



Lassila & Tikanoja plc
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Lassila & Tikanoja plc: Interim Report 1 January–30 September 2023

SOLID PROFIT PERFORMANCE IN A CHALLENGING BUSINESS CYCLE

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

- Net sales for the third quarter were EUR 200.9 million (204.4). Net sales decreased by 1.7%.
- Adjusted operating profit for the third quarter was EUR 21.2 million (20.3) and operating profit was EUR 21.1 million (20.2). Earnings per share were EUR 0.41 (0.38).
- Net sales for January–September totalled EUR 601.2 million (634.0). Net sales excluding the renewable energy sources business were on a par with the comparison period. Adjusted operating profit was EUR 31.8 million (31.3) and operating profit was EUR 31.7 million (30.0). Earnings per share were EUR 0.65 (0.53).
- In January–September, net cash flow from operating activities after investments per share was strong at EUR 0.74 (0.03).
- The operating profit of Facility Services Finland improved substantially year-on-year.

Outlook for the year 2023

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

PRESIDENT AND CEO EERO HAUTANIEMI:

“Net sales excluding the renewable energy sources business were on a par with the comparison period. Adjusted operating profit was EUR 31.8 million (31.3). Profit performance was solid in spite of the challenging business cycle.

In the Environmental Services division, the focus was heavily on B2B customers and producer responsibility organisation customers, whose number grew in the third quarter. The division improved its position in municipal contracts for waste management.

In the Industrial Services division, demand was stable in hazardous waste services and environmental construction. In process cleaning, the demand for annual maintenance break related work was strong, and significant new customer accounts were won in that business line.

The general level of economic activity continued to decline during the period under review. This reduced waste volumes particularly in the construction and retail segments. The prices and demand for recycled raw materials were lower than in the comparison period, which had a negative impact on net sales and profit in Environmental Services and Industrial Services. Improvements in operational efficiency largely compensated for the weaker market conditions.

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

result. In Facility Services Sweden, the effort to simplify operating models and adapt them to the changed business environment continued according to plan.

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

GROUP NET SALES AND FINANCIAL PERFORMANCE

July–September

Net sales for the third quarter amounted to EUR 200.9 million (204.4), representing a year-on-year decrease of 1.7%. Adjusted operating profit was EUR 21.2 million (20.3), which corresponds to 10.6% (9.9%) of net sales. Operating profit was EUR 21.1 million (20.2), or 10.5% (9.9%) of net sales. Earnings per share were EUR 0.41 (0.38).

Net sales decreased in Environmental Services, Facility Services Finland and Facility Services Sweden. Net sales were on a par with the comparison period in Industrial Services. Operating profit improved in Environmental Services and Facility Services Finland, and declined in Industrial Services and Facility Services Sweden.

The result for the third quarter was affected positively by L&T's EUR 0.3 million share of the profit of the joint venture Laania Oy.

January–September

Net sales for January–September amounted to EUR 601.2 million (634.0), a decrease of 5.2% year-on-year. Excluding the effect of the renewable energy sources business, net sales increased by 0.4%, and the rate of organic growth was 0.3%. Adjusted operating profit was EUR 31.8 million (31.3), representing 5.3% (4.9%) of net sales. Operating profit was EUR 31.7 million (30.0), or 5.3% (4.7%) of net sales. Earnings per share were EUR 0.65 (0.53).

Net sales increased in Industrial Services and decreased in Facility Services Finland and Facility Services Sweden. Net sales were on a par with the comparison period in Environmental Services (excluding the effect of the renewable energy sources business). Operating profit improved in Facility Services Finland and decreased in Environmental Services, Industrial Services and Facility Services Sweden.

The result for the review period was affected positively by the fair value of EUR 1.3 million of an interest rate swap being recognised in financial items due to the termination of the interest rate swap. The result for the review period was also affected positively by L&T's EUR 2.5 million share of the profit of the joint venture Laania Oy.

Financial summary

	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Net sales, EUR million	200.9	204.4	-1.7	601.2	634.0	-5.2	844.1
Adjusted operating profit, EUR million	21.2	20.3	4.7	31.8	31.3	1.7	40.9
Adjusted operating margin, %	10.6	9.9		5.3	4.9		4.8
Operating profit, EUR million	21.1	20.2	4.6	31.7	30.0	5.7	42.9
Operating margin, %	10.5	9.9		5.3	4.7		5.1
EBITDA, EUR million	36.7	34.1	7.6	75.3	71.8	4.9	98.3
EBITDA, %	18.3	16.7		12.5	11.3		11.6
Earnings per share, EUR	0.41	0.38	6.8	0.65	0.53	22.7	0.83
Net cash flow from operating activities after investments per share, EUR	0.23	0.15	49.7	0.74	0.03		1.08
Return on equity (ROE), %				14.9	12.9		14.6
Capital employed, EUR million				425.1	440.1	-3.4	437.2
Return on capital employed (ROCE), % ¹				11.7	9.4		10.4
Equity ratio, % ¹				35.8	33.2		34.3
Gearing, %				77.9	95.0		75.9

¹ The figures for the first three quarters of 2022 have been adjusted. More detailed information on the restatements are provided in the section on financial indicators in this interim report.

NET SALES AND OPERATING PROFIT BY DIVISION

Environmental Services

July–September

The division's net sales for the third quarter decreased to EUR 74.1 million (75.0). Operating profit was EUR 11.7 million (11.1).

January–September

The net sales of Environmental Services decreased to EUR 214.8 million (250.1) in January–September. Operating profit was EUR 23.5 million (24.1). Excluding the effect of the renewable energy sources business, net sales were on a par with the comparison period. The renewable energy sources business was reported as a part of the Environmental Services division until the end of the second quarter of 2022.

The focus of the Environmental Services division is heavily on B2B customers and producer responsibility organisation customers, and their number grew during the period under review. The division improved its position in municipal contracts for waste management.

The decline in general economic activity was reflected in lower waste volumes during the review period. Waste streams decreased particularly in the construction and retail segments. The demand and prices of recycled raw materials were at a low level. The division's profitability remained stable. The division improved the efficiency of its operations in response to cost inflation. Change negotiations were held in the division, which led to the employment relationships of 19 employees being terminated.

There is a significant systems renewal project under way in Environmental Services, which will also include the deployment of a new ERP system. The systems renewal project will be reflected in higher fixed costs in the division throughout the year. The supplier of the ERP system was changed in 2022 and, during the period under review, the previous supplier paid a one-off compensation relating to the termination of the co-operation. A part of the expenses capitalised

during the co-operation with the previous supplier were written down during the review period. The net impact on the division's operating profit of the one-off compensation, the costs related to it and the write-down was not significant.

Industrial Services

July–September

The division's net sales for the third quarter totalled EUR 39.0 million (38.9). Operating profit was EUR 6.1 million (7.0).

January–September

The Industrial Services division's net sales for January–September grew to EUR 103.1 million (95.7). Operating profit was EUR 10.2 million (10.4).

In the Industrial Services division, demand was stable in hazardous waste services and environmental construction, although operating profit decreased from the particularly high level seen in the comparison period. In process cleaning in Finland, the demand for annual maintenance break related work was strong, and significant new customer accounts were won in that business line. Resource allocation for annual maintenance breaks was successful. In Sweden, demand in the process cleaning business was solid despite being lower when compared to the high level seen in the comparison period.

Facility Services Finland

July–September

The division's net sales for the third quarter totalled EUR 58.8 million (60.2). Operating profit was EUR 3.2 million (2.0).

January–September

The net sales of Facility Services Finland decreased to EUR 188.6 million (191.7). Operating profit improved to EUR 3.4 million (-1.3).

Unprofitable customer agreements ended in Facility Services Finland during the period under review. The measures initiated in the second half of 2022 to streamline the cost structure and improve operational efficiency continued during the period under review. In the cleaning business, the efficiency of production improved and personnel turnover continued to decrease in the third quarter. The rising costs caused by high inflation were, for the most part, passed on to customer prices.

Facility Services Sweden

July–September

The division's net sales for the third quarter decreased to EUR 30.3 million (31.9). Operating profit was EUR 0.2 million (0.2). Operating profit before the amortisation of purchase price allocations of acquisitions was EUR 0.5 million (0.7).

January–September

The net sales of Facility Services Sweden totalled EUR 98.7 million (100.7) in January–September. The decrease in net sales was due to the depreciation of the Swedish krona. Net sales denominated in the Swedish krona increased. Operating profit decreased to EUR -2.8 million (-0.1). Operating profit before the amortisation of purchase price allocations of acquisitions was EUR -1.9 million (1.4).

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

FINANCING

Net cash flow from operating activities amounted to EUR 58.5 million (38.7) in January–September. Net cash flow after investments totalled EUR 28.1 million (1.0). In the comparison period, net cash flow after investments was reduced by acquisitions, which had a total impact of approximately EUR 13 million. A total of EUR 12.3 million in working capital was committed (EUR 22.3 million committed).

At the end of the review period, interest-bearing liabilities amounted to EUR 200.6 million (229.6). Net interest-bearing liabilities totalled EUR 174.9 million (199.9). The average interest rate on long-term loans, excluding lease liabilities, with interest rate hedging, was 4.0% (2.5%). In the second quarter, the company refinanced a EUR 50 million bank loan that would have matured in the third quarter of 2024. The new bank loan is in the amount of EUR 40 million and will mature in the third quarter of 2026. In addition to the usual financial covenants, the new bank loan is linked to sustainability targets, namely L&T's carbon footprint and accident frequency. The interest rate swap used by the company to convert part of the EUR 50 million bank loan into a fixed interest loan was terminated in connection with the refinancing of the bank loan. The fair value of the interest rate swap, EUR 1.3 million, was recognised in financial income in the second quarter. In the third quarter, the company repaid the remaining amount of EUR 17.7 million of the bond issued in 2018.

Of the EUR 100.0 million commercial paper programme, EUR 10.0 million (15.0) was in use at the end of the review period. The account limit totalling EUR 10.0 million and the committed credit limit totalling EUR 40.0 million were not in use, as was the case in the comparison period.

Net financial expenses amounted to EUR -4.2 million (-4.2). Financial expenses increased due to the rising general interest rate level, which was compensated by the fair value of EUR 1.3 million of an interest rate swap being recognised due to the termination of the interest rate swap. The effect of exchange rate changes on net financial expenses was EUR -0.1 million (-0.2). Net financial expenses were 0.7% (0.7%) of net sales.

The equity ratio was 35.8% (33.2%) and the gearing ratio was 77.9% (95.0%). The Group's total equity was EUR 224.5 million (210.5). Translation differences caused by the depreciation of the Swedish krona affected equity by EUR -2.4 million. Cash and cash equivalents at the end of the period amounted to EUR 25.6 million (29.7).

DIVIDEND DISTRIBUTION

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

CAPITAL EXPENDITURE

Gross capital expenditure for the first half of the year came to EUR 46.0 million (45.8). The capital expenditure consisted primarily of machine and equipment purchases, as well as investments in information systems. Acquisitions accounted for approximately EUR 22 million of the gross capital expenditure in the comparison period.

SUSTAINABILITY

Environmental responsibility

Climate benefits for customers created by L&T

	Q1-Q3/2023	Q1-Q3/2022	2022	Target
Carbon handprint (tCO ₂ e)	-339,200	-397,000	-534,500	growth faster than net sales

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

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

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

	Q1-Q3/2023	Q1-Q3/2022	2022	Target	Target to be achieved by
Carbon footprint (tCO ₂ e)	23,400	26,000	34,200	24,400	2030

L&T's strategic objective is to halve the carbon footprint of its operations by 2030, using 2018 as the baseline, and to reduce the indirect emissions generated by its supply chain. The emission reduction target set by L&T has been validated by the Science Based Targets initiative. The achievement of this objective will be promoted by switching to zero-emission transport technologies and fuels and by opting for renewable energy at L&T's properties. Transport operations account for 95 per cent of the emissions generated by L&T's own operations. The use of renewable fuels increased significantly year-on-year, particularly in the Industrial Services division's fleet of heavy vehicles.

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

Social responsibility

Total recordable incident frequency (TRIF)

	Q1-Q3/2023	Q1-Q3/2022	2022	Target	Target to be achieved by
Total recordable incident frequency	23	23	23	15	2030

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

building workplace safety culture to over 80% of the company’s supervisors in Finland as part of the “Safety under the helmet” training initiative.

Well-being at work

	Q1–Q3/2023	Q1–Q3/2022	2022	Target	Target to be achieved by
Occupational health rate (proportion of employees with no sickness-related absences)	48	47	40	57	2026
Sickness-related absences (%)	4.9	5.5	5.6	4	2030

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

PERSONNEL

In January–September, the average number of employees converted into full-time equivalents was 6,707 (7,382). At the end of the review period, L&T had 8,540 (8,637) full-time and part-time employees. Of these, 7,197 (7,251) worked in Finland and 1,343 (1,386) in Sweden.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading in L&T’s shares in January–September was 3.8 million shares, which is 10.1% (20.9%) of the average number of outstanding shares. The value of trading was EUR 40.0 million (89.9). The highest share price was EUR 11.84 and the lowest EUR 9.53. The closing price was EUR 9.74. At the end of the review period, the market capitalisation excluding the shares held by the company was EUR 371.6 million (380.3).

Own shares

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

Share capital and number of shares

The company’s registered share capital was EUR 19,399,437 and the number of outstanding shares was 38,154,102 at the end of the period. The average number of shares excluding the shares held by the company was 38,125,851.

Shareholders

At the end of the review period, the company had 25,218 (23,944) shareholders. Nominee-registered holdings accounted for 9.5% (8.2%) of the total number of shares.

Flagging notifications

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

June 2023.

Authorisations for the Board of Directors

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

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

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

RESOLUTIONS BY THE ANNUAL GENERAL MEETING

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

BOARD OF DIRECTORS

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

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

The company announced the composition of Lassila & Tikanoja plc's Nomination Board on 19 September 2023. Lassila & Tikanoja plc's three largest shareholders, who are entitled to appoint a representative to Lassila & Tikanoja plc's Shareholders' Nomination Board are the Evald and Hilda Nissin Säätiö foundation, a group of shareholders (Chemec Oy, CH-Polymers Oy, Maijala Eeva, Maijala Hannele, Maijala Heikki, Maijala Juhani, Maijala Juuso, Maijala Miikka, Maijala Mikko, Maijala Roope and Maijala Tuula), and Nordea Funds Ltd (through 11 funds managed by it). These shareholders have appointed Juhani Lassila, Miikka Maijala and Tanja Eronen as their representatives in Lassila & Tikanoja's Nomination Board. The Chairman of Lassila & Tikanoja plc's Board of Directors, Jukka Leinonen, acts as the fourth member of the Nomination Board. The Chairman of the Nomination Board is Juhani Lassila.

CHANGES IN THE GROUP EXECUTIVE BOARD

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

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

EVENTS AFTER THE REVIEW PERIOD

On 25 October 2023 the company announced that Lassila & Tikanoja plc has completed a strategy review and decided to focus on its circular economy businesses, in addition the company initiates an evaluation of strategic alternatives for Facility Services Finland and Facility Services Sweden.

NEAR-TERM RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

Helsinki, 25 October 2023

LASSILA & TIKANOJA PLC

Board of Directors
Eero Hautaniemi
President and CEO

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Key figures of the Group

Key figures

	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Earnings per share, EUR	0.41	0.38	0.65	0.53	0.83
Diluted earnings per share, EUR	0.41	0.38	0.65	0.53	0.83
Net cash flow from operating activities after investments per share, EUR	0.23	0.15	0.74	0.03	1.08
Adjusted operating profit, MEUR	21.2	20.3	31.8	31.3	40.9
Operating profit, MEUR	21.1	20.2	31.7	30.0	42.9
Gross capital expenditure, MEUR	14.2	10.1	46.0	45.8	58.2
Equity per share, EUR			5.88	5.52	5.78
Return on equity (ROE), %			14.9	12.9	14.6
Capital employed, MEUR			425.1	440.1	437.2
Return on capital employed (ROCE), % ¹			11.7	9.4	10.4
Equity ratio, % ¹			35.8	33.2	34.3
Gearing, %			77.9	95.0	75.9
Net interest-bearing liabilities, MEUR			174.9	199.9	167.3
Average number of employees in full-time equivalents			6,707	7,382	7,364
Total number of full-time and part-time employees at end of the period			8,540	8,637	8,371
Number of outstanding shares adjusted for issues, 1,000 shares					
average during the period			38,126	38,139	38,116
at the end of the period			38,154	38,146	38,146
average during the period, diluted			38,270	38,172	38,128

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

Reconciliation of alternative performance measures

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

RECONCILIATION OF ADJUSTED OPERATING PROFIT TO OPERATING PROFIT

MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Operating profit	21.1	20.2	31.7	30.0	42.9
Items affecting comparability:					
- costs arising from the discontinuation of business	-	-	-	-0.2	-0.2
- costs arising from business restructurings	0.1	-	0.1	-	-
- gains or losses arising from business disposals ¹	-	-	-	-	-4.3
- costs arising from acquisitions	-	0.1	-	1.5	2.5
Adjusted operating profit	21.2	20.3	31.8	31.3	40.9

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

RECONCILIATION OF GROSS CAPITAL EXPENDITURE

MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Intangible and tangible assets from business acquisitions	-	1.3	-	23.3	22.9
- increases of right-of-use assets excl. heavy vehicles from business acquisitions	-	-	-	-1.4	-1.4
Other increases to intangible and tangible assets	16.6	13.8	56.5	38.8	55.2
- increases of right-of-use assets excl. heavy vehicles	-2.1	-4.7	-9.3	-12.8	-15.8
- other adjustments	-0.3	-0.4	-1.2	-2.1	-2.7
Gross capital expenditure	14.2	10.1	46.0	45.8	58.2

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

	30 Sep 2023	30 Sep 2022	31 Dec 2022
Environmental Services			
Capital employed (MEUR)	197.3	209.0	211.3
Operating profit	29.7	31.2	30.3
+ financial income	0.4	0.1	0.1
Return on capital employed, MEUR	30.1	31.3	30.4
Return on capital employed (ROCE), %	15.2	15.0	14.4
Industrial Services			
Capital employed (MEUR)	96.9	81.7	81.7
Operating profit	12.4	12.1	12.7
+ financial income	0.0	0.0	0.0
Return on capital employed, MEUR	12.5	12.2	12.8
Return on capital employed (ROCE), %	12.9	14.9	15.6
Facility Services Finland			
Capital employed (MEUR)	30.5	34.0	28.4
Operating profit	4.2	-0.7	-0.5
+ financial income	0.5	0.2	0.3
Return on capital employed, MEUR	4.7	-0.5	-0.2
Return on capital employed (ROCE), %	15.3	-1.4	-0.8
Facility Services Sweden			
Capital employed (MEUR)	62.7	66.8	64.6
Operating profit	-2.3	1.2	0.4
+ financial income	0.2	0.2	0.1
Return on capital employed, MEUR	-2.1	1.4	0.5
Return on capital employed (ROCE), %	-3.3	2.1	0.8

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

Calculation of key figures

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

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

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

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

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

EBITDA: operating profit + depreciation, amortisation and impairment

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

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

Capital employed: equity + interest-bearing financial liabilities

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

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

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

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

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

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

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

Primary financial statements

Consolidated income statement

MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Net sales	200.9	204.4	601.2	634.0	844.1
Other operating income	2.6	0.5	4.3	2.0	8.7
Materials and services	-57.7	-62.0	-182.8	-215.8	-286.7
Employee benefit expenses	-84.4	-83.2	-264.0	-264.3	-353.1
Other operating expenses	-24.8	-25.7	-83.5	-84.0	-114.7
Depreciation, amortisation and impairment	-15.6	-13.9	-43.6	-41.8	-55.4
Operating profit	21.1	20.2	31.7	30.0	42.9
Financial income	0.4	0.1	2.3	0.2	0.4
Financial expenses	-2.2	-1.6	-6.4	-4.2	-6.0
Exchange rate differences (net)	0.0	-0.1	-0.1	-0.2	-0.2
Financial income and expenses	-1.8	-1.6	-4.2	-4.2	-5.8
Share of the result of associated companies and joint ventures	0.3	-0.2	2.5	-0.2	0.7
Result before taxes	19.6	18.4	30.0	25.6	37.8
Income taxes	-3.9	-3.8	-5.1	-5.3	-6.3
Result for the period	15.6	14.6	24.9	20.3	31.5
Attributable to:					
Equity holders of the company	15.6	14.6	24.9	20.3	31.5
Earnings per share attributable to the equity holders of the parent company:					
Earnings per share, EUR	0.41	0.38	0.65	0.53	0.83
Diluted earnings per share, EUR	0.41	0.38	0.65	0.53	0.83

Consolidated statement of comprehensive income

MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Result for the period	15.6	14.6	24.9	20.3	31.5
Other comprehensive income, net of tax					
Items not to be recognised through profit or loss					
Items arising from re-measurement of defined benefit plans	-	-	-	0.0	0.2
Items not to be recognised through profit or loss, total	-	-	-	0.0	0.2
Items potentially to be recognised through profit or loss					
Hedging reserve, change in fair value	-	0.5	0.1	1.2	1.3
Change in fair value of interest rate swap, reclassified to profit and loss	-	-	-1.0	-	-
Currency translation differences	1.5	-1.2	-2.4	-4.1	-5.7
Currency translation differences recognised through profit and loss	-	-	-	-	0.1
Items potentially to be recognised through profit or loss, total	1.5	-0.7	-3.4	-2.9	-4.3
Other comprehensive income, total	1.5	-0.7	-3.4	-2.9	-4.1
Total comprehensive income, after tax	17.1	14.0	21.5	17.4	27.4
Attributable to:					
Equity holders of the company	17.1	14.0	21.5	17.4	27.4

Consolidated statement of financial position

MEUR

30 Sep 2023 30 Sep 2022 31 Dec 2022

ASSETS

Non-current assets

Intangible assets

Goodwill	179.2	181.6	180.7
Other intangible assets	36.1	35.8	36.5

215.3 217.4 217.2

Tangible assets

Right-of-use assets	161.5	156.8	155.3
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72.9 68.8 71.2

234.3 225.6 226.6

Other non-current assets

Shares in associated companies and joint ventures	16.5	6.2	14.0
Other shares and holdings	0.2	0.2	0.2
Loan receivables from joint ventures	-	19.0	-
Deferred tax assets	4.1	3.1	1.9
Other receivables	1.6	1.9	1.9

22.4 30.5 17.9

Total non-current assets

472.0 473.5 461.7

Current assets

Inventories	8.2	6.9	7.8
Trade receivables	83.8	79.6	91.0
Contract assets	41.4	43.9	30.8
Income tax receivables	3.5	4.8	8.7
Other receivables	9.4	11.3	11.0
Cash and cash equivalents	25.6	29.7	49.5

172.0 176.2 198.8

Total current assets

172.0 176.2 198.8

Total assets

644.0 649.7 660.5

Consolidated statement of financial position

MEUR	30 Sep 2023	30 Sep 2022	31 Dec 2022
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the parent company			
Share capital	19.4	19.4	19.4
Other reserves	-14.0	-9.2	-10.6
Invested unrestricted equity reserve	0.6	0.6	0.6
Retained earnings	218.4	199.7	211.0
Total equity	224.5	210.5	220.4
Liabilities			
Non-current liabilities			
Deferred tax liabilities	28.0	27.1	28.1
Retirement benefit obligations	1.2	1.5	1.2
Provisions	7.2	8.0	7.4
Financial liabilities	167.9	176.2	177.5
Other liabilities	12.6	12.5	13.3
	216.9	225.3	227.5
Current liabilities			
Financial liabilities	32.6	53.4	39.3
Trade and other payables	164.3	156.8	170.5
Income tax liabilities	5.1	1.5	1.0
Provisions	0.6	2.2	1.7
	202.6	213.8	212.6
Total liabilities	419.5	439.2	440.1
Total equity and liabilities	644.0	649.7	660.5

Consolidated statement of cash flows

MEUR	1-9/2023	1-9/2022	1-12/2022
Cash flow from operating activities			
Result for the period	24.9	20.3	31.5
Adjustments			
Income taxes	5.1	5.3	6.3
Depreciation, amortisation and impairment	43.6	41.8	55.4
Financial income and expenses	4.2	4.2	5.8
Gains and losses on sale of tangible and intangible assets	-0.9	-0.5	-1.2
Share of result of associated companies and joint ventures	-2.5	0.2	-0.7
Gain from sale of subsidiary's net assets to joint venture	-	-	-4.3
Impact of the discontinuation of Russian operations	-	-0.2	-0.2
Other	-0.9	-0.3	-0.7
Net cash generated from operating activities before change in working capital	73.5	70.8	91.9
Change in working capital			
Change in trade and other receivables	-4.1	-10.1	-7.0
Change in inventories	-0.4	-0.0	-0.8
Change in trade and other payables	-7.9	-12.1	1.7
Change in working capital	-12.3	-22.3	-6.2
Interest and other financial expenses paid	-7.0	-3.5	-4.8
Interest and other financial income received	2.3	0.1	0.4
Income taxes paid	2.1	-6.3	-9.6
Net cash from operating activities	58.5	38.7	71.8
Cash flow from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	-	-13.2	-13.2
Proceeds from sale of subsidiaries and businesses, net of sold cash	-	-2.0	-2.0
Purchases of tangible and intangible assets	-31.5	-23.1	-33.8
Proceeds from the sale of tangible and intangible assets	1.1	0.5	2.0
Repayment of loan receivables from joint venture	-	-	16.4
Change in other non-current investments	-	0.0	0.0
Net cash from investing activities	-30.4	-37.8	-30.6
Net cash flow from operating and investing activities	28.1	1.0	41.1
Cash flow from financing activities			
Proceeds from short-term borrowings	10.0	35.0	35.0
Repayments of short-term borrowings	-	-20.0	-35.0
Proceeds from long-term borrowings	40.0	75.0	75.0
Repayments of long-term borrowings	-68.2	-57.9	-58.1
Repayments of lease liabilities	-15.8	-14.5	-19.4
Dividends paid	-17.9	-17.5	-17.5
Net cash from financing activities	-51.8	0.1	-20.1
Net change in cash and cash equivalents	-23.8	1.0	21.0
Cash and cash equivalents at the beginning of the period	49.5	28.6	28.6
Effect of changes in foreign exchange rates	-0.1	0.1	-0.1
Cash and cash equivalents at the end of the period	25.6	29.7	49.5

Consolidated statement of changes in equity

MEUR	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Total equity
Equity 1 January 2023	19.4	-11.5	0.9	0.6	211.0	220.4
Total comprehensive income						
Result for the period					24.9	24.9
Other comprehensive income		-2.4	-0.9		-	-3.4
Total comprehensive income	-	-2.4	-0.9	-	24.9	21.5
Transactions with shareholders						
Share-based benefits					0.4	0.4
Dividends paid					-17.9	-17.9
Returned dividends					0.0	0.0
Transactions with shareholders, total	-	-	-	-	-17.5	-17.5
Equity 30 September 2023	19.4	-14.0	-	0.6	218.4	224.5
Equity 1 January 2022	19.4	-5.9	-0.4	0.6	196.7	210.4
Total comprehensive income						
Result for the period					20.3	20.3
Other comprehensive income		-4.1	1.2		0.0	-2.9
Total comprehensive income	-	-4.1	1.2	-	20.3	17.4
Transactions with shareholders						
Share-based benefits					0.2	0.2
Dividends paid					-17.5	-17.5
Returned dividends					0.0	0.0
Transactions with shareholders, total	-	-	-	-	-17.3	-17.3
Equity 30 September 2022	19.4	-10.1	0.8	0.6	199.7	210.5

Notes

1. Accounting policies

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

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

2. Segment information

MEUR	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Net sales							
Environmental Services	74.1	75.0	-1.2	214.8	250.1	-14.1	321.2
Industrial Services	39.0	38.9	0.3	103.1	95.7	7.7	132.0
Facility Services Finland	58.8	60.2	-2.4	188.6	191.7	-1.6	256.3
Facility Services Sweden	30.3	31.9	-4.7	98.7	100.7	-2.0	140.4
Interdivisional net sales	-1.3	-1.6		-4.0	-4.2		-6.0
The Group total	200.9	204.4	-1.7	601.2	634.0	-5.2	844.1
Operating profit							
Environmental Services	11.7	11.1	5.1	23.5	24.1	-2.5	30.3
Industrial Services	6.1	7.0	-11.9	10.2	10.4	-2.7	12.7
Facility Services Finland	3.2	2.0	56.3	3.4	-1.3		-0.5
Facility Services Sweden	0.2	0.2	-5.5	-2.8	-0.1		0.4
Group administration and other	-0.1	-0.2		-2.5	-3.1		0.1
The Group total	21.1	20.2	4.6	31.7	30.0	5.7	42.9
Adjusted operating profit							
Environmental Services	11.7	11.1	5.1	23.5	24.1	-2.5	30.3
Industrial Services	6.1	7.0	-11.9	10.2	10.4	-2.7	13.6
Facility Services Finland	3.2	2.0	56.3	3.4	-1.3		-0.5
Facility Services Sweden	0.2	0.2	-5.5	-2.8	-0.1		0.4
Group administration and other	-0.0	-0.1		-2.4	-1.8		-2.8
The Group total	21.2	20.3	4.7	31.8	31.3	1.7	40.9
EBITDA							
Environmental Services	20.7	17.9	15.7	46.7	44.4	5.0	57.1
Industrial Services	9.3	10.2	-8.8	19.7	19.4	1.4	25.0
Facility Services Finland	5.1	4.3	19.1	9.7	5.5	76.0	8.5
Facility Services Sweden	1.4	1.6	-8.9	0.9	4.6	-80.7	6.3
Group administration and other	0.1	0.1		-1.7	-2.2		1.4
The Group total	36.7	34.1	7.6	75.3	71.8	4.9	98.3

%	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Operating margin					
Environmental Services	15.8	14.9	10.9	9.6	9.4
Industrial Services	15.7	17.9	9.9	10.9	9.6
Facility Services Finland	5.4	3.4	1.8	-0.7	-0.2
Facility Services Sweden	0.7	0.7	-2.8	-0.1	0.3
The Group total	10.5	9.9	5.3	4.7	5.1
Adjusted operating margin					
Environmental Services	15.8	14.9	10.9	9.6	9.4
Industrial Services	15.7	17.9	9.9	10.9	10.3
Facility Services Finland	5.4	3.4	1.8	-0.7	-0.2
Facility Services Sweden	0.7	0.7	-2.8	-0.1	0.3
The Group total	10.6	9.9	5.3	4.9	4.8
EBITDA margin					
Environmental Services	28.0	23.9	21.7	17.8	17.8
Industrial Services	23.8	26.2	19.1	20.3	18.9
Facility Services Finland	8.7	7.2	5.2	2.9	3.3
Facility Services Sweden	4.7	4.9	0.9	4.5	4.5
The Group total	18.3	16.7	12.5	11.3	11.6

Other segment information

MEUR	7-9/2023	7-9/2022	1-9/2023	1-9/2022	1-12/2022
Gross capital expenditure					
Environmental Services	8.5	3.7	31.6	11.7	20.3
Industrial Services	5.1	5.8	12.7	31.9	34.6
Facility Services Finland	0.2	0.2	0.5	1.1	1.5
Facility Services Sweden	0.1	0.1	0.3	0.4	0.4
Group administration and other	0.3	0.3	0.8	0.8	1.3
The Group total	14.2	10.1	46.0	45.8	58.2
Depreciation and amortisation					
Environmental Services	9.0	6.8	23.2	20.3	26.9
Industrial Services	3.2	3.2	9.5	9.0	12.3
Facility Services Finland	2.0	2.3	6.4	6.8	9.1
Facility Services Sweden	1.2	1.3	3.7	4.7	5.9
Group administration and other	0.3	0.3	0.8	0.9	1.3
The Group total	15.6	13.9	43.6	41.8	55.4

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

Environmental Services	287.9	273.9	278.6
Industrial Services	154.6	148.8	145.3
Facility Services Finland	78.0	83.3	84.5
Facility Services Sweden	83.8	87.2	88.4
Group administration and other	39.8	56.5	63.7
The Group total	644.0	649.7	660.5

Liabilities¹

Environmental Services	85.9	81.2	81.3
Industrial Services	60.3	53.3	52.2
Facility Services Finland	50.3	49.9	56.2
Facility Services Sweden	24.5	21.0	26.4
Group administration and other	198.5	233.7	224.0
The Group total	419.5	439.2	440.1

Capital employed¹

Environmental Services	202.0	192.7	197.3
Industrial Services	95.9	97.9	95.2
Facility Services Finland	27.7	33.4	28.3
Facility Services Sweden	59.2	66.1	62.1
Group administration and other	40.3	50.0	54.4
The Group total	425.1	440.1	437.2

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

Environmental Services	15.2	15.0	14.4
Industrial Services	12.9	14.9	15.6
Facility Services Finland	15.3	-1.4	-0.8
Facility Services Sweden	-3.3	2.1	0.8
The Group total	11.7	9.4	10.4

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

3. Segment information by quarter

MEUR	7-9/2023	4-6/2023	1-3/2023	10-12/2022	7-9/2022
Net sales					
Environmental Services	74.1	74.4	66.3	71.1	75.0
Industrial Services	39.0	38.0	26.1	36.3	38.9
Facility Services Finland	58.8	62.7	67.1	64.6	60.2
Facility Services Sweden	30.3	33.8	34.5	39.8	31.9
Interdivisional net sales	-1.3	-1.5	-1.2	-1.8	-1.6
The Group total	200.9	207.5	192.7	210.1	204.4
Operating profit					
Environmental Services	11.7	8.5	3.2	6.2	11.1
Industrial Services	6.1	3.9	0.1	2.3	7.0
Facility Services Finland	3.2	-0.0	0.2	0.8	2.0
Facility Services Sweden	0.2	-2.0	-1.0	0.5	0.2
Group administration and other	-0.1	-1.3	-1.1	3.2	-0.2
The Group total	21.1	9.2	1.4	12.9	20.2
Adjusted operating profit					
Environmental Services	11.7	8.5	3.2	6.2	11.1
Industrial Services	6.1	3.9	0.1	3.1	7.0
Facility Services Finland	3.2	-0.0	0.2	0.8	2.0
Facility Services Sweden	0.2	-2.0	-1.0	0.5	0.2
Group administration and other	-0.0	-1.3	-1.1	-1.0	-0.1
The Group total	21.2	9.2	1.4	9.6	20.3
EBITDA					
Environmental Services	20.7	15.7	10.3	12.7	17.9
Industrial Services	9.3	7.1	3.3	5.6	10.2
Facility Services Finland	5.1	2.1	2.4	3.0	4.3
Facility Services Sweden	1.4	-0.8	0.2	1.8	1.6
Group administration and other	0.1	-1.0	-0.8	3.5	0.1
The Group total	36.7	23.2	15.4	26.5	34.1
Operating margin, %					
Environmental Services	15.8	11.5	4.9	8.7	14.9
Industrial Services	15.7	10.3	0.5	6.3	17.9
Facility Services Finland	5.4	-0.0	0.3	1.2	3.4
Facility Services Sweden	0.7	-5.8	-3.0	1.3	0.7
The Group total	10.5	4.4	0.7	6.2	9.9
Adjusted operating margin, %					
Environmental Services	15.8	11.5	4.9	8.7	14.9
Industrial Services	15.7	10.3	0.5	8.6	17.9
Facility Services Finland	5.4	-0.0	0.3	1.2	3.4
Facility Services Sweden	0.7	-5.8	-3.0	1.3	0.7
The Group total	10.6	4.4	0.7	4.6	9.9
EBITDA margin, %					
Environmental Services	28.0	21.0	15.5	17.8	23.9
Industrial Services	23.8	18.8	12.6	15.3	26.2
Facility Services Finland	8.7	3.4	3.6	4.7	7.2
Facility Services Sweden	4.7	-2.2	0.6	4.4	4.9
The Group total	18.3	11.2	8.0	12.6	16.7

4. Disaggregation of revenue

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

1-9/2023, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	173.5			38.6	2.7	214.8
Industrial Services	48.7	42.4	8.1	3.9		103.1
Facility Services Finland	137.4	47.3	3.8			188.6
Facility Services Sweden	42.6	53.9	2.2			98.7
Total	402.3	143.6	14.1	42.5	2.7	605.2
Interdivisional sales						-4.0
External net sales, total						601.2

1-9/2022, MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	168.4			79.2	2.5	250.1
Industrial Services	42.6	42.7	6.1	4.2		95.7
Facility Services Finland	135.2	52.3	4.2			191.7
Facility Services Sweden	46.2	51.4	3.0			100.7
Total	392.4	146.4	13.4	83.4	2.5	638.2
Interdivisional sales						-4.2
External net sales, total						634.0

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

5. Business acquisitions

Business acquisitions 2023

There were no business acquisitions in the reporting period.

Business acquisitions 2022

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

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

Fair value total, MEUR	Business	Business	Business
	acquisitions	acquisitions	acquisitions
	1-9/2023	1-9/2022	1-12/2022
Intangible assets	-	5.6	5.6
Tangible assets	-	4.9	4.9
Right-of-use assets	-	1.4	1.4
Inventories	-	0.1	0.1
Receivables	-	1.8	1.8
Cash and cash equivalents	-	1.2	1.2
Total assets	-	15.0	15.0
Other liabilities	-	6.4	6.4
Deferred tax liabilities	-	1.0	1.0
Total liabilities	-	7.4	7.4
Net assets acquired	-	7.6	7.6
Total consideration	-	19.6	19.6
Goodwill	-	11.9	11.9
Impact on cash flow			
Total consideration	-	-19.6	-19.6
Deferred consideration	-	5.1	5.1
Consideration paid in cash	-	-14.4	-14.4
Cash and cash equivalents of the acquired company	-	1.2	1.2
Total impact on cash flow	-	-13.2	-13.2

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

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

During the reporting period, Lassila & Tikanoja did not sell any businesses and did not classify any assets or liabilities as held for sale.

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

Investment in joint venture

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

Net assets disposed of

MEUR	1-9/2022	1-12/2022
Intangible and tangible assets	0.4	0.4
Right-of-use assets	0.7	0.7
Other non-current receivables	0.3	0.3
Inventories	24.7	24.7
Trade and other receivables	6.1	6.1
Cash and cash equivalents	2.0	2.0
Assets Total	34.0	34.0
Non-current financial liabilities	19.4	14.8
Current financial liabilities	0.1	0.1
Trade and other payables	8.0	10.1
Liabilities Total	27.6	25.0
Net assets disposed of	6.4	9.0

Gain on sale

MEUR	1-12/2022
Fair value of the shares in joint venture received	13.3
Net assets disposed of	-9.0
Total	4.3

Cash flow impact

MEUR	1-9/2022	1-12/2022
Consideration received in cash	-	-
Cash and cash equivalents of the business sold	-2.0	-2.0
Total	-2.0	-2.0

7. Intangible and tangible assets

Changes in goodwill

MEUR	1-9/2023	1-9/2022	1-12/2022
Carrying amount at the beginning of the period	180.7	172.1	172.1
Business acquisitions	-	11.7	11.5
Exchange differences	-1.5	-2.2	-2.9
Carrying amount at the end of the period	179.2	181.6	180.7

Changes in other intangible assets

MEUR	1-9/2023	1-9/2022	1-12/2022
Carrying amount at the beginning of the period	36.5	32.5	32.5
Business acquisitions	-	5.5	5.5
Other capital expenditure	7.3	4.4	7.1
Disposals	-0.0	-0.0	-0.1
Depreciation, amortisation and impairment	-7.3	-6.0	-7.8
Transfers between items	-0.1	-0.0	-0.0
Exchange differences	-0.4	-0.6	-0.7
Carrying amount at the end of the period	36.1	35.8	36.5

Changes in tangible assets

MEUR	1-9/2023	1-9/2022	1-12/2022
Carrying amount at the beginning of the period	155.3	153.0	153.0
Business acquisitions	-	4.7	4.6
Other capital expenditure	26.7	20.8	26.7
Disposals	-0.2	-1.8	-2.3
Depreciation, amortisation and impairment	-20.3	-21.2	-28.1
Transfers between items	0.1	0.0	0.0
Exchange differences	-0.2	1.3	1.3
Carrying amount at the end of the period	161.5	156.8	155.3

Changes in right-of-use assets

MEUR	1-9/2023	1-9/2022	1-12/2022
Carrying amount at the beginning of the period	71.2	69.8	69.8
Business acquisitions	-	1.4	1.3
Other capital expenditure	22.4	13.6	21.4
Disposals	-4.5	-1.0	-1.3
Depreciation, amortisation and impairment	-16.0	-14.6	-19.5
Exchange differences	-0.3	-0.4	-0.5
Carrying amount at the end of the period	72.9	68.8	71.2

8. Capital commitments

MEUR	30 Sep 2023	30 Sep 2022	31 Dec 2022
Intangible assets	0.0	0.2	1.0
Tangible assets	11.6	19.4	19.7
Total	11.7	19.5	20.7

9. Provisions

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

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

Obligations covered by the environmental provisions

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

The Munaistenmetsä landfill site in Uusikaupunki serves as a final disposal area for municipal waste, contaminated soil and industrial by-products. After the receipt of a new environmental permit, a construction of a processing site for hazardous waste has been started in the area. The utilisation of the new hazardous waste landfill and treatment area will be started in the summer of 2024.

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

The landfill area in Pori receives and processes gypsum, construction and demolition waste as well as contaminated soil and other smaller items. A reasoned conclusion from the authorities is expected from the environmental impact assessment currently ongoing in the area. The preparation of an application for a new environmental permit is currently ongoing. With the permit the area will be licensed for receipt and processing of both normal and hazardous waste.

Provisions in the statement of financial position

MEUR	30 Sep 2023	30 Sep 2022	31 Dec 2022
Non-current provisions	7.2	8.0	7.4
Current provisions	0.6	2.2	1.7
Total	7.8	10.2	9.1

Changes in provisions

MEUR	Environmental provisions	Other provisions	Total
Provisions 1 Jan 2023	7.4	1.7	9.1
Additions	-	0.4	0.4
Used	-0.2	-1.5	-1.8
Effect of discounting	0.1	-	0.1
Provisions 30 Sep 2023	7.2	0.6	7.8

MEUR	Environmental provisions	Other provisions	Total
Provisions at 1 Jan 2022	8.1	2.7	10.8
Additions	0.1	0.7	0.8
Used	-0.2	-1.1	-1.3
Reversals	-	-0.2	-0.2
Effect of discounting	0.1	-	0.1
Provisions 30 Sep 2022	8.0	2.2	10.2

10. Financial assets and liabilities by category

30 September 2023, MEUR	Amortised costs	Derivatives under hedge accounting	Fair value through profit or loss	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
Other receivables	1.4			1.4	
Current financial assets					
Trade and other receivables	85.3			85.3	
Cash and cash equivalents	25.6			25.6	
Total financial assets	112.3	-	-	112.3	
Non-current financial liabilities					
Borrowings	115.6			115.6	2
Lease liabilities	52.3			52.3	
Deferred consideration			5.5	5.5	3
Current financial liabilities					
Borrowings	10.6			10.6	2
Lease liabilities	22.0			22.0	
Trade and other payables	62.4			62.4	
Total financial liabilities	263.0	-	5.5	268.5	

30 September 2022, MEUR	Amortised costs	Derivatives under hedge accounting	Fair value through profit or loss	Carrying amounts by balance sheet item	Fair value hierarchy level
Non-current financial assets					
Loan receivables from joint ventures	19.0			19.0	2
Other receivables	1.4			1.4	
Current financial assets					
Trade and other receivables ¹	80.0			80.0	
Derivative receivables		1.0		1.0	2
Cash and cash equivalents	29.7			29.7	
Total financial assets	130.1	1.0	-	131.1	
Non-current financial liabilities					
Borrowings	126.1			126.1	2
Lease liabilities	50.1			50.1	
Deferred consideration			5.0	5.0	3
Current financial liabilities					
Borrowings	33.4			33.4	2
Lease liabilities	20.0			20.0	
Trade and other payables ¹	60.1			60.1	
Total financial liabilities	289.7	-	5.0	294.7	

¹ The figures of the comparison period have been adjusted

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

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

MEUR	1-9/2023	1-9/2022	1-12/2022
Carrying amount at the beginning of the period	5.7	-	-
Deferred consideration at the date of the acquisition	-	5.1	5.1
Change in fair value	-	-	0.8
Exchange differences	-0.2	-0.1	-0.2
Carrying amount at the end of the period	5.5	5.0	5.7

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

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

11. Related party transactions

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

The contributions paid by the group companies to the L&T sickness fund during the reporting period amounted to EUR 0.7 million (0.7). The Group has transactions between the group companies in the ordinary course of business. The Group's transactions with Laania Oy are presented in the following table. In addition, the Group has provided guarantees for Laania's financing arrangements, which are specified in note 12. The Group has no significant transactions with other related parties.

Business transactions with the joint venture

MEUR	1-9/2023	7-9/2022	7-12/2022
Net sales	1.5	0.2	0.6
Other operating income	-	0.2	0.3
Purchases of materials and services	-1.0	-0.3	-0.7
Loan receivables	-	19.0	-
Trade- and other receivables	0.0	0.2	0.0
Trade- and other liabilities	-	0.0	-

12. Commitments and contingent liabilities

MEUR	30 Sep 2023	30 Sep 2022	31 Dec 2022
Securities for own commitments			
Mortgages on rights of tenancy	0.1	0.1	0.1
Company mortgages	0.5	2.1	2.0
Other securities	0.0	0.0	0.0
Bank guarantees required for environmental permits	27.4	17.8	17.4
Other bank guarantees	6.3	18.1	5.8
Mortgages under own control			
Company mortgages	0.2	0.4	0.3
Liabilities on behalf of the joint venture			
Account limit	2.8	-	2.8
Bank guarantees	16.5	-	16.5
Term loan facility guarantee	11.0	-	16.5
Revolving credit facility	5.5	-	-

Other securities are security deposits.

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

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

Liabilities associated with derivative agreements

Interest rate swap

MEUR	30 Sep 2023	30 Sep 2022	31 Dec 2022
Nominal value of interest rate swap			
Maturity not later than one year	-	-	-
Maturity later than one year and not later than two years	-	30.0	30.0
Total	-	30.0	30.0
Fair value	-	1.0	1.2

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

Helsinki, 25 October 2023

LASSILA & TIKANOJA PLC
Board of Directors

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

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