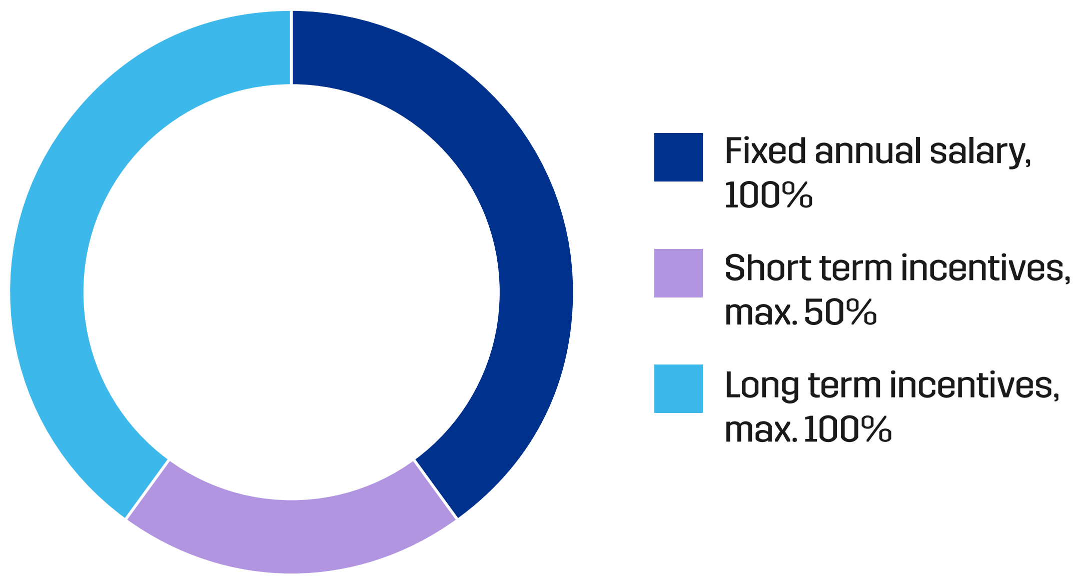
The President and CEO's long-term incentive scheme is the Company's share-based incentive scheme. The Board of Directors decides on the share-based incentive scheme as part of the overall incentive and commitment scheme. The earnings period of the plan is one calendar year. The Board of Directors decides on the earning criteria for each earnings period based on the Personnel and Sustainability Committee's proposal. The final numbers of shares issued based on meeting the earnings criteria are decided by the Board of Directors at the beginning of the year following the earnings period. Rewards will be paid in February of the calendar year following the earnings period. The rewards are paid partly as shares and partly in cash. The cash component is intended to cover the taxes and tax-like payments incurred from the share-based reward. The reward corresponds to 12 months' salary at a maximum.

The precondition for payment is that the President and CEO is employed by the Company at the time. Any shares earned through the incentive scheme must be held for a minimum period of two years following payment (commitment period). After the two-year commitment period, shares must continue to be held at a value corresponding to the President and CEO's gross salary for six months, as long as the President and CEO is employed by the Company. If the President and CEO resigns during the commitment period at their own initiative, they are obligated to return the received shares without compensation.

The share-based incentive schemes with the years 2022 and 2021 as the earnings periods are described below:

- The share-based incentive scheme with the financial year 2021 as the earnings period. The reward was based on the Group's EVA result with a weight of 90% and the carbon handprint target with a weight of 10%. The earnings criteria for the earnings period that corresponds to the financial year 2021 were achieved to such an extent that the reward to be paid will represent 69.9% of the maximum amount. In the financial year 2022, the President and CEO was paid a total of EUR 265,132 under the long-term incentive scheme (corresponding to 10,974 L&T shares to be transferred and including the cash component) for the earnings period that corresponded to the financial year 2021, calculated at the average share price on the day immediately following the publication of the financial statements.
- The share-based incentive scheme with the financial year 2022 as the earnings period. The reward was based on the Group's EVA result with a weight of 90% and the carbon footprint target with a weight of 10%. As the EVA earnings criteria for the earnings period corresponding to the financial year 2022 were not met, no long-term incentive bonuses will be paid to the President and CEO in 2023 for that earnings period.

Remuneration of the President and CEO: maximum earning potential



Other key terms and conditions

A written service contract has been drawn up for the President and CEO. According to the contract, the period of notice is six months should the company terminate the contract, and six months should the President and CEO terminate the contract. In the event that the company terminates the contract, the President and CEO will be paid compensation amounting to twelve (12) months' salary.

Separate rewards are not paid to the President and CEO for memberships of the Boards of Directors of the Company's subsidiaries, and the President and CEO receives no remuneration from L&T Group companies other than the parent company. The President and CEO's pension is determined according to the Employees Pensions Act.

Remuneration paid to the President and CEO

Short-term and long-term incentive bonuses were paid to the President and CEO in the financial year 2022. Incentive bonuses amounting to EUR 63,882 will become due for payment for the financial year 2022. No supplementary pension was paid.

The following table presents the remuneration paid to the President and CEO during the financial year 2022:

EUR	2022
Annual salary (including salary and fringe benefits)	458,640
Incentive bonus	157,248
Share-based bonus	265,132
Fringe benefits (included in the annual salary)	19,260
Total	881,020

LEADER OF THE REGENERATIVE SOCIETY

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