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LEADER OF THE REGENERATIVE SOCIETY

Financial review 2021
Lassila & Tikanoja Plc



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Corporate Governance Statement 2021

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 statement has been issued and 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. Lassila & Tikanoja plc is a public limited liability company that is registered in Finland and listed on Nasdaq Helsinki Ltd.

In its decision-making and administration, Lassila & Tikanoja complies with the Finnish Companies Act, other regulations governing listed companies, Articles of Association of Lassila & Tikanoja plc, charter of L&T’s Board of Directors and its committees and the rules and guidelines of Nasdaq Helsinki Ltd.

Descriptions concerning corporate governance

Annual 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 at the company’s head office and 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 General Meeting, unless there are well-founded reasons for their absence.

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

Governance structure



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

L&T's Annual General Meeting 2020 resolved to establish a permanent Shareholders' Nomination Board for the company and confirmed the charter of the Nomination Board. The Nomination Board shall be 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 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 shall consist of four (4) members, three (3) of whom shall be appointed by the Company's three largest shareholders, who shall appoint one (1) member each. The Chairman of the Company's Board of Directors shall serve as the fourth member of the Nomination Board.

The Nomination Board was established to operate until further notice. Its members shall be elected annually and their term of office shall end 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 2022

The following members were appointed to the Shareholders' Nomination Board of Lassila & Tikanoja on 17 September 2021: Patrick Lapveteläinen (Chairman), representing Mandatum Life Insurance Company Limited, Miikka Majala, representing a group of shareholders, Juhani Lassila, representing the Evald and Hilda Nissi Foundation, and Heikki Bergholm 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 12 January 2022. 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 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. The Board elects a Chairman and a Vice Chairman from among its members.

Board members

The following seven members were elected to the Board of Directors by the Annual General Meeting 2021:



Heikki Bergholm, Chairman

born 1956

Independent of the company and major shareholders

Board member: since 2008

Board Committees: Chairman of the Personnel and Sustainability Committee

Education: M.Sc. (Eng.)

Key work experience: Suominen Corporation Oyj, President and CEO (2002–2006); the former Lassila & Tikanoja Group, President and CEO (1998–2001), Vice President (1997–1998), President of business units (1986–1997); Lassila & Tikanoja Oy, CFO (1985–1986); Industrialisation Fund of Finland Ltd, Researcher and development manager (1980–1985)

Membership on other Boards: Lakan Betoni Oy (1986–, COB); MB Funds (2002–); Finnish Foundation for Cardiovascular Research (2013–); Componenta (2003–2012); Forchem Oy (2007–2013); Kemira Oyj (2004–2007); Maillefer International Oy (2010–2014); Pohjola-Yhtymä Oyj (2003–2005); Solidium Oy (2013–2016); Sponda Oyj (1998–2004); Suominen Corporation (2006–2011)



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: CFO of Nokian Tyres Oyj

Education: M.Sc. (Econ.)

Key work experience: Fiskars Oyj, Chief Operating Officer and Deputy to the CEO (2018–2017); Interim President (2017), Chief Operating Officer and Chief Financial Officer, deputy to the CEO (2014–2017), President; Home Business Area (2012–2014), Chief Financial Officer (2008–2012); Alma Media Corporation, Chief Financial Officer (2003–2008); Kesko Group, Corporate Controller (2002–2003), Corporate Business Controller (2000–2001); Suomen Nestlé Oy, Finance Director (1999–2000); Smith & Nephew Oy, Financial Manager (1996–1998); Unilever Oy & Gmbh, Marketing Controller & Internal Auditor (1992–1996)



Laura Lares

born 1966

Independent of the company and major shareholders

Board member: since 2014

Board committees: Member of the Audit Committee

Primary occupation: Managing Director and Board member of Ablers Oy

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)



Jukka Leinonen

born 1962

Independent of the company and major shareholders

Board member: since 2021

Board committees: Member of the Audit Committee

Primary occupation: Telenor ASA, EVP and Head of Nordics, member of Telenor's Group Executive Management

Education: M.Sc. (Eng.)

Key work experience: 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 Solutions Oyj (Yritysverkot Oyj), President and CEO (1996–1999)

Membership on other Boards: DNA Oyj, Chairman of the Board (2021–), Representative Council of the Confederation of Finnish Industries (2020–); 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)



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: CEO of Gigantti Oy

Education: M.Sc. (Eng.), CEFA degree

Key work experience: Kämp Group/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: Executive Vice President, Infrastructure segment, and member of the Group Management Team at YIT Corporation

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), various managerial positions (2007–)

Membership on other Boards: Maintpartner Ab, Chairman (2017–); Forcit Oy (2019–); Terrawise Oy (2019–2021)

In 2021, the Board of Directors also had Miikka Maijala as a member. His membership ended at the Annual General Meeting 2021, and his information has been presented as per the situation on 18 March 2021.

Miikka Maijala

born 1967

Independent of the company and major shareholders

Board member: since 2010

Board Committees: Member of the Personnel and Sustainability Committee

Primary occupation: CEO of Clinius Ltd

Education: M.Sc. (Eng.)

Key work experience: GE Healthcare Finland Oy, Business Segment Manager 2004–2006; Instrumentarium Corporation (now GE Healthcare Finland Oy), Director, Business Development (2000–2004); Instrumentarium Corporation: supervisory and executive positions within sales, marketing and financial management (1992–2000)

Membership on other Boards: Healthtech Finland (2008–)

Diversity of the Board of Directors

The company considers diversity essential to achieving the company’s 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 comprised 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 2021, five of the Board members were male and two were female. The age range of the Board members was 51–66 years. The less represented gender accounted for 29 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 Heikki Bergholm and Sakari Lassila have been members of the Board of Directors for more than 10 years consecutively. The Board of Directors has not identified any reasons why Heikki Bergholm or 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.

Board members’ shareholding 31 December 2021

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 Statement of the governing bodies, which is published in connection with the Report of the Board of Directors and is available at <https://vuosikertomus.lt.fi/en/>.

Heikki Bergholm	835,178
Sakari Lassila	19,860
Teemu Kangas-Kärki	4,768
Laura Lares	6,091
Jukka Leinonen	8,994
Laura Tarkka	4,119
Pasi Tolppanen	2,150
Total	881,160

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. The charter was updated in 2021, and it governs the Board’s work in addition to the company’s Articles of Association and Finnish laws and regulations.

Duties of the Board of Directors:

- 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, consolidated financial statements and annual reports
- confirming the Group’s operating plan, budget and investment plan
- deciding on strategically or financially significant investments, corporate acquisitions, disposals or other arrangements, as well as financing arrangements and contingent liabilities
- 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 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 2021

The Board of Directors met 13 times during 2021. The average attendance rate of the members at the meetings was 99 per cent. Key themes in Board work included strategy and directing and supporting its implementation, monitoring strategic projects, anticipating and monitoring the impacts of the COVID-19 pandemic, developing the company 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 four (4) 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 18 March 2021, the Board of Directors appointed Sakari Lassila (Chairman), Laura Lares, Jukka Leinonen and Teemu Kangas-Kärki as members of the Audit Committee. All of the members of the Audit Commit-

tee 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 2021. The attendance rate of the members at the meetings was 100 per cent.

Personnel and Sustainability Committee

At its organisational meeting after the Annual

Meeting attendance of Board members in 2021

	Board of Directors	Audit Committee	Personnel and Sustainability Committee
Heikki Bergholm	13/13		4/4
Sakari Lassila	13/13	5/5	
Teemu Kangas-Kärki	13/13	5/5	
Laura Lares*	13/13	4/4	2/2
Jukka Leinonen**	10/10	4/4	
Laura Tarkka	12/13		4/4
Pasi Tolppanen***	13/13	1/1	2/2
Miikka Maijala****	3/3		2/2

* Member of the Audit Committee from 18 March 2021.

** Member of the Board from 18 March 2021.

*** Member of the Personnel and Sustainability Committee from 18 March 2021.

**** Member of the Board until 18 March 2021.

General Meeting of 18 March 2021, the Board of Directors appointed Heikki Bergholm (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 functioning 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
- discussing 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
- preparing 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 Sustainability Review of the Annual Report
- monitoring and evaluating the development of diversity in the workplace community.

The Committee met four times in 2021. 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. M.Sc. (Econ.) Eero Hautaniemi 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 is comprised 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 was comprised of 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 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)

Current key Board memberships: Confederation of Finnish Industries EK (2021–); Real Estate Employers (2021–)

Past key Board memberships: Lassila & Tikanoja Oyj, Member of the Board (2007–2017); Nurminen Logistics Oyj, Member of the Board (2009–2012); Posti Group Corporation (2017–2020)



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 Oyj, General Counsel (2012–); Atria Oyj, General Counsel (2007–2012); Metso Automation Oy, Legal Counsel (2004–2007); Metso Corporation, Legal Counsel (1999–2004); Rauma Oyj, Legal Counsel (1996–1999)



Jorma Mikkonen

born 1963

Senior Vice President, Public Affairs and Sustainability

Member of the Group Executive Board:

1996–2012 and from 1 June 2015

Education: Master of Laws

Key work experience: Lassila & Tikanoja Oyj, Division Manager, Environmental Services (2009–2012), Division Manager, Industrial Services (2000–2009); Säkkiväline Oy, Administrative Director (1999–2000), Corporate Lawyer (1992–1999); Helsingin Suomalainen Säästöpankki: Corporate Lawyer (1991–1992)

Membership on other Boards: LähiTapiola Vahinkovakuutus, Member of the Supervisory Board (2008–); Finnish Environmental Industries YTP, Chairman (2021–), Member of the Board (2013–); Chemical Industry Federation of Finland (2021–); Employers' Federation of Road Transport (2001–)



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 Oyj, Business Director, Cleaning Services (2019–2021), Business Director, Property Maintenance (2014–2018), Regional Director, Helsinki metropolitan area (2013–2016); ISS Finland, Regional Director, Service Director, Customer Accounts Director (2006–2013), Project Director (1999–2006); Purkat Oy, CEO (1995–1999)



Valtteri Palin

born 1973

CFO

Member of the Group Executive Board since:

1 August 2019

Education: M.Sc. (Econ.)

Key work experience: Lassila & Tikanoja Oyj, 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 Oyj, Group Legal Counsel (2000–2007)

Membership on other Boards: Finnpiilot Pilotage Oy, Board Member (2020–)



Petri Salermo

born 1970

Senior Vice President, Environmental Services

Member of the Group Executive Board since:

1 January 2013

Education: QBA, Executive MBA

Key work experience: Lassila & Tikanoja Oyj, 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)



Erik Sundström

born 1957
Senior Vice President, Facility Services Sweden

Member of the Group Executive Board since:

26 February 2019

Education: Contract law and management studies

Key work experience: Lassila & Tikanoja plc; Lassila & Tikanoja Service AB: President and CEO (2019–), Lassila & Tikanoja FM AB: President and CEO (2017–); Veolia FM AB, President and CEO (2017); Veolia Sverige AB, COO (2012–2017); Dalkia Energy and Building Services AB, President and CEO (2007–2012), Vice President (2004–2007), COO (2001–2004), Regional Director (1998–2001); Locum Drift AB, Business Manager (1995–1998); Locum AB, Regional Director (1992–1994)



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 Oyj, 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 Finland and Baltics, Director, Procurement (2005–2009), Procurement Manager (2003–2005), Supply Chain Consultant (2001–2003)

In addition, Tuomas Mäkipeska was a member of the Group Executive Board until 30 July 2021. His information has been presented as per the situation on the date his membership ended.

Tuomas Mäkipeska

born 1978
Senior Vice President, Facility Services Finland

Member of the Group Executive Board since:

14 February 2012

Education: M.Sc. (Econ.)

Key work experience: Lassila & Tikanoja plc: CFO (2017–2019), Development Director (2012–2017), Vice President, Renewable Energy Sources (2015–2017); Deloitte: Management Consultant, Strategy & Operations (2005–2012); Fiskars Corporation, Project Manager (2004–2005); Rieter Automotive Management AG, Market Analyst (2003)

**Group Executive Board members' shareholding
31 December 2021**

	31 Dec 2021
Eero Hautaniemi	35,853
Sirpa Huopalaainen	5,486
Jorma Mikkonen	5,849
Antti Niitynpää	-
Valtteri Palin	22
Hilppa Rautpalo	500
Petri Salermo	16,066
Erik Sundström	106
Antti Tervo	8,200
Total	72,082

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 <https://vuosikertomus.lt.fi/en/>.

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 report, and financial statements release. 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 and financial statement 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-year financial 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-year financial 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 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 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 internal audit function provides recommendations for the development of the above-mentioned systems and processes. The internal audit focuses primarily on proactive measures by participating in development projects and supporting the businesses in the identification of risks related to their planned operating models and the specification of risk management measures. The internal audit has no operational responsibility for projects, and it does not participate in decision-making.

In its operations, the internal audit complies with generally accepted international professional standards concerning internal audit and ethical principles, as well as the internal audit operating guidelines confirmed by L&T's Board of Directors. The internal audit operates under the supervision of the Audit Committee of L&T's Board of Directors and the company's President and CEO, and reports its observations and recommendations to

the Audit Committee, President and CEO, management of each audited division, and auditor. Internal audit may purchase external outsourced services for carrying out audit tasks requiring additional resourcing or special expertise as necessary. 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 audit plan is amended based on risks as necessary.

Related-party transactions

In accordance with the Corporate Governance Code, the company 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 2021.

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 financial 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.

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. KPMG Oy Ab, Authorised Public Accountants, was elected by the Annual General Meeting of 2021 as the company's auditor, with Leenakaisa Winberg, Authorised Public Accountant, as the principal auditor.

The auditors and the Board agree on the audit plan annually and discuss the audit's findings. In 2021, the fees paid for the Group's statutory auditing to KPMG group totalled EUR 264,000 (237,000). The fees paid to the auditing company and companies belonging to the same group for non-audit services totalled EUR 23,000 (44,000). Such other services were mainly related to consultation regarding taxation, financial reporting and non-financial reporting, as well as the assurance of sustainability reporting. The maximum amount of fees for non-audit services provided by KPMG Oy Ab, calculated on the basis of the average of the audit fees for the financial years 2018, 2019 and 2020, was EUR 138,000 in 2021. Non-audit services performed by KPMG Oy Ab during the financial year 2021 totalled EUR 23,000.

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 2021. The Personnel and Sustainability Committee of the Board of Directors has discussed this report and it will be presented to the 2022 Annual General Meeting of Lassila & Tikanoja plc ("L&T" or "the Company"). 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 2021, L&T complied with the Remuneration Policy presented to the Annual General Meeting.

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 above-mentioned 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 below shows the development of the remuneration of the Board members and the President and CEO during the financial years 2017–2021 relative to the development of the average remuneration of employees and the Group's financial performance.

Fees paid to the Board for the financial year 2021

The Annual General Meeting annually determines the annual fees and 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 2022.

Annual fees, meeting fees for Board and committee meetings, and other financial benefits

The Annual General Meeting held on 18 March 2021 resolved on the remuneration of the Board of Directors in 2021 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 within the next 14 trading days, free from restrictions on trading, from the Annual General Meeting.

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.

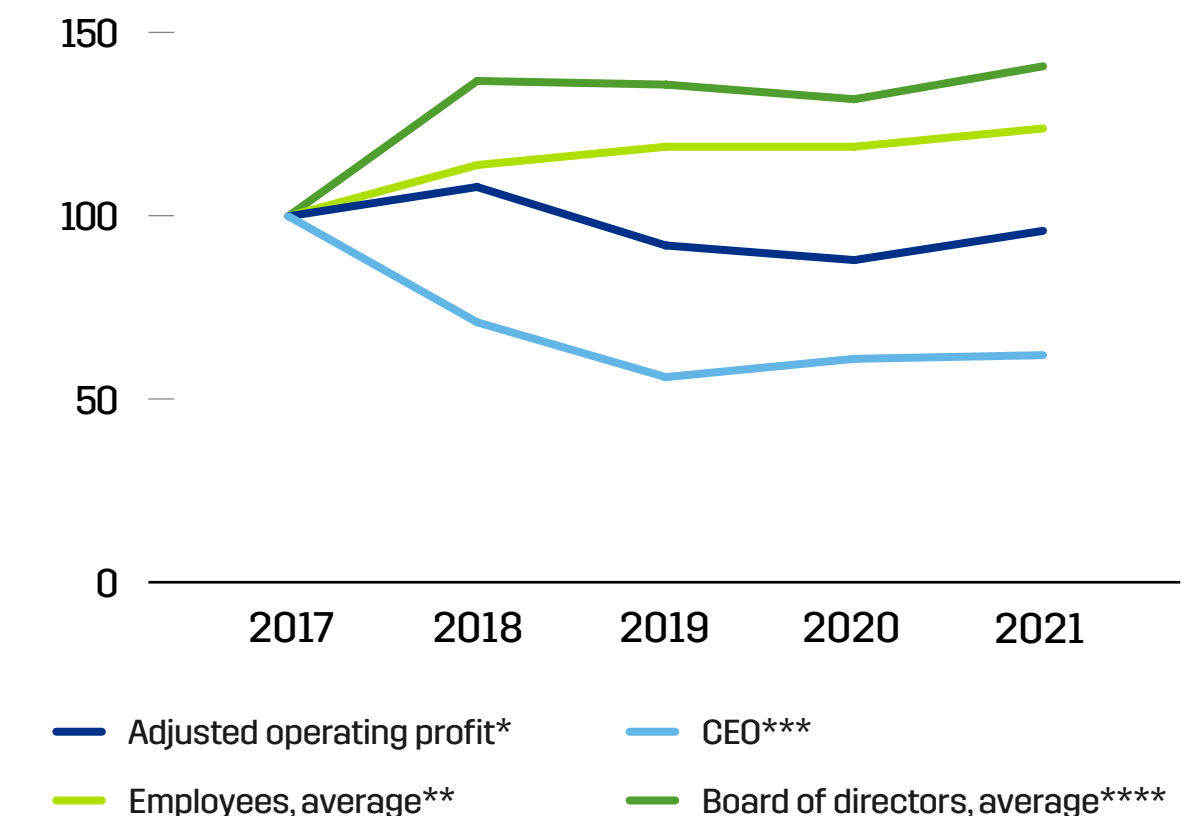
The members of the Board are not included in the company's share-based incentive schemes and they do not have any pension contracts with the company. For the payment of the 40 per cent proportion of the annual fee of the members of the Board of Directors, a total of 7,193 shares held by the Company were transferred to the Board members on

26 March 2021 at a rate of EUR 13.89 per share in the following amounts: 1,727 shares to the Chairman, 1,151 shares to the Vice Chairman, and 863 shares to each member.

Remuneration of the President and CEO for the financial year 2021

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.

Development of business and remuneration, indexed, 2017=100



* Reported operating profit for 2017–2018, does not differ significantly from adjusted operating profit.

** Employee salaries relative to the total number of personnel, reported as full-time equivalents.

*** Total remuneration, with the incentive schemes being based on the preceding year's results.

**** Total remuneration. The annual fees of the Board of Directors were increased in 2018.

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.

Remuneration paid to the members of the Board of Directors

EUR	2021		
	Annual fee	Meeting fees	Total
Heikki Bergholm, Chairman	60,000	19,800	79,800
Sakari Lassila, Vice Chairman	40,000	16,800	56,800
Teemu Kangas-Kärki, member	30,000	12,000	42,000
Laura Lares, member	30,000	12,500	42,500
Jukka Leinonen, member*	30,000	9,000	39,000
Laura Tarkka, member	30,000	10,000	40,000
Pasi Tolppanen, member	30,000	10,000	40,000
Miikka Maijala, member**	-	3,000	3,000

* Member of the Board from 18 March 2021.
 ** Member of the Board until 18 March 2021.

The President and CEO's incentive bonus for the earnings period that corresponds to the financial year 2021 was based on the Group's profit performance and strategic targets defined by the Board of Directors as follows: consolidated operating profit (80% weight), employee recommendation (10% weight) and customer satisfaction (NPS, 10% weight). Based on the achievement of the earnings criteria for the earnings period that corresponds to the financial year 2021, the incentive bonus was earned at 72% of the maximum amount. The President and CEO will be paid EUR 157,248 in the financial year 2022 for the earnings period that corresponds to the financial year 2021.

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 2021 and 2020 as the earnings periods are described below:

- The share-based incentive scheme with the financial year 2020 as the earnings period. The reward was based on the Group's EVA result, and no reward was paid during the financial year 2021.
- 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 will be 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 corresponds to the financial year 2021, calculated at the average share price of EUR 12.08 on the day immediately following the publication of the financial statements.

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.

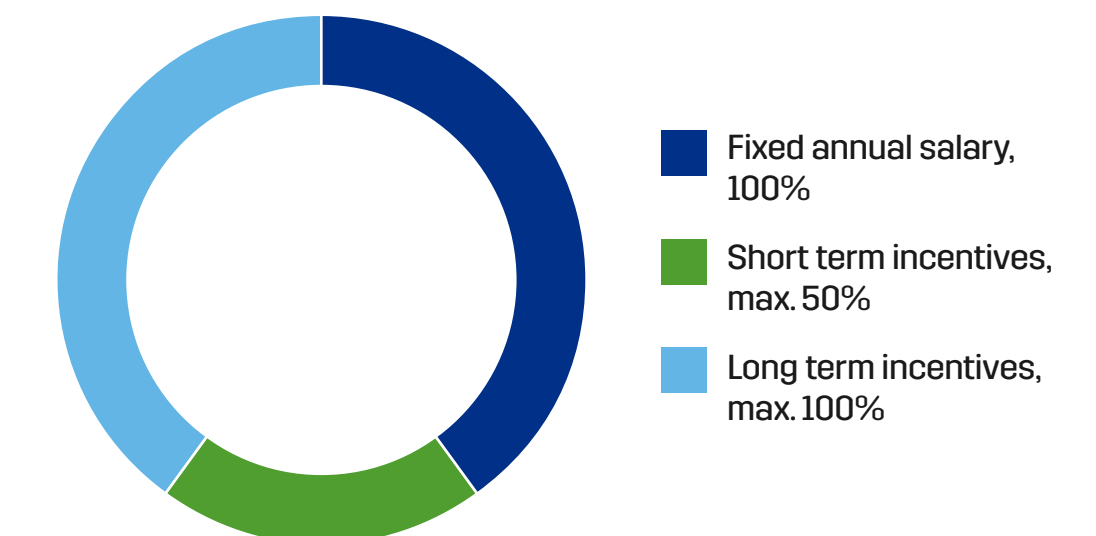
Remuneration paid to the President and CEO

No short-term or long-term incentive bonuses were paid to the President and CEO during the financial year 2021. No supplementary pension was paid.

The following table presents the remuneration paid to the President and CEO during the financial year 2021:

	2021
Annual salary (including salary and fringe benefits)	461,552.00
Incentive bonus	-
Share-based bonus	-
Fringe benefits (included in the annual salary)	17,635.32
Total	461,552.00

Remuneration of the President and CEO: maximum earning potential



Verification of the Remuneration Report

L&T's auditor KPMG Oy Ab has verified that this Remuneration Report includes the legally required disclosures.

REPORT BY THE BOARD OF DIRECTORS

17 Report by the Board of Directors
(incl. Statement of non-financial information)



Report by the Board of Directors

L&T is a service company that is making the circular economy a reality. All of the Group'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 continuously develops ways to effectively utilise the side streams of industry and society according to the principles of the circular economy.
- 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 is pursuing an increasing value for all its key stakeholders.

- The value for our customers can be seen in, for example, an improved recycling rate, more efficient energy consumption or improved property user satisfaction. The company continuously develops its services according to its customers' needs and regularly measures its success. L&T's goal is an excellent and continuously improving customer experience.
- The value for our personnel is reflected in our personnel enjoying their work and being offered motivating career paths and meaningful work. We provide a safe and healthy working environment. The Group aims to improve its employee experience and

increase its employee recommendation rate.

- Value for society is created by L&T mitigating climate change and biodiversity loss. The company replaces virgin raw materials with secondary raw materials, and fossil fuels with renewable raw materials. The aim is to continuously grow the carbon handprint of the Group's operations, meaning its positive climate impact. L&T bears its social responsibility by, for example, also offering jobs to groups for whom it is difficult to find employment. The Group is among the most significant employers in the cities it operates in. L&T has a significant impact on municipal economies and other economic activity in each economic area through wages, taxes and purchases.
- The value for shareholders consists of L&T's desire to grow by means of seeking profitable growth exceeding the market growth rate from business operations promoting sustainable development.

L&T's business environment in 2021

The COVID-19 pandemic affected L&T's operations in 2021, and there were many uncertainties in the business environment. The markets began to recover in the second quarter, and service demand was strong across all services compared to the previous year. Customers' restriction measures to limit the spread of COVID-19 still had a negative impact in a few customer segments, but the overall effect of the restrictions was substantially smaller than in the previous year.

Awareness of the importance of mitigating climate

change was high. The EU Green Deal is a comprehensive set of reforms by means of which the EU seeks to mitigate climate change and prevent biodiversity loss by decoupling economic growth and resource use.

In late 2020, the EU reached an agreement on tightening the 2030 climate targets to pursue a reduction in net emissions of 55 per cent instead of the previous target of 40 per cent. In July 2021, the EU published an extensive package of legislative proposals (Fit for 55) concerning the measures necessary to achieve the climate targets. The package will proceed to the EU's decision-making bodies in 2022.

As part of the climate package, the Commission is proposing a separate emissions trading scheme for transport emissions and for the emissions arising from the heating of buildings that were previously excluded from emissions trading. At the same time, preparations are under way in Finland regarding a separate national emissions trading scheme for road transport, in case the previously defined mechanisms do not lead to sufficient reductions in transport emissions. The Finnish Government's intention is that emissions trading concerning national road transport could enter into effect in 2025.

The EU Taxonomy Regulation entered into force in summer 2020. It provides the framework for creating a classification system for economic activities that are considered to be environmentally sustainable investments. On 3 August 2021, the Platform on Sustainable Finance published a report on the technical screening criteria for the EU Taxonomy. The European Commission is advancing the Taxonomy one area at a time by means of a Delegated Act. Climate-related criteria were confirmed late in the year, with criteria concerning nuclear power and natural gas to be confirmed in the next stage.

In March 2020, the European Commission presented a

comprehensive Circular Economy Action Plan to be implemented through material-specific and sector-specific reforms between 2020 and 2023. The priorities of the EU's updated circular economy programme 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.

The Finnish Government Programme includes highly ambitious climate targets, and the circular economy, bio-economy, energy efficiency and new technologies play a central role in achieving those targets. Investment subsidies and a sustainable development tax reform are used as means to speed up the development. The Government issued a decision-in-principle on a strategic circular economy programme on 8 April 2021. The aim 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.

A waste regulation package was confirmed by the European Commission in 2018, setting out even more ambitious goals for the recycling of municipal waste and packaging waste. The Finnish Ministry of the Environment drafted reforms to the Waste Act that include the necessary measures for the implementation of the EU's waste directives in Finland's national waste legislation. The amendments to the Waste Act entered into force on 19 July 2021.

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.

Challenges associated with the availability of labour have increased and spread to a larger number of professions. The decreasing size of age cohorts will increase these challenges in the years to come. The labour market is becoming an applicant's market. The measures used to promote the motivation and work ability of existing personnel in various career stages will become increasingly critical. The service sector will also become increasingly dependent on foreign workers.

Strategy

In autumn 2021, Lassila & Tikanoja plc's Board of Directors approved the Group's updated targets for the strategy period 2022–2026 and confirmed the next steps in the implementation of the Group's strategy.

The core of L&T's business is to make the circular economy a reality. L&T operates in the circular economy and facility services businesses. All of the Group's business operations help customers achieve their sustainability targets and build future sustainable growth based on the circular economy and the opportunities it brings. In practice, this means keeping the materials and properties of customers in profitable use for as long as possible and improving the efficiency of the use of raw materials and energy in co-operation with the customer.

Environmental Services focused on developing the customer experience of corporate customers, as well as new customer acquisition. The Sihvari Oy acquisition in June strengthened the Environmental Services division's market position in the SME customer segment. Preparations for the deployment of the new ERP system moved forward. In December, an agreement was signed with Neova Oy regarding a joint venture that involves the merger of the two companies' fuel wood businesses. The establishment of the joint venture is subject to approval by the Finnish Competition and Consumer Authority.

Industrial Services developed service solutions and methods that promote the circular economy and reduce the customers' carbon footprint. Efforts to increase segment expertise continued, as did training activities for supervisors. Preparations for the deployment of the new ERP system continued.

Facility Services Finland created a new development programme focused on more sustainable cleaning. The programme was well received by customers, and 316 cleaning sites were within the scope of the development programme at the end of 2021. The market position in the food hygiene segment was strengthened by the acquisition of Serveco Oy. The market position strengthened in the retail segment, and the service offering expanded with the acquisition of Spectra Oy. Measures to improve cost efficiency and clarify the organisational structure were implemented in property maintenance and technical services. Four operating units were closed, and two service lines were brought under the same management. Investments will continue in refrigeration equipment maintenance and energy efficiency services, in particular.

Facility Services Sweden continued to invest in the development of technical services expertise and energy efficiency services. Preparations for the deployment of

the new ERP system moved forward.

During the strategy period 2022–2026, L&T seeks growth in its core businesses by strengthening its market share. The Group's strong balance sheet and increased agreement 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 the 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

The financial targets for the strategy period 2022–2026 are the same as for the previous strategy period 2019–2021. The sustainability and stakeholder targets were made more ambitious, and the performance indicators were updated to provide a clearer view of the progress of the strategy.

Financial targets

Measure	Target	2021	2020
Growth in net sales, %	5 %	8.1%	-4.1%
Return on investment, % (ROI)	15 %	10.8%	7.5%
Gearing, %	Less than 125%	79.4%	70.9%

Sustainability and stakeholder targets

Indicator	Target	2021	2020
Net Promoter Score	> 25	All divisions achieved the target	2/4 of the divisions met the target
Employee Net Promoter Score, eNPS	> 80%	82%	82%
Carbon handprint intensity	Grows faster than net sales	-17%	14%
Carbon footprint intensity	-50% by 2030, using 2018 as the baseline	-19%*	-14.1%*

* Emissions from own operations (Scope 1 and 2) per kilometre driven, expressed as a percentage reduction relative to 2018.

Sustainability and stakeholder targets for the strategy period 2022–2026

Indicator	Target
Net Promoter Score	> 50 by 2026
Employee Net Promoter Score, eNPS	> 50 by 2026
Carbon handprint	Grows faster than net sales
Carbon footprint	-50% by 2030, using 2018 as the baseline

Group net sales and financial performance

Net sales for 2021 amounted to EUR 812.5 million (751.9), up 8.1% year-on-year. The rate of organic growth was 6.6%. Adjusted operating profit was EUR 42.4 million (39.7), representing 5.2% (5.3%) of net sales. Operating profit was EUR 42.2 million (28.2), representing 5.2% (3.8%) of net sales. Earnings per share were EUR 0.90 (0.50).

Net sales grew across all business segments. Operating profit improved in Environmental Services, Industrial Services, and Facility Services Sweden. Operating profit declined year-on-year in Facility Services Finland.

The realisation of occupational accident expenses concerning accidents that took place in, or prior to, 2018 had a negative effect of EUR 0.7 million on the Group's adjusted operating profit. In the comparison period, adjusted operating profit was improved by the temporary lowering of pension insurance contributions by 2.6 percentage points from 1 May to 31 December 2020, which had a positive impact of approximately EUR 3.8 million in 2020. Other non-recurring items in the comparison period had a positive net effect of EUR 1.0 million on the Group's operating profit. The items in question are not included in the figures for the Group's businesses. Operating profit in the comparison period was negatively affected by costs of EUR 9.0 million recognised in relation to the discontinuation of Russian operations. A change in the accounting treatment of cloud service arrangements in the financial year 2021 had a negative impact of EUR 1.0 million on profit in the final quarter. The result for the financial year was positively influenced by a reduction in net financial expenses to EUR -3.3 million (-4.9). Exchange differences had an impact of EUR +0.3 million (-1.4) on financial expenses.

Segment information by quarter

MEUR	10-12/2021	7-9/2021	4-6/2021	1-3/2021	10-12/2020
Net sales					
Environmental Services	89.9	77.2	77.2	76.2	72.9
Industrial Services	28.7	29.8	26.9	19.6	27.6
Facility Services Finland	63.0	59.9	59.0	61.2	60.5
Facility Services Sweden	43.8	32.7	37.1	36.2	40.0
Interdivision net sales	-2.0	-1.3	-1.6	-1.2	-1.4
Total	223.5	198.4	198.6	192.0	199.6
Operating profit					
Environmental Services	7.1	10.3	7.8	4.5	7.6
Industrial Services	1.7	4.1	3.2	0.2	1.5
Facility Services Finland	0.6	2.9	-0.4	-1.3	1.9
Facility Services Sweden	1.3	1.5	0.6	0.4	1.5
Group administration and other	-0.8	-0.8	-0.7	-0.1	-2.7
Total	9.9	18.0	10.6	3.7	9.9
EBITDA					
Environmental Services	13.6	17.2	14.8	10.9	14.1
Industrial Services	4.3	6.4	5.4	2.5	4.4
Facility Services Finland	2.7	5.2	1.9	1.1	3.1
Facility Services Sweden	3.2	3.1	2.3	1.7	2.7
Group administration and other	-0.6	-0.4	-0.4	0.2	-0.8
Total	23.2	31.4	24.1	16.4	23.5
Operating margin					
Environmental Services	7.9	13.4	10.2	6.0	10.5
Industrial Services	5.9	13.6	11.9	1.1	5.6
Facility Services Finland	1.0	4.9	-0.7	-2.1	3.2
Facility Services Sweden	3.1	4.5	1.7	1.1	3.8
Total	4.4	9.1	5.3	1.9	5.0
EBITDA %					
Environmental Services	15.2	22.2	19.1	14.3	19.3
Industrial Services	14.8	21.4	20.1	12.8	15.9
Facility Services Finland	4.3	8.7	3.3	1.7	5.1
Facility Services Sweden	7.4	9.3	6.3	4.8	6.8
Total	10.4	15.8	12.1	8.5	11.8

Division reviews

Environmental Services

The Environmental Services division's net sales grew to EUR 320.5 million (289.4). Operating profit increased year-on-year and amounted to EUR 29.8 million (20.0). The comparison figure includes costs of EUR 9.0 million recognised in relation to the discontinuation of Russian operations. Excluding Russia, the operating profit of Environmental Services improved to EUR 29.8 million (28.4). A change in the accounting treatment of cloud service arrangements had a negative impact of EUR 0.2 million on profit.

In Environmental Services, demand for waste management and recycling services started to recover in the second quarter and remained strong for the rest of the year. Subscription-based service demand, as well as the prices of – and demand for – recycled raw materials, returned to pre-pandemic levels in the third quarter. The number of corporate customers increased thanks to active sales to new customers. The Sihvari Oy acquisition in June strengthened the Environmental Services division's market position in the SME customer segment. Production costs were increased by strong price hikes in fuel prices, continuing throughout the year.

Industrial Services

The Industrial Services division's net sales grew to EUR 105.1 million (101.8). Operating profit improved year-on-year and amounted to EUR 9.2 million (7.1). A change in the accounting treatment of cloud service arrangements had a negative impact of EUR 0.6 million on profit.

The Industrial Services division strengthened its market position in hazardous waste and process cleaning in 2021. In the hazardous waste business, service volumes gradually returned to a normal level during the year. Investments in segment expertise were particu-

larly visible in the chemical industry segment, where new customer contracts were signed. In the project business, some of the construction projects planned for earlier in the year were postponed due to the pandemic, which made resource allocation more difficult and increased costs. There were fewer recovery projects of contaminated soil areas started than in the previous year, and price competition intensified. The development of operational methods remained strong in Industrial Services. The COVID-19 pandemic caused changes in the annual industrial maintenance break cycle, and some of the annual maintenance breaks planned for the beginning of 2021 were postponed to the third quarter. The overlap of annual maintenance breaks in the third quarter made resource optimisation more difficult and increased production costs due to increased subcontracting.

Facility Services Finland

The net sales of Facility Services Finland grew to EUR 243.1 million (232.3). Operating profit declined year-on-year to EUR 1.8 million (3.2). The change in the accounting process of cloud service arrangements had a negative impact on profit of EUR 0.1 million. In the comparison period, operating profit was improved by the temporary lowering of pension insurance contributions by 2.6 percentage points from 1 May to 31 December 2020, which had a positive impact of approximately EUR 2.1 million in 2020.

The cleaning business developed favourably throughout the year, and the market position strengthened. The market position in the food hygiene business was strengthened by the acquisition of Serveco Oy. The market position strengthened in the retail segment, and the service offering was expanded by the acquisition of Spectra Oy. The More sustainable cleaning development programme was launched in the cleaning business during

Net sales by division

MEUR	1-12/2021	1-12/2020	Change %
Environmental Services	320.5	289.4	10.8
Industrial Services	105.1	101.8	3.2
Facility Services Finland	243.1	232.3	4.7
Facility Services Sweden	149.8	134.5	11.3
Eliminations	-6.1	-6.1	
Total	812.5	751.9	8.1

Operating profit by division

MEUR	1-12/2021	%	1-12/2020	%	Change %
Environmental Services	29.8	9.3	20.0	6.9	48.8
Industrial Services	9.2	8.7	7.1	7.0	29.3
Facility Services Finland	1.8	0.7	3.2	1.4	-43.7
Facility Services Sweden	3.9	2.6	3.5	2.6	9.6
Group administration and other	-2.4		-5.6		
Total	42.2	5.2	28.2	3.8	49.5

the second quarter, and it was well received by customers. In total, 316 cleaning sites were included in the development programme by the end of 2021, and more than 1,000 cleaners were trained in the use of sustainable cleaning methods during the year.

Performance was weak in property maintenance and technical services in Finland. Measures to improve cost efficiency and clarify the organisational structure were initiated in these service lines at the end of the third quarter. Four loss-making units were closed, and the service lines for property maintenance and technical services were brought under one management. The aim is to achieve cost savings of at least EUR 3 million starting from 2022. The streamlined unit network will improve efficiency. Invest-

ments will continue in refrigeration equipment maintenance and energy efficiency services, in particular.

Facility Services Sweden

The net sales of Facility Services Sweden grew to EUR 149.8 million (134.5). Operating profit improved year-on-year and amounted to EUR 3.9 million (3.5).

The coronavirus pandemic situation was difficult in the first quarter. The pandemic situation started to ease from the second quarter, and the market share developed favourably. The division's market position strengthened in the fourth quarter in the hospital segment, in particular, due to a significant new customer account. Cleaning and food hygiene services also grew.

The coronavirus pandemic had a negative impact on the demand for additional services in the municipal sector throughout the year. Fewer large technical services projects started than in the years before the pandemic, and some projects were delayed due to the global semiconductor shortage.

Financing and capital expenditure

Net cash flow from operating activities amounted to EUR 1.7 million (44.0). A total of EUR 15.1 million in working capital was committed (EUR 2.1 million released). Working capital was increased by the growth of customer receivables due to higher net sales. Net cash flow was reduced by acquisitions, which had a total effect of approximately EUR 23 million. Cash flow in the comparison period was affected positively by the sale of property included in property, plant and equipment.

At the end of the period, interest-bearing liabilities amounted to EUR 195.6 million (186.7). Net interest-bearing liabilities totalled EUR 167.1 million (136.5). The average interest rate on long-term loans excluding IFRS 16 liabilities, with interest rate hedging, was 1.1% (1.3%).

Of the EUR 100.0 million commercial paper programme, EUR 0.0 million (15.0) was in use at the end of the period. A committed credit limit totalling EUR 30 million was not in use, as was the case in the comparison period. The Group took out a bank loan of EUR 25 million in the third quarter to finance acquisitions.

Net financial expenses amounted to EUR -3.3 million (-4.9). The effect of exchange rate changes on net financial expenses was EUR 0.3 million (-1.4). Net financial expenses were 0.4% (0.7%) of net sales.

The equity ratio was 33.7% (33.0%), and the gearing ratio was 79.4% (70.9%). Liquid assets at the end of the period amounted to EUR 28.6 million (50.2). Overdue trade

receivables and credit losses have not increased during the pandemic.

Gross capital expenditure for 2021 came to EUR 72.3 million (48.2). Acquisitions accounted for approximately EUR 31 million of the capital expenditure. Other capital expenditure consisted primarily of machine and equipment purchases, as well as investments in information systems and buildings.

Key figures for financing

	2021	2020
Interest-bearing liabilities, MEUR	195.6	186.7
Net interest-bearing liabilities, MEUR	167.1	136.5
Net finance costs, MEUR	-3.3	-4.9
Net finance costs, % of net sales	0.4	0.7
Net finance costs, % of operating profit	7.7	17.4
Equity ratio, %	33.7	33.0
Gearing, %	79.4	70.9
Cash flow from operating activities, MEUR	65.6	83.0
Change in working capital in the cash flow statement, MEUR	-15.1	2.1

Invested capital

MEUR	2021	2020
Non-current assets	435.2	399.4
Inventories and receivables	133.2	147.0
Liquid assets	28.6	50.2
Assets classified as held for sale	38.3	-
Deferred tax liability	-30.2	-28.3
Trade and other payables	-175.6	-178.0
Provisions	-10.8	-9.5
Other non-interest-bearing liabilities	-1.5	-1.5
Liabilities classified as held for sale	-11.2	-
Total	406.0	379.2

Gross capital expenditure by balance sheet item

MEUR	2021	2020
Real estate	3.0	6.6
Machinery, equipment and other tangible assets	37.2	35.2
Goodwill and other intangible rights arising from business acquisitions	26.2	1.1
Other intangible assets	5.9	5.3
L&T total	72.3	48.2

Gross capital expenditure by division

MEUR	2021	2020
Environmental Services	41.7	23.7
Industrial Services	14.5	17.4
Facility Services Finland	13.6	5.1
Facility Services Sweden	1.8	1.5
Group administration and other	0.6	0.6
L&T total	72.3	48.2

Loans, liabilities and contingent liabilities to related parties

Related-party transactions are accounted for in [Note 5.4](#) Related-party transactions.

Changes in Group structure

Lassila & Tikanoja plc incorporated its three divisions as separate limited liability companies on 1 January 2021. The Environmental Services and Industrial Services divisions were each incorporated as separate companies named L&T Ympäristöpalvelut Oy and L&T Teollisuuspalvelut Oy, respectively. The Facility Services Finland division's new companies were named L&T Siivous Oy, L&T Kiinteistöhuolto Oy and L&T Kiinteistötekniikka Oy. In 2021, Lassila & Tikanoja acquired the entire share capital of Serveco Oy, Spectra Oy and Sihvari Oy.

Members of the Group Executive Board on 31 December 2021

- Eero Hautaniemi, President and CEO
- Sirpa Huopalainen, General Counsel
- Jorma Mikkonen, Senior Vice President, Public Affairs and Sustainability
- Antti Niitynpää, Senior Vice President, Facility Services Finland (from 30 July 2021)
- Valtteri Palin, Chief Financial Officer
- Hilppa Rautpalo, Senior Vice President, Human Resources
- Petri Salermo, Senior Vice President, Environmental Services
- Erik Sundström, Senior Vice President, Facility Services Sweden
- Antti Tervo, Senior Vice President, Industrial Services

Tuomas Mäkipeska was the Senior Vice President for Facility Services Finland until 30 July 2021.

Personnel

Employees by country at year end

Full-time and part-time, total	2021	2020
Finland	7,003	6,673
Sweden	1,168	1,370
Russia	-	96
Total	8,171	8,139

In 2021, the average number of employees converted into full-time equivalents was 7,319 (7,197). At the end of the period, L&T had 8,171 (8,139) full-time and part-time employees. Of these, 7,003 (6,673) worked in Finland and 1,168 (1,466) in other countries.

Information on wages and other remuneration paid to the personnel is presented in the financial statements in note 1.3 Employee benefit expenses.

Resolutions by the Annual General Meeting

The Annual General Meeting, which was held on 18 March 2021, adopted the financial statements and consolidated financial statements for 2020, released the members of the Board of Directors and the President and CEO from liability, and approved the Remuneration Report for the Governing Bodies.

The Annual General Meeting resolved that a dividend of EUR 0.40 per share, totalling EUR 15.2 million, be paid on the basis of the balance sheet adopted for the financial year 2020. It was decided that the dividend be paid on 29 March 2021.

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

KPMG Oy Ab, Authorised Public Accountants, was elected auditor. KPMG Oy Ab named Leenakaisa Winberg, Authorised Public Accountant, as its principal auditor.

The resolutions of the Annual General Meeting were announced in more detail in a stock exchange release on 18 March 2021.

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, the Group strengthens its competitiveness and creates diverse value for its key stakeholders.

Mitigating climate change is the greatest challenge of the 2020s. The correction towards a sustainable economy to be achieved over the next decade will mean structural changes in energy systems and the material economy. The circular economy will play a critical role in achieving this change, and L&T's business solutions support this change.

The most significant value creation impacts of L&T's operations are reflected in sustainability benefits produced for customers. In its divisions – Environmental Services, Industrial Services and Facility Services – the Group continuously seeks better results in the utilisation of customer materials and the reduction of emissions and energy consumption, as well as in the utilisation of new, environmentally sustainable methods and the development of services that promote the circular economy.

Environmental Services helps customers make the circular economy a reality through waste management and recycling services, as well as services related to environmental management and renewable energy sources. Industrial Services serves customers in the waste and side stream value chain from the creation of waste to its reuse and mate-

rial recycling. The division's services include process cleaning, sewer maintenance, the collection and processing of hazardous waste, and environmental construction. Facility Services produces circular economy service solutions by providing cleaning and support services, as well as technical services in Finland and Sweden. The Facility Services Finland division's operations also include property maintenance services.

The circular economy and climate change mitigation are the starting point of L&T's business operations and sustainability efforts. The Group's strategic objective is to increase the carbon handprint of its actions, which refers to its positive climate impact, and simultaneously to reduce its carbon footprint. As a service company, L&T is a significant employer. The Group bears social responsibility by looking after the occupational well-being and work ability of its employees, as well as promoting diversity. L&T believes that a good employee experience goes hand in hand with a good customer experience. Furthermore, L&T wants to promote fair treatment in society, together with its customers, through employment. This is achieved, for example, by offering work to people for whom it is difficult to find employment.

The Group 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. The Group requires that its suppliers operate in accordance with laws, regulations and its sustainability principles.

Sustainability reporting

L&T reports on its sustainability efforts and related progress quarterly in its interim reports and annually in its sustainability

report, which is published as part of the Annual Review. The sustainability report for 2021 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. As part of its sustainability report, the Group also reports the climate impacts of its operations according to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. L&T's sustainability report is available at www.vuosikertomus.lt.fi/en/.

L&T's sustainability efforts are guided by its sustainability programme

L&T's sustainability efforts are managed and developed under the framework of 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 where applicable. The focus areas of the programme are 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 business environment of a service company in the environmental sector, as well as the UN Sustainable Development Goals and the objectives of the Global Compact initiative.

The key sustainability targets laid out in the sustainability programme, meaning L&T's climate impacts, customer satisfaction and employee recommendation rate, have been incorporated into L&T's long-term strategic goals. In October 2021, the Board of Directors updated the sustainability targets for the 2022–2026 strategy period. The employee

recommendation rate indicator was replaced by eNPS, and TRIF (total recordable incident frequency) was adopted as the indicator for occupational safety. Unlike the previously used LTA (lost time accidents) indicator, TRIF also takes into account accidents that require a visit to first aid, for example, but do not lead to absence.

Managing sustainability at L&T

At L&T, sustainability is integrated into the Group's strategy. The Board of Directors monitors the progress of the sustainability programme 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 2021.

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 Senior Vice President of Public Affairs and Sustainability and the communications and sustainability organisation operating under his supervision are in charge of the practical coordination and reporting of sustainability efforts. The businesses and other functions are in charge of the sustainability 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.

Sustainability principles and risk management

In its decision-making and administration, Lassila & Tikanoja complies with the Finnish Companies Act, other regulations governing listed companies, Articles of Association of Lassila

L&T corporate responsibility - key elements



Circular economy and climate change mitigation

STRATEGIC GOALS:

- We increase the carbon handprint of our operations faster than net sales.**
- We will reduce our own carbon footprint by 50% per kilometre driven from the 2018 level by 2030.**

We promote the sustainable use of materials and energy and reduce the amount of waste generated by our customers.

A healthy, diverse and productive workplace community

STRATEGIC GOAL:

- Increasing the employee net promoter score (eNPS) to 50.**

We look after the well-being, work ability and occupational safety of our personnel.

We provide employment to special groups and persons with disabilities.

We create economic growth and well-being.

Sustainable industry and cities

We promote the development of industrial infrastructure in line with the principles of sustainable development, the recovery of industrial side streams and closed cycles.

We find innovative solutions to build sustainable cities and create healthy and safe environments.

Legal and regulatory compliance

We ensure that everything we do complies with our legal and ethical responsibilities.
We ensure that all our goods and services are responsibly sourced.

& Tikanoja plc, charter of L&T's Board of Directors and its committees, and 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.

The guidelines on authorisation on the basis of position specify the decision-making rules and authorities applied at L&T. To ensure the regulatory compliance of 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 reporting 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.

Among new employees that joined L&T in Finland in 2021, 63% of blue collar employees and 71% of staff completed Code of Conduct training in 2021. The online training is part of the induction training programme for new L&T employees, and its implementation is promoted in all personnel groups.

Managing sustainability-related risks is part of the Group'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".

EU taxonomy

The European Union's Sustainable Finance Classification System (EU Taxonomy) was published in 2020. L&T has conducted an EU taxonomy assessment of net sales, capital expenditure

and operating expenditure related to climate change mitigation or adaptation. The assessment included all of the Group's divisions.

In the assessment, L&T identified businesses and services that are low-carbon in the taxonomic classification or contribute to the transition to a carbon-neutral economy by 2050 or both. The assessment was carried out by evaluating L&T's operations relative to the descriptions of taxonomy-eligible activities and NACE classifications in cooperation with the divisions' environmental specialists. The proportion of net sales attributable to taxonomy-eligible activities and services was obtained from financial management systems and ERP systems. For capital expenditure and operating expenditure, data from 2021 was analysed to conclude that the percentage share of taxonomy-eligible net sales also applies to capital expenditure and operating expenditure.

The business operations of the Environmental Services division include, for example, collection and transport of non-hazardous waste insource segregated fractions, and material recovery from non-hazardous waste, as well as afforestation and reforestation. The business operations of the Industrial Services division include, for example, the renewal of wastewater collection and treatment, as well as the anaerobic digestion of sewage sludge. 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. A more comprehensive division-specific list of activities is available on [L&T's website](#).

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 oppor-

tunities 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 the circular economy are closely linked to L&T's business.

%	Proportion of net sales	Proportion of capital expenditure	Proportion of operating expenditure
EU taxonomy eligibility	56	57	54

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's environmental policy specifies the environmental aspects and principles that the Group observes in both its own operations and in the services it produces for customers. The Group's operations are founded on an uncompromising compliance with environmental legislation and standards, as well as on the principle of continuous improvement, in accordance with the ISO 14001 certified environmental management system.

L&T requires the sustainable management of environmental issues of its partners and suppliers. This requirement is factored into the procurement process, for example in the form of self-assessments. Waste is only handed over to operators that are authorised to receive or process it. Acqui-

sitions are subject to detailed due diligence processes.

The Group's strategic goal is to improve its customers' energy and material efficiency and increase the carbon handprint of its operations. This is achieved when customers replace primary raw materials with secondary raw materials, and fossil fuels with bio and solid recovered fuels (SRF).

As the carbon handprint of L&T's operations increases, the carbon footprint of its customers decreases. The Group thereby supports its customers in reaching their environmental goals. L&T's carbon handprint, or the emission reductions created by its operations, totalled about 1.1 million (1.2) CO₂ equivalent tonnes in 2021. Carbon handprint intensity decreased by 17 per cent from the previous year.

L&T also aims to reduce the environmental impacts of its own operations. The most significant direct environmental impacts of L&T's operations are the emissions generated by collection and transport services. The Group works actively to reduce these by means of, for instance, developing an economic driving style, updating the fleet and improving the efficiency of routes. In 2021, the absolute emissions generated by L&T's own operations totalled 37.8 thousand CO₂ equivalent tonnes (36.7). The Group has set Science Based Targets and committed to halving the carbon footprint of its operations per kilometre driven by 2030, compared to 2018, and by reducing the emissions generated by its supply chain. In 2021, the emissions intensity of the Group's own operations amounted to 771 gCO₂e/kilometre driven. The emission intensity decreased by 19 per cent compared to the reference year (2018). The Group will continue to engage its supply chain in the achievement of the Science Based Target for emission reductions in 2022, with the aim of having 70 per cent of its largest suppliers and subcontractors (based on spending) set targets for reducing their emissions by 2025.

Professional waste treatment operations are subject to environmental permits and regulatory compliance. In 2021,

L&T had 65 (68) environmental permits that determined how the Group managed and monitored environmental matters. 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 objective was achieved in 2021.

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. In 2021, the reuse and recycling rate of waste collected from the company's customers was 58.4 per cent (58.6). Reporting covers municipal waste collected from corporate customers, hazardous waste, industrial waste and construction waste in Finland.

The most significant environmental risks involved in L&T's operations are related to the fleet, waste storage and processing, as well as chemical safety. These risks and their management are described in more detail under "Risks and risk management".

Social responsibility: employees and human rights

In 2021, L&T had 8,389 employees in Finland and Sweden. 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 work actively to promote the employment of special groups, such as people with

reduced work ability.

The Group 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. L&T is committed to supporting the UN Global Compact initiative and its principles pertaining to human rights and labour.

National legislation, agreements and other obligations are applied in employment relationships. L&T respects the employees' freedom to unionise. L&T monitors its personnel's compliance with collective agreements, environmental legislation, labour law, occupational safety legislation and regulations pertaining to financial management. The Group 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 target in 2021 was to have an employee recommendation rate of at least 80 per cent. Employee satisfaction is measured by means of a satisfaction survey, which goes by the name Fiilinki in Finland and Pulsen in Sweden. In 2021, the Group's employee recommendation rate was 82 per cent and eNPS was 28 (28).

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. In 2021, the sickness-related absence rate was 5.0 (4.7) in Finland and 5.5 (6.0) in Sweden. In order to turn the trend of sickness-related absences to a decrease, the purposeful implementation of the

action plan for promoting health will continue. The employee health rate was 45 per cent in Finland. The average retirement age (including retirement on old-age pension and disability pension) was 63.7 years (63.5) in Finland, 65 years in Sweden and 63.9 years (63.7) in the Group.

In occupational safety, L&T pursues continuous improvement with an ultimate goal of zero accidents. In 2021, the overall accident frequency (TRIF) was in line with the target and stood at 24 (target: 24). The LTA indicator, which measures accidents leading to absences, fell short of our ambitious target and stood at 15 (target: 10). The Group will continue its purposeful development efforts to engage employees in the promotion of safety.

There were no fatal accidents at L&T in 2021. There were no cases of diagnosed occupational diseases at L&T in 2021. There have been no confirmed grievances related to human rights or incidents of discrimination at L&T.

The most significant personnel risks in L&T's operations are related to the availability of competent and motivated employees, the potential weakening of job satisfaction, and the potential increase of costs related to disabilities and accidents.

Risks related to human rights are assessed as part of the risk management process. L&T mainly operates in Finland and Sweden with local partners, and the risk of human rights violations is low in these countries. L&T complies with laws and collective labour agreements in its operations. The company exercises particular care with regard to employment relationships with employees who are in a vulnerable position. Risks and their management are described in more detail under "Risks and risk management".

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 the company'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. The company 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. The Group's purchases in 2021 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 98 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 responsibility of our suppliers' operating methods through self-assessment surveys, supplier audits, analyses of suppliers' financial circumstances or 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 2021.

Research and development

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

Development expenditure of EUR 1.7 million (2.5) on product development projects was capitalised in 2021. For the most part, the goal of product development recognised as an expense in the income statement is to give L&T's service offering a competitive edge and thereby to help the company achieve its growth targets. A total of EUR 1.7 million (1.1) in research and development expenses was recognised in the income statement during the financial year.

Risk management

L&T has a defined risk management process that includes a review of financial, strategic, operational and damage-related risks.

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 company'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 division and company level and in group 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 the consolidated financial statements in [Note 4.1 Financial risk management](#).

Strategic and operative risks

The COVID-19 pandemic

The measures and recommendations issued by the authorities to restrict the COVID-19 pandemic, and the resulting customer-specific production restrictions and adjustment measures, are expected to continue to cause disruptions in service production in 2022. The ramifications of the pandemic in the shape of the global shortage of components and raw materials and logistics challenges are also reflected on L&T through customers. More contagious variants of COVID-19 may increase the number of sickness-related absences, which can cause disruptions in L&T's service production.

Sustainability

As an environmental services company and a major employer, operating sustainably is essential for the company's reputation and stakeholder trust. The Group continuously monitors changes and trends affecting its business environment in relation to, for example, climate targets, human rights and supply chain sustainability, with the aim of identifying the related risks and opportunities.

To manage climate risks, the Group has set Science Based Targets that have subsequently been validated as science based emission reduction targets by the Science Based Targets initiative (SBTi). The Group also takes active practical measures to directly reduce its environmental impacts. This includes fleet replacements and monitoring the driving style index. Risks related to personnel and responsibility for personnel are described in more detail in the Personnel section.

ICT systems

If realised, risks associated with information and communications systems and their implementation can affect L&T's operations and customer service. The risks are minimised by engaging in systematic efforts to develop the systems

environment and ensure the reliability of the ICT environment. These efforts include identifying which systems are critical to operations and defining the allocation of responsibilities between the system vendors and L&T. The introduction of new systems and operating models related to them is planned carefully, learning from previous experience, so that the implementation does not disturb L&T's operations. The risks related to ICT systems are also managed by developing the system architecture and making long-term investments aimed at eliminating the repair backlog and increasing competitiveness.

Markets and renewal

Changes in markets and the market environment, such as municipalisation and market changes pertaining to recycled raw materials, as well as the market price development of emission rights, secondary raw materials, electricity and oil products, may have an unfavourable effect on the Group's business operations and business growth and lead to lower profitability.

L&T is not dependent on single large customers, which, together with L&T's extensive service offering, helps reduce market-related risks. As a means of standing out from its competitors and creating value-adding elements other than price, L&T is continuously developing and launching new service products. L&T's strategies are systematically implemented with a long-term perspective. They take into account potential changes in the industry, as well as the need for renewal and the necessary related measures to ensure profitability. At the same time, L&T actively monitors the market situation and legislative developments and strives to proactively influence them.

Acquisitions

L&T seeks growth both organically and through acquisitions. The success of acquisitions affects the achievement of the

company's growth and profitability targets. Failures in acquisitions may impact the company's competitiveness and profitability and may change the company's risk profile.

Risk related to acquisitions is managed through contracts of sale, strategic and financial analysis of acquisition targets, comprehensive audits of due diligence and particularly by carrying out an efficient integration programme after the realisation of a deal.

Personnel

Challenges related to the availability of workforce are a significant risk related to employees. Any reduction in personnel satisfaction may also become a strategic risk for the company because L&T's competitive advantage is largely based on the work of skilled and motivated personnel. These risks are managed by investing in diversity, the employee experience, recruitment and L&T's employer image.

Improving the employee experience is a strategic goal for the entire company. It is influenced by developing job orientation and supervisor work and by promoting job rotation and promotion opportunities. The company actively works with various schools to ensure the availability of workforce. It also strives to promote work-based immigration and the employment of special groups.

An increase in sickness rates and the personnel's disability and accident pension costs may materially affect L&T's competitiveness and profitability. The company invests actively in occupational safety and the maintenance of the ability work of its employees. It aims to minimise sickness-related absences and disability pensions, and to minimise their related costs. L&T regularly conducts job-specific and site-specific risk assessments and workplace surveys, and supports the work ability and well-being of employees through activities that promote work ability. L&T has its own sickness fund that supports L&T's work ability management and complements

occupational health care. The company also uses the Suitable Work model, which supports the rehabilitation and employment of people at risk of disability pension.

Damage-related risks

To cover for unexpected damage risks, L&T has continuous insurance coverage that covers all of the Group's operating countries and subsidiaries. This includes policies for injuries, property damage, business interruption, third-party liability, environmental damage and transport damage. A fire at a recycling plant may result in a momentary or extended interruption of the plant's operations. However, the significance of the risk is reduced by the fact that individual plants or production lines have no substantial impact on L&T's overall profitability. In addition to taking out insurance, L&T strives to minimise the risks of fire damage by using contingency planning, developing first-hand fire extinguishing preparedness and training personnel to prepare for emergencies.

Risk of environmental damage

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

Corporate governance

The Corporate Governance Statement for the financial year 2021 is provided as a separate report.

Shares and shareholders

Share capital and number of shares

There were no changes in Lassila & Tikanoja's share capital and number of shares in 2021.

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 38,111,312. 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 period, the company had 23,087 (20,731) shareholders. Nominee-registered holdings accounted for 9.6% (10.1%) of the total number of shares.

Holdings of the Board of Directors and President and CEO

The members of the Board, the President and CEO, and organisations under their control held a total of 917,013 shares in the company on 31 December 2021. These represented 2.4 per cent of the total number of shares and votes.

Trading in shares in 2021

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 2021 was 9.6 million shares, which is 25.2% (32.2%) of the average number of outstanding shares. The value of trading was EUR 137.3 million (166.1). The highest share price was EUR 16.10 and the

lowest EUR 12.82. The closing price was EUR 13.44. At the end of the review period, the market capitalisation, excluding the shares held by the company, was EUR 512.2 million (573.9).

Own shares

At the end of the financial year, the company held 686,396 of its own shares, representing 1.8% of all shares and votes.

Authorisations for the Board of Directors

The Annual General Meeting held on 18 March 2021 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.

Breakdown of shareholding by sector on 31 December 2021

	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
Non-financial corporations and housing corporations	933	4.04%	3 544,561	9.14%
Financial and insurance corporations	46	0.20%	6,173,613	15.91%
General Government	19	0.08%	3,959,532	10.20%
Households	21,741	94.17%	15,279,239	39.38%
Non-profit institutions serving households	272	1.17%	5,921,599	15.26%
Foreign shareholders	77	0.33%	156,622	0.40%
Of which nominee-registered	11		3,723,180	9.60%
Shares not transferred to the book-entry securities system			40,528	0.10%
Own shares	1		686,396	1.79%
Total	20,732		38,798,874	100.00 %

Breakdown of shareholding by size of holding on 31 December 2021

Number of shares	Number of shareholders	Percentage	Number of shares	Percentage of shares and votes
1-1,000	20,805	90.12%	4,531,144	11.68%
1,001-5,000	1,838	7.96%	3,941,660	10.16%
5,001-10,000	218	0.94%	1,566,231	4.04%
10,001-100,000	192	0.83%	5,199,514	13.40%
100,001-500,000	20	0.09%	4,300,177	11.08%
over 500,000	14	0.06%	18,533,224	47.77%
Shares registered in a nominee's name	11		3,723,180	9.6%
Shares not transferred to the book-entry securities system			40,528	0.10%
Own shares	1		686,396	1.77%
Total	23,088	100.0%	38,798,874	100.0%

Major shareholders on 31 December 2021, excluding nominee-registered shares

Shareholder	Number of shares	Percentage of shares and votes
1 Mandatum Life Insurance Company Limited	3,023,997	7.79
2 Evald and Hilda Nissi Foundation	2,613,133	6.74
3 Nordea investment funds	1,668,735	4.30
4 Maijala Juhani	1,529,994	3.94
5 Åbo Akademi University Foundation	1,066,282	2.75
6 Elo Mutual Pension Insurance Company	1,052,133	2.71
7 Ilmarinen Mutual Pension Insurance Company	1,024,836	2.64
8 Bergholm Heikki	835,178	2.15
9 Varma Mutual Pension Insurance Company	729,791	1.88
10 Maijala Mikko	720,000	1.86
11 Lassila & Tikanoja plc	686,396	1.77
12 Kristiina Turjanmaa	529,200	1.36
13 The State Pension Fund	512,000	1.32
14 Veritas Pension Insurance	422,915	1.09
15 Kaleva Mutual Insurance Company	400,000	0.03
16 Oy Chemec Ab	356,320	0.92
17 Maijala Eeva	351,000	0.91
18 Samfundet folkhälsan i Svenska Finland rf	336,800	0.87
19 Seligson & Co. investment funds	328,277	0.85
20 OP-Pohjola Group	238,220	0.61
Total	18,425,207	47.49

Profit distribution

Dividend policy

The amount of the 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 the distribution of assets

In 2021, the Group's earnings per share were EUR 0.90 (0.50), and cash flow from operating activities per share amounted to EUR 1.72 (2.18). The Board of Directors will propose a dividend of EUR 0.46 per share to the Annual General Meeting to be held on 17 March 2022. A dividend of EUR 0.40 per share was paid for the financial year 2020.

Near-term uncertainties

The measures and recommendations issued by the authorities to restrict the COVID-19 pandemic, and the resulting customer-specific production restrictions and adjustment measures, are still expected to cause disruptions in service production during 2022. More contagious variants of COVID-19 may increase the number of sickness-related absences, which can cause disruptions in L&T's service production.

Fluctuations in the price of oil influence both fuel costs and the prices of oil-based secondary raw materials, such as recycled plastic and regenerated lubricants.

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.

Challenges related to the availability of labour may increase production costs.

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

Outlook for the year 2022

L&T estimates that the impact of the Omicron variant of COVID-19 will have a negative effect on the Group's result in the first quarter, as customer sites reduce their operations due to the government restrictions and increased sickness-related absence of personnel. Net sales and adjusted operating profit in 2022 are estimated to be at the same level as in the previous year.

Events after the balance sheet date

On 12 January 2022, the company announced that Lassila & Tikanoja's Shareholders' Nomination Board, established by the Annual General Meeting on 12 March 2020, proposes to the Annual General Meeting to be held on 17 March 2022 that the Board of Directors have six (6) members. The Nomination Board proposes that Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Jukka Leinonen, Laura Tarkka, and Pasi Tolppanen are elected to the Board of Directors from among the current members.

The Chairman of the Board of Directors, Heikki Bergholm, has announced that he is no longer available for the election of the members of the Board of Directors. The candidates have informed the company that if they are elected, they will elect Jukka Leinonen as Chairman of the Board of Directors and Sakari Lassila as Vice Chairman.

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Key figures

Key figures on shares

	2021	2020	2019	2018	2017
1 Earnings per share (EPS), EUR	0.90	0.50	0.90	0.89	0.87
2 Earnings per share (EPS), diluted, EUR	0.90	0.50	0.90	0.89	0.87
3 Equity per share, EUR	5.52	5.05	5.33	5.44	5.66
4 Dividend per share, EUR *	0.46	0.40	0.92	0.92	0.92
5 Payout ratio, %	51.0	79.7	101.7	103.7	105.4
6 Effective dividend yield, %	3.4	2.7	5.8	6.1	5.1
7 P/E ratio, %	14.9	30.0	17.4	16.9	20.7
8 Net cash flow from operating activities after investments per share, EUR	0.05	1.15	1.81	1.70	-0.79
Share price adjusted for issues:					
9 lowest, EUR	12.82	10.06	12.92	14.34	17.22
10 highest, EUR	16.10	16.76	16.40	20.00	20.89
11 average, EUR	14.31	13.55	14.41	16.78	18.52
12 closing, EUR	13.44	15.06	15.74	14.96	18.06
13 Market capitalisation 31 December, MEUR	512.2	573.9	610.7	580.4	700.7
Number of shares adjusted for issue, 1,000 pcs					
14 average during the year	38,111	38,103	38,354	38,405	38,395
15 at year end	38,112	38,105	38,094	38,406	38,398
16 average during the year, diluted	38,127	38,118	38,368	38,419	38,410
17 Adjusted number of shares traded during the year, 1,000 pcs	9,615	12,266	8,172	4,995	5,480
18 As a percentage of the average	25.2	32.2	21.3	13.0	14.3
19 Volume of shares traded, MEUR	137.6	166.1	122.3	83.8	101.6

* 2021 proposal by the Board of Directors

Key figures on financial performance

	2021	2020	2019	2018	2017
20 Net sales, MEUR	812.5	751.9	784.3	802.2	709.5
21 Operating profit, MEUR	42.2	28.2	45.0	47.6	44.0
22 % of net sales	5.2	3.8	5.7	5.9	6.2
23 Adjusted operating profit, MEUR	42.4	39.7	40.5	-	-
24 % of net sales	5.2	5.3	5.2	-	-
25 EBITDA, MEUR	95.1	85.2	99.4	90.1	-
26 % of net sales	11.7	11.3	12.7	11.2	-
27 Result before taxes, MEUR	39.0	23.3	42.0	42.7	42.5
28 % of net sales	4.8	3.1	5.4	5.3	6.0
29 Result for the period, MEUR	34.4	19.0	34.7	34.1	33.5
30 % of net sales	4.2	2.5	4.4	4.2	4.7
31 Result for the period attributable to the equity holders of the parent company, MEUR	34.4	19.1	34.7	34.1	33.5
32 % of net sales	4.2	2.5	4.4	4.2	4.7
33 EVA, MEUR	15.9	3.7	19.8	24.2	21.1
34 Cash flow from operating activities, MEUR	65.6	83.0	94.5	90.1	61.8
35 Balance sheet total, MEUR	635.3	596.6	583.6	561.3	577.3
36 Return on equity, % (ROE)	17.1	9.6	16.8	16.1	15.2
37 Invested capital, MEUR	406.0	379.2	380.5	361.1	-
38 Return on invested capital, % (ROI)	10.8	7.5	12.4	12.8	13.3
39 Equity ratio, %	33.7	33.0	35.6	38.1	38.6
40 Gearing, %	79.4	70.9	66.8	46.8	54.2
41 Net interest-bearing liabilities, MEUR	167.1	136.5	135.6	97.8	117.9
42 Gross capital expenditure, MEUR	72.3	48.2	46.1	37.8	113.2
43 % of net sales	8.9	6.4	5.9	4.7	16.0
44 Average number of employees in full-time equivalents	7,319	7,197	7,308	7,566	7,875
45 Total number of full-time and part-time employees at year end	8,171	8,139	8,207	8,600	8,663

Reconciliation of alternative performance measures

Reconciliation of the EVA result to the operating profit

1 January - 31 December MEUR	2021	2020
Operating profit	42.2	28.2
Invested capital (rolling 12-month quarterly average)	391.4	369.7
Cost calculated on invested capital	-26.3	-24.5
EVA	15.9	3.7

Reconciliation of the adjusted operating profit to the operating profit

1 January - 31 December MEUR	2021	2020
Operating profit	42.2	28.2
Items affecting comparability:		
• costs arising from the discontinuation of business	-2.1	9.0
• costs arising from business restructurings	0.6	1.7
• gains or losses arising from divestments	-	0.0
• costs arising from acquisitions*	1.7	0.7
Adjusted operating profit	42.4	39.7

* The management has specified the calculation of the adjusted operating profit and the costs arising from acquisitions have been added to items affecting comparability during the second quarter of 2021. The comparative figures have been adjusted accordingly.

Calculation of the key figures

Key figures on shares

1	Earnings per share (EPS)	=	$\frac{\text{Result attributable to equity holders of the parent company}}{\text{Adjusted average basic number of shares}}$
2	Earnings per share (EPS), diluted	=	$\frac{\text{Result attributable to equity holders of the parent company}}{\text{Adjusted average diluted number of shares}}$
3	Equity per share	=	$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Adjusted basic number of shares at the balance sheet date}}$
4	Dividend per share*	=	$\frac{\text{Dividend for the financial period}}{\text{Adjusted basic number of shares at the balance sheet date}}$
5	Payout ratio, % *	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
6	Effective dividend yield, % *	=	$\frac{\text{Dividend per share}}{\text{Closing price of the financial period}} \times 100$
7	P/E ratio, %	=	$\frac{\text{Closing price of the financial period}}{\text{Earnings per share}}$
8	Cash flow from operating activities after investments per share	=	$\frac{\text{Cash flows from operating activities after investments as in the cash flow statement}}{\text{Adjusted average basic number of shares}}$
13	Market capitalization, MEUR	=	Basic number of shares at the balance sheet date x closing price of the financial period

* The calculations are also applied with capital repayment.

Key figures on financial performance

23	Adjusted operating profit, MEUR	=	Operating profit +/- items affecting comparability
25	EBITDA, MEUR	=	Operating profit + depreciation + impairment
33	EVA, MEUR	=	Operating profit - cost calculated on invested capital (average of four quarters) before taxes

The cost of capital invested is calculated using the Group's weighted average cost of capital (WACC).

WACC 2021: 6.72 %
WACC 2020: 6.64 %
WACC 2019: 6.55 %
WACC 2018: 6.60 %
WACC 2017: 6.69 %

36	Return on equity, % (ROE)	=	$\frac{\text{Result for the period}}{\text{Equity (average)}} \times 100$
37	Invested capital, MEUR	=	Equity + Interest-bearing financial liabilities
38	Return on invested capital, % (ROI)	=	$\frac{\text{Result before taxes + financial expenses}}{\text{Equity + Interest-bearing financial liabilities (average)}} \times 100$
39	Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$
40	Gearing, %	=	$\frac{\text{Net interest-bearing liabilities}}{\text{Equity}} \times 100$
41	Net interest-bearing liabilities, MEUR	=	Interest-bearing liabilities - cash and cash equivalents
42	Gross capital expenditure, MEUR	=	Investments in intangible and tangible assets excluding right-of-use assets including leased heavy vehicles and assets acquired through acquisitions.

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Notes to the consolidated financial statements form an essential part of the financial statements.



Consolidated income statement

1 January - 31 December MEUR	2021	2020	Note
Net sales	812.5	751.9	1.1, 1.2
Other operating income	3.8	9.3	1.4
Change in inventories	-0.9	8.7	
Materials and services	-281.7	-263.9	
Employee benefit expenses	-342.6	-315.1	1.3
Other operating expenses	-95.9	-105.6	1.4
Depreciation, amortisation and impairment	-52.9	-57.0	
Operating profit	42.2	28.2	
Financial income and expenses	-3.3	-4.9	1.8
Share of the result of associated companies	0.0	0.0	
Result before taxes	39.0	23.3	
Income taxes	-4.6	-4.3	1.9
Result for the period	34.4	19.0	
Attributable to:			
Equity holders of the company	34.4	19.1	
Non-controlling interest	-	-0.1	
Earnings per share attributable to the equity holders of the parent company:			
Earnings per share, EUR	0.90	0.50	1.10
Diluted earnings per share, EUR	0.90	0.50	

Consolidated statement of comprehensive income

1 January - 31 December MEUR	2021	2020	Note
Result for the period	34.4	19.0	
Items not to be recognised through profit or loss			
Items arising from re-measurement of defined benefit plans	-0.0	-0.0	2.6
Items not to be recognised through profit or loss, total	-0.0	-0.0	
Items potentially to be recognised through profit or loss			
Hedging reserve, change in fair value	0.3	0.1	4.8
Currency translation differences	-1.6	2.9	
Currency translation differences recognised through profit or loss	-	2.6	
Currency translation differences, non-controlling interest	-	-0.1	
Items potentially to be recognised through profit or loss, total	-1.3	5.4	
Other comprehensive income, total	-1.4	5.4	
Total comprehensive income, after tax	33.0	24.4	
Attributable to:			
Equity holders of the company	33.0	24.6	
Non-controlling interest	-	-0.2	

More information on taxes in the consolidated statement of comprehensive income is presented in [Note 1.9 Income taxes](#).

Consolidated statement of financial position

31 December MEUR	2021	2020	Note	31 December MEUR	2021	2020	Note
ASSETS				EQUITY AND LIABILITIES			
Non-current assets				Equity			
Intangible assets			3.1	Equity attributable to equity holders of the parent company			4.4
Goodwill	172.1	154.0		Share capital	19.4	19.4	
Other intangible assets	32.5	28.9		Other reserves	-6.3	-5.0	
	204.6	182.9		Invested unrestricted equity reserve	0.6	0.6	
Tangible assets	153.0	139.8	3.3	Retained earnings	196.7	177.5	
Right-of-use assets	69.8	70.9	3.4	Total equity	210.4	192.6	
	222.8	210.7		Liabilities			
Other non-current assets				Non-current liabilities			
Deferred tax assets	5.6	4.5	1.9	Deferred tax liabilities	30.2	28.3	1.9
Other receivables	2.2	1.3	2.1	Retirement benefit obligations	1.4	1.4	2.6
	7.8	5.8		Provisions	8.1	7.1	2.5
Total non-current assets	435.2	399.4		Financial liabilities	175.8	155.4	4.2, 4.6
Current assets				Other liabilities	0.1	0.1	2.4
Inventories	5.9	30.7	2.2		215.5	192.3	
Trade receivables	86.8	82.9	2.1, 4.2	Current liabilities			
Contract assets	22.8	19.4	1.2, 2.1, 4.2	Financial liabilities	19.9	31.3	4.2, 4.6
Income tax receivables	7.3	3.1	2.1	Trade and other payables	172.3	177.7	2.3, 4.2, 4.8
Other receivables	10.4	10.9	2.1, 4.2, 4.8	Income tax liabilities	3.3	0.3	2.3
Cash and cash equivalents	28.6	50.2	4.2, 4.3	Provisions	2.7	2.4	2.5
	161.8	197.2			198.1	211.8	
Assets classified as held for sale	38.3	-	5.3	Liabilities classified as held for sale	11.2	-	5.3
Total current assets	200.0	197.2		Total liabilities	424.9	404.0	
Total assets	635.3	596.6		Total equity and liabilities	635.3	596.6	

Consolidated statement of cash flows

1 January - 31 December MEUR	2021	2020	Note
Cash flows from operating activities			
Result for the period	34.4	19.0	
Adjustments	56.5	70.0	1.11
Net cash generated from operating activities before change in working capital	90.9	89.0	
Change in working capital			
Change in trade and other receivables	-12.1	0.6	
Change in inventories	-1.9	-9.2	
Change in trade and other payables	-1.0	10.7	
Change in working capital	-15.1	2.1	
Interest paid	-3.7	-3.9	
Interest received	0.3	0.4	
Income taxes paid	-6.7	-4.5	
Net cash from operating activities	65.6	83.0	
Cash flows from investing activities			
Acquisitions of subsidiaries and businesses, net of cash acquired	-23.2	-1.6	5.4
Purchases of property, plant and equipment and intangible assets	-42.3	-45.0	
Proceeds from sale of property, plant and equipment and intangible assets	1.7	7.5	
Change in other non-current receivables	-0.1	0.1	
Net cash from investing activities	-63.9	-39.0	
Net cash from operating and investing activities	1.7	44.0	
Cash flows from financing activities			
Proceeds from short-term borrowings	40.0	35.0	
Repayments of short-term borrowings	-55.0	-20.0	
Proceeds from long-term borrowings	25.0	-	4.6
Repayments of long-term borrowings	-	0.1	
Repayments of lease liabilities	-18.1	-16.2	
Dividends paid	-15.2	-35.0	
Net cash from financing activities	-23.4	-36.2	
Net change in cash and cash equivalents	-21.7	7.8	
Cash and cash equivalents at the beginning of the period	50.2	41.8	
Effect of changes in foreign exchange rates	-0.0	0.6	
Cash and cash equivalents at the end of the period	28.6	50.2	4.3

Consolidated statement of changes in equity

MEUR	Share capital	Currency translation differences	Hedging reserve	Invested unrestricted equity reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interest	Total equity	Note
Equity on 1 January 2020	19.4	-9.7	-0.7	0.6	193.2	202.8	0.2	203.0	
Total comprehensive income									
Result for the period					19.1	19.1	-0.1	19.0	
Other comprehensive income items		5.4	0.1		-0.0	5.4	-0.1	5.4	
Total comprehensive income		5.4	0.1		19.1	24.6	-0.2	24.4	
Transactions with shareholders									
Share-based benefits				-	0.2	0.2		0.2	1.6
Dividends paid					-35.0	-35.0		-35.0	
Returned dividend					0.0	0.0		0.0	
Transactions with shareholders, total				-	-34.9	-34.9		-34.9	
Other changes					0.0	0.0		0.0	
Equity on 31 December 2020	19.4	-4.3	-0.7	0.6	177.5	192.6	-	192.6	
Total comprehensive income									
Result for the period					34.4	34.4	-	34.4	
Other comprehensive income items		-1.6	0.3		-0.0	-1.4	-	-1.4	
Total comprehensive income		-1.6	0.3	-	34.3	33.0	-	33.0	
Transactions with shareholders									
Share-based benefits					0.0	0.0		0.0	1.6
Dividends paid					-15.2	-15.2		-15.2	
Returned dividend					0.0	0.0		0.0	
Transactions with shareholders, total				-	-15.2	-15.2		-15.2	
Equity on 31 December 2021	19.4	-5.9	-0.4	0.6	196.7	210.4	-	210.4	

For more information on equity please refer to [Note 4.4 Equity](#), and on taxes recognised in equity to [Note 1.9 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 26 January 2022. Under the Finnish Limited Liability Companies Act, the shareholders may accept or reject the financial statements at the general meeting of shareholders held after their publication. The meeting also has the power to make a decision to amend the financial statements.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), with application of the IFRS and IAS standards as well as IFRIC and SIC interpretations in effect on 31 December 2021. In the Finnish Accounting Act and regulations enacted by virtue of it, International Financial Reporting Standards refer to standards and related interpretations approved for adoption within the EU according to the procedure described in regulation (EC) 1606/2002. The notes to the consolidated

financial statements also comply with the Finnish accounting and community legislation supplementing the IFRS regulations.

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

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

Application of new or amended IFRS standards

New and amended standards adopted in 2021

In March 2021, IFRS Interpretations Committee issued the agenda decision "Configuration or Customisation costs in a Cloud Computing Arrangement". This agenda decision deals with the question on how entities should account for the configuration and customisation costs relating to cloud services (Software as a Service -arrangements). The IFRIC agenda decisions do not change the requirements of the IFRSs, their aim is to clarify the application of the effective IFRSs.

Due to the agenda decision, the Group analysed the items capitalised as an intangible assets as well as the on-going implementation projects of cloud services. At first it was evaluated whether the solution is a SaaS -arrangement or an on-premise solution. In this evaluation, the Group also considered the instructions of the earlier agenda decision issued in 2019 by IFRS IC. For those projects, that were identified as SaaS -arrangements, it was analysed, whether the

configuration and customisation costs meet the definition of an intangible asset, which L&T controls and from which L&T has the right to obtain the future economic benefits. If the definition of an intangible asset was not met it was evaluated whether the configuration and customisation costs are distinct from the actual cloud service.

Based on the analysis, the Group clarified the accounting policies on how the implementation costs of Cloud Computing arrangements are accounted for. Such configuration and customisation costs, that are not distinct from the actual cloud service, are capitalised and expensed over the estimated SaaS term. Such configuration and customisation costs, that are distinct from the actual cloud service, are expensed when the configuration service is delivered.

According to the analysis, the clarification of the accounting policies would not have had a significant impact on the profits or the asset values in the previous years' financial statements. In 2021 financial statements the Group recognised a total of EUR 1.0 million from other intangible assets to other operating expenses in the consolidated income statement. A total of EUR 1.6 million was reclassified from other intangible assets to advance payments in the consolidated balance sheet. In the consolidated income statement, a total of EUR 0.5 million was reclassified from amortisations to other operating expenses. The analysis was prepared according to the management's best judgement based on the interpretation of IFRS IC. The Group may further clarify the accounting policies, if the market convention relating to the interpretation of the IFRIC agenda decision changes. This may lead to write-downs of already activated costs in the future reporting periods.

The impact from other new and amended standards and interpretations issued during financial year 2021 are not considered to be material to the Group's financial reporting.

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 in applying the Group's accounting policies

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, measurement or presentation. 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.

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 revenues 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.

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
- 1.9 Income taxes
- 2.1 Trade and other receivables
- 2.5 Provisions
- 3.1 Goodwill and other intangible assets
- 3.2 Goodwill impairment tests
- 3.3 Property, plant and equipment
- 3.4 Right-of-use assets
- 4.2 Financial assets and liabilities by category
- 5.3 Business acquisitions and assets and liabilities classified as held for sale.

The effects of the coronavirus pandemic on financial reporting

The company's management has closely monitored the effects of the coronavirus pandemic and evaluated its potential impacts on forecasts and the valuation of balance sheet items. The measures and recommendations issued by the authorities to restrict the COVID-19 pandemic, and the resulting customer-specific production restrictions and adjustment measures are still expected to cause disruptions in service production during 2022. The new coronavirus variants can spread more rapidly than the previous variants and increase the employee sickness rate. This can cause disturbances in

service production. However, based on the management's monitoring and evaluation activities, the impacts of the COVID-19 pandemic have been found to be moderate and short-term, affecting the current financial year. According to the current information, the impacts of the pandemic have not led to a need to adjust the company's long-term forecasts.

Based on the sensitivity analysis conducted as part of goodwill impairment testing in the final quarter of the financial year 2021, the value-in-use exceeded the carrying amount clearly for all cash-generating units. Based on the Company's assessment, provided that future cash flow forecasts remain unchanged, no change in the central assumptions that would be considered as somewhat likely could result in the accounting value of a cash-generating unit exceeding the value-in-use. The analysis of the current financial impacts of the COVID-19 pandemic suggests that they do not affect the future cash flow forecasts used in testing calculations.

The monitoring of the lease portfolio has not indicated pandemic-related changes in the size or duration of the portfolio. Consequently, the remeasurement of the right-of-use asset item has not been considered necessary.

The Company has monitored customer receivables on a weekly basis during the COVID-19 pandemic. The pandemic has not resulted in an increase in overdue customer receivables and the analysis of the maturity distribution of receivables has not indicated a negative effect on receivables turnover. Consequently, the Company has not found it necessary to change the definition principles concerning provisions for expected credit losses.

The Company's financial position is good and, based on the current information, the coronavirus pandemic is not expected to have a negative impact on the financial position.

The impact of the discontinuation of Russian operations on the consolidated balance sheet

On 24 April 2020, Lassila & Tikanoja issued a stock exchange release to announce that its Russian operations will be discontinued within 2020. Due to waste management reforms introduced by the Russian state in 2019, the company's operating area in Russia was allocated to two operators. In April 2020, the company was informed that one of the two operators will start operating waste logistics in the area, which will reduce Lassila & Tikanoja's net sales in Russia by more than half by the beginning of September.

In connection with the decision to discontinue the Group's business in Russia, the management assessed that the value of the balance sheet items in Russia had materially reduced to the extent that the liquidation of the assets would only cover the liabilities of the Russian subsidiaries. Based on this assessment, the company recognised a write-down of EUR 8.0 million on the balance sheet items in question as at 30 June 2020. In addition, the cumulative exchange difference of EUR -2.6 million associated with the Russian operations was recognised through profit or loss in its entirety because, following the impairment of balance sheet items and the measures required to discontinue the business, the effect of the remaining operations has been judged to be immaterial for the Group. A further provision of EUR 0.3 million was recognised with regard to the costs of discontinuing the operations and presented in current provisions on the balance sheet.

During the final two quarters of the year 2020 the costs related to the discontinuation were revised by EUR +1.9 million. The costs of the discontinuation, totalling EUR 8.9 million, were recognised in other operating expenses in the income statement in year 2020.

In 2021, the costs related to the discontinuation were revised by EUR +2.1 million. In May 2021, Lassila & Tikanoja sold its shares in The Russian-Finnish Company Ecosystem LLC to

a local operator. In December 2021 Lassila & Tikanoja sold its share in L&T LLC to the management of the company.

Impact of the write-down on the result for the financial period

MEUR	2021	2020
Original write-down	-	-10.8
Change	2.1	1.9
Write-down total	2.1	-8.9
Write-down 6/2020		
Non-current assets		
Intangible assets		-0.1
Property, plant and equipment		-3.2
Other non-current assets		-0.3
Current assets		
Inventories		-0.2
Trade receivables		-3.3
Other receivables		-0.9
Total assets		-8.0
Equity		
Other reserves		2.6
Profit for the period		-10.8
Liabilities		
Non-current liabilities		
Deferred tax liabilities		0.0
Current liabilities		
Provisions		0.3
Total liabilities		0.3
Total equity and liabilities		-8.0

1 Financial result

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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. Transactions between segments are based on market prices.

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. Financial items 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 receptacles and their maintenance business and new circular economy solutions and the business of renewable energy sources (L&T Biowatti) is included in the division. Renewable energy sources provides its customers with wood-based fuels, recycled fuels and wood raw materials. It also provides forest services to forest owners.

On December 17, 2021, Lassila & Tikanoja Plc and Neova Oy signed an agreement to merge their fuel wood businesses. Neova's fuel wood business will be transferred to L&T Biowatti Oy, and with the merger the company will continue as an independent limited company, a joint venture owned by Lassila & Tikanoja Plc and Neova Oy. L&T has decided to classify L&T Biowatti Oy's assets and liabilities as held for sale. More information on the assets and liabilities held for sale is presented in [note 5.3](#).

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

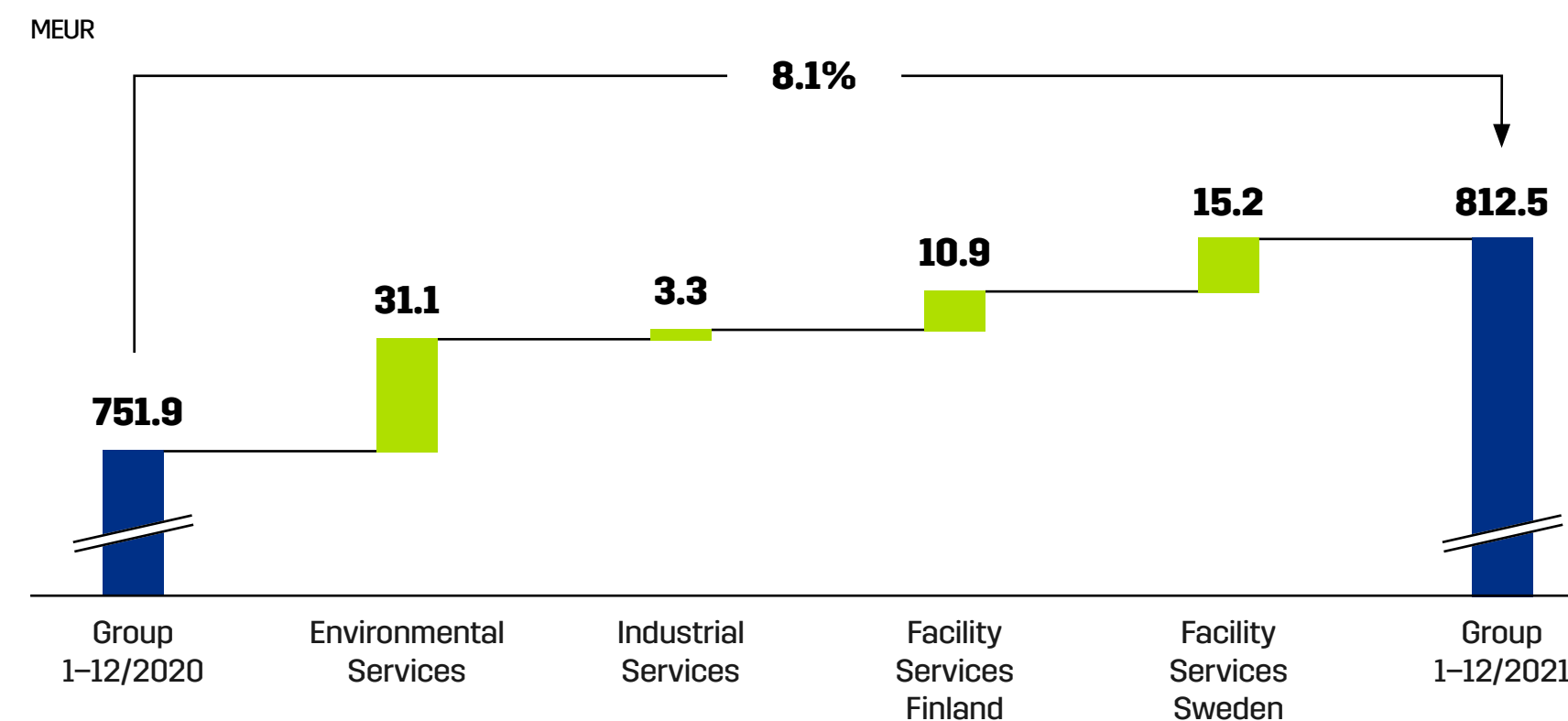
Facility Services Finland division provides support services and services for cleaning, property maintenance, real estate management as well as repair and renovation services and the division includes also the business of building automation, refrigeration technology and energy management.

Facility Services Sweden division provides support services and services for cleaning and technical services in Sweden.

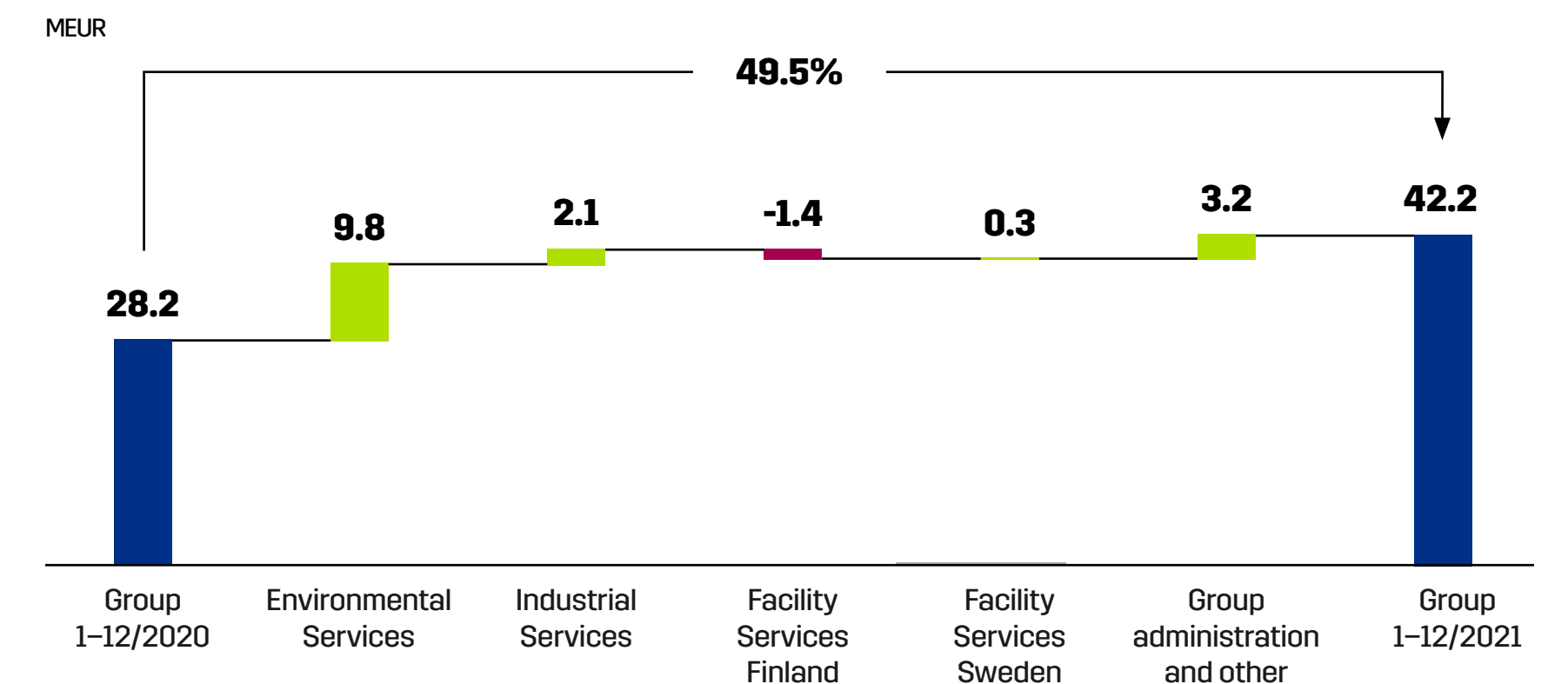
Net sales by division



Net sales



Operating profit



[1. Financial result](#)
[2. Operational assets and liabilities](#)
[3. Intangible and tangible assets](#)
[4. Financial risk and capital structure](#)
[5. Consolidation and other notes](#)

2021 MEUR	Environ- mental Services	Industrial Services	Facility Services, Finland	Facility Services, Sweden	Group administration and other	Group	2020 MEUR	Environ- mental Services	Industrial Services	Facility Services, Finland	Facility Services, Sweden	Group administration and other	Group
Net sales							Net sales						
External net sales	318.8	102.8	241.1	149.8	-	812.5	External net sales	287.9	99.9	229.6	134.5	-	751.9
Inter-division net sales	1.7	2.3	2.0	0.0	-6.1	-	Inter-division net sales	1.5	2.0	2.6	0.0	-6.1	-
Total net sales	320.5	105.1	243.1	149.8	-6.1	812.5	Total net sales	289.4	101.8	232.3	134.5	-6.1	751.9
Operating profit	29.8	9.2	1.8	3.9	-2.4	42.2	Operating profit	20.0	7.1	3.2	3.5	-5.6	28.2
Operating margin, %	9.3	8.7	0.7	2.6		5.2	Operating margin, %	6.9	7.0	1.4	2.6		3.8
Financial income and expenses						-3.3	Financial income and expenses						-4.9
Profit before tax						39.0	Profit before tax						23.3
Income taxes						-4.6	Income taxes						-4.3
Profit for the period						34.4	Profit for the period						19.0
Assets	314.5	110.5	83.9	94.5	32.0	635.3	Segment assets	263.8	103.5	86.0	86.4	56.8	596.6
Liabilities	89.1	42.3	55.4	27.4	210.7	424.9	Segment liabilities	83.5	40.2	53.3	27.8	199.2	404.0
Capital expenditure	41.7	14.5	13.6	1.8	0.6	72.3	Capital expenditure	23.7	17.4	5.1	1.5	0.6	48.2
Depreciation, amortisation and impairments	26.7	9.4	9.1	6.5	1.2	52.9	Depreciation, amortisation and impairments	25.6	10.2	10.3	4.9	6.1	57.0

Group administration and other includes a gain on sale of property totalling EUR 5.7 million as well as impairments totalling EUR 4.7 million recognised in the year 2020.

The management has specified the allocation of previously unallocated Group assets and liabilities to the segments. The specification has been made effective from the beginning of 2021 and the presentation of figures for the comparison year has been adjusted accordingly. The presentation of the segments assets has been further refined in the second quarter of the year. A bridge calculation of the specifications is presented below.

MEUR	Reported 2020	Deferred taxes	Specification of previously unallocated liabilities	Adjusted 12/2020
Assets				
Environmental Services	264.9	1.0	-2.1	263.8
Industrial Services	101.8	1.7	0.0	103.5
Facility Services Finland	79.8	0.0	6.2	86.0
Facility Services Sweden	91.4	0.7	-5.6	86.4
Group administration and other	58.7	1.1	-3.0	56.8
Total	596.6	4.5	-4.5	596.6
Liabilities				
Environmental Services	72.3	13.8	-2.6	83.5
Industrial Services	36.0	4.2	0.0	40.2
Facility Services Finland	50.3	3.1	-0.1	53.3
Facility Services Sweden	20.0	3.5	4.3	27.8
Group administration and other	225.3	3.8	-29.9	199.2
Total	404.0	28.3	-28.3	404.0

Geographical segments

Accounting policy

The Group operates in Finland and Sweden. The Group divested its Russian operations during the financial year 2020. Net sales of geographical areas are reported based on the geographical location of the customer, and assets are reported by geographical location.

MEUR	2021	2020
Net sales		
Finland	647.2	603.2
Sweden	154.3	139.0
Other countries	11.0	9.7
Total	812.5	751.9
Assets		
Finland	593.5	541.8
Sweden	41.7	54.8
Total	635.3	596.6
Capital expenditure		
Finland	70.5	46.5
Sweden	1.8	1.7
Total	72.3	48.2

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 expedient 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.

Critical judgements by Management

The amount and timing of revenue recognition involves significant 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.

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. In the beginning of the lease term an amount corresponding to the lease income and the residual value of the asset received from the financing company is presented as a liability. 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 the 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.

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

2020 MEUR	Long-term service agreements	Separately ordered services	Project business	Sales of equipment and materials	Lease income	Total net sales
Environmental Services	199.3			87.1	3.0	289.4
Industrial Services	44.6	47.0	7.5	2.7		101.8
Facility Services Finland	161.5	64.7	6.0			232.3
Facility Services Sweden	61.5	67.4	5.6			134.5
Total	467.0	179.1	19.1	89.8	3.0	758.0
Interdivision						-6.1
External net sales						751.9

Contract balances

MEUR	2021	2020
Trade receivables	86,8	82,9
Contract assets	22,8	19,4
Contract liabilities	9,9	10,1

As the contracts are generally short-term, contract liabilities are recognised as revenue entirely during the following period. Contract liabilities are included in the balance sheet item Trade and other payables.

1.3 Employee benefit expenses

Accounting policy

The Group 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 payment are presented in [Note 1.6](#) Share-based payment. 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	2021	2020
Wages and salaries	274.6	256.8
Pension costs		
Defined contribution plans	58.7	50.5
Defined benefit plans	0.0	0.1
Share-based payment	0.4	0.2
Other personnel expenses	8.9	7.6
Total	342.6	315.1

The negative impact of the COVID-19 pandemic was mitigated by the temporary reduction of pension insurance contributions by 2.6 percentage points from 1 May to 31 December 2020, which had a positive impact of approximately EUR 3.8 million to pension costs in 2020.

Average number of employees in full-time equivalents

	2021	2020
White collar	1,298	1,345
Blue collar	6,021	5,852
Total	7,319	7,197
Finland	5,953	5,853
Sweden	1,366	1,109
Russia	-	235
Total	7,319	7,197

1.4 Other operating income and expenses

Accounting policy

Other operating income include items that are not considered as being directly related to the Groups 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.

MEUR	2021	2020
Other operating income		
Gains on sales of property, plant and equipment	2.0	7.7
Annual discounts	0.2	0.2
Reimbursements and government grants	0.8	0.6
Other	1.0	0.8
Total	3.8	9.3
Other operating expenses		
ICT costs	16.3	16.2
Travel costs	8.6	9.5
Change in allowances for credit losses	-0.1	-0.3
Vehicles and machinery	46.0	40.5
Rents and real estate costs	3.6	4.9
Expert fees	6.1	7.4
Voluntary social security costs	5.3	5.7
Discontinuation of Russian operations	-2.1	9.0
Other	12.2	12.7
Total	95.9	105.6

1.5 Research and development expenses

Accounting policy

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

In 2021, a total of EUR 1.7 million (2.5) from the development expenditure from product development projects was capitalised in the statement of financial position. For the most part, the goal for product development recognised as an expense in the income statement is to give L&T's service offering a competitive edge and thereby to help the Group achieve its targets. During the financial period, research and development expenses totalling EUR 1.7 million (1.1) were recognised in the income statement.

1.6 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 granting date and recognised as expense evenly over the vesting period. The effect of the arrangement on profit and loss is recognised under employee benefit expenses.

Expenses arising from share-based incentive programme, MEUR

	2021	2020
Share component	0.1	0.2
Cash component	0.3	-
Total	0.4	0.2

Share-based incentive programme 2018

Lassila & Tikanoja plc's Board of Directors decided at a meeting held on 13 December 2017 on a new share-based incentive programme. Potential rewards was based on the EVA result of Lassila & Tikanoja group.

Based on the programme a maximum of 28,600 shares of the company could be granted.

Under the programme, a total of 11,233 Lassila & Tikanoja Plc's shares were granted in 2019. The shares paid out as rewards were transferred from the shares held by the company. The programme covered 8 persons.

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 was 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 will be based on the EVA result of Lassila & Tikanoja group.

Based on the programme a maximum of 40,050 shares

of the company can 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 will be 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.

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

Share-based incentive programmes 2021, 2020, 2019 and 2018

Share-based incentive programme	2021	2020	2019	2018
Grant date	27 Jan 2021	28 Jan 2020	12 Dec 2018	13 Dec 2017
Start of earnings period	1 Jan 2021	1 Jan 2020	1 Jan 2019	1 Jan 2018
End of earnings period	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Average share price at grant date	15.40	15.18	16.16	17.72
Realisation on closing date, shares	24,522	-	1,092	11,233
Obligation to hold shares, years	2	2	2	2
Release date of shares	31 Mar 2024	31 Mar 2023	31 Mar 2022	31 Mar 2021
Number of persons included	9	9	8	8

1.7 Lease expenses

Accounting policy

The Group leases production and office premises including related land areas, vehicles, ICT equipment and cleaning machinery. 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, extension or termination option. The interest expense on the lease liability is included in the financial income and expenses in the income statement.

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 and cleaning machinery. 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	2021	2020
Depreciation expense of right-of-use assets	-19.1	-17.3
Interest expense of lease liabilities	-1.4	-1.5
Expenses related to short term leases	-	-0.0
Expenses related to leases of low-value assets	-6.0	-5.7
Total	-26.4	-24.5

1.8 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 shall be included in the acquisition cost of that asset.

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

MEUR	2021	2020
Financial income		
Interest income on loans and other receivables	0.3	0.4
Foreign exchange gains	0.3	-
Total financial income	0.6	0.4
Financial expenses		
Interest expenses on borrowings measured at amortised cost	3.5	3.4
Other financial expenses	0.3	0.6
Losses on foreign exchange	-	1.4
Total financial expenses	3.8	5.3
Financial income and expenses	-3.3	-4.9

1.9 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 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 tax rates for previous periods, if any.

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

Temporary differences arise e.g. from goodwill amortisation performed under FAS and depreciation on property, plant and equipment.

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.

Income tax in the income statement

MEUR	2021	2020
Income tax for the period	-5.6	-5.9
Income tax for previous periods	0.2	0.4
Change in deferred tax	0.8	1.2
Total	-4.6	-4.3

The differences between income tax expense recognised in the income statement and income tax calculated at the statutory tax rate in Finland

MEUR	2021	2020
Profit before tax	39.0	23.3
Income tax at Finnish tax rate 20%	-7.8	-4.7
Difference between tax rate in Finland and in other countries	-0.0	-0.1
Expenses not deductible for tax purposes	-0.2	-0.5
Tax exempt income	0.6	0.7
Income tax for previous periods	0.5	0.4
Deferred taxes on tax losses generated in previous periods	1.8	-
Unrecognised deferred tax on loss for the period	-0.3	-0.0
Utilisation of previously unrecognised tax losses	0.3	0.0
Other items	0.4	-0.1
Total	-4.6	-4.3

Tax effects of components of other comprehensive income

MEUR	2021			2020		
	Before tax	Tax expense/benefit	After tax	Before tax	Tax expense/benefit	After tax
Items arising from re-measurement of defined benefit plans	-0.1	0.0	-0.0	-0.1	0.0	-0.0
Hedging reserve, change in fair value	0.3	-0.1	0.3	0.1	-0.0	0.1
Currency translation differences	-1.6	-	-1.6	5.4	-	5.4
Currency translation differences non-controlling interest	-	-	-	-0.1	0.0	-0.1
Components of other comprehensive income	-1.3	-0.1	-1.4	5.4	-0.0	5.4

Deferred tax assets and liabilities

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*	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 tax deductible temporary differences	0.2	-0.1				0.1
Total	4.5	1.2	-0.1	-0.0	-	5.6
Deferred tax liabilities						
Acquisitions	-22.9	0.4		0.1	-1.5	-23.9
Depreciation differences	-4.7	-0.9				-5.6
Share-based benefits	0.0	0.0				0.0
Other tax deductible temporary differences	-0.6	0.1			-0.2	-0.7
Total	-28.3	-0.4	-	0.1	-1.6	-30.2
Net deferred tax liability	-23.8	0.8	-0.1	0.1	-1.6	-24.5

Deferred taxes in the statement of financial position

MEUR	2021	2020
Deferred tax assets	5.6	4.5
Deferred tax liabilities	-30.2	-28.3
Net deferred tax liabilities	-24.5	-23.8

The Group companies have a total of EUR 1,5 million (2.1) 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 if both the assets and the liabilities relate to the same taxable entity and if the amount is not significant.

MEUR	At 1 Jan 2020	Recognised in income statement	Recognised in equity	Other changes	Business acquisitions	At 31 Dec 2020
Deferred tax assets						
Tax losses	0.7					0.7
Pension benefits	0.2	0.0	0.0			0.2
Provisions	1.4	0.6	0.0			2.0
Fair value adjustments	0.2		0.0			0.2
Unused depreciation	1.3	0.0				1.3
Other tax deductible temporary differences	0.9	-0.5		-0.2		0.2
Total	4.6	0.2	0.0	-0.2	-	4.5
Deferred tax liabilities						
Acquisitions	-23.6	0.7	0.0	0.0		-22.9
Depreciation differences	-4.6	-0.1				-4.7
Share-based benefits	0.0	0.0				0.0
Other tax deductible temporary differences	-0.9	0.4		0.0	-0.1	-0.6
Total	-29.2	1.0	0.0	0.0	-0.1	-28.3
Net deferred tax liability	-24.6	1.2	-0.0	-0.2	-0.1	-23.8

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

1.10 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 assume conversion of all dilutive potential ordinary shares.

	2021	2020
Result attributable to equity holders of the company, MEUR	34.4	19.1
Adjusted weighted average number of ordinary shares outstanding during the year, million shares	38.1	38.1
Earnings per share, EUR	0.90	0.50
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	0.90	0.50

1.11 Notes to the consolidated statement of cash flows

MEUR	2021	2020
Adjustments to the cash flows from operating activities		
Taxes	4.6	4.3
Depreciation, amortisation and impairment	52.9	57.0
Finance income and costs	3.3	4.9
Gains and losses of sale	-1.7	-5.7
Provisions	-0.4	2.0
Impact of the discontinuation of Russian operations	-2.1	8.9
Other	-0.0	-1.4
Total	56.5	70.0

2 Operational assets and liabilities

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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. The recognition corresponds with the fair value of the receivables as the periods for payment are short and thus the discounting effect is not essential. Trade receivables are classified as financial assets, that are presented in Note [4.2 Financial assets and liabilities by category](#).

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. 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 of 0.1–20 per cent is recognised on trade receivables which are not past due or which are past due less than 180 days. On trade receivables which are past due more than 180 days, an allowance for impairment of 45 per cent is recognised and 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	2021	2020
Trade receivables	86.8	82.9
Contract assets	22.8	19.4
Loan receivables	-	0.1
Accrued income	9.5	9.2
Prepayments	0.4	0.0
Tax receivables	7.3	3.1
Other receivables	0.5	1.6
Total	127.3	116.3
Specification of accrued income:		
Employees' health care compensation	2.4	1.4
Licences	1.8	2.0
Other	5.3	5.8
Total	9.5	9.2

The receivables are not collateralised. Impairment losses and their reversals recognised in trade receivables are shown in Note [1.4 Other operating income and expenses](#).

Critical judgements by Management

Doubtful debts are reviewed each month. If there is objective evidence that the balance sheet values of the receivables exceed their recoverable amounts, the difference is recognised as an impairment loss in other operating expenses in the income statement. The criteria for recognising an impairment loss on a receivable include the debtor's substantial financial difficulties, corporate restructuring, a credit loss recommendation issued by a collection agency or extended default on payments. If the difference between the balance sheet value of receivables and the recoverable amounts is reduced later, the impairment loss shall be reversed through profit or loss. The Group has monitored customer receivables on a weekly basis during the COVID-19 pandemic. Overdue customer receivables have not increased due to the COVID-19 pandemic and the analysis of the maturity distribution of receivables has not indicated a negative effect on receivables turnover. Consequently, the management has not considered necessary to change the definition principles concerning allowances for expected credit losses.

Maturity of trade receivables, contract assets and allowance for impairment

MEUR	2021		2020	
	Trade receivables	of which the allowance for impairment	Trade receivables	of which the allowance for impairment
Trade receivables and contract assets not past due	98.8	0.1	94.7	0.1
Past due 1-90 days	10.7	0.1	6.8	0.1
Past due 91-365 days	0.4	0.1	1.1	0.3
Past due over 365 days	0.1	0.1	0.3	0.2
Total	110.0	0.4	102.9	0.6

Change in the allowance for impairment

MEUR	2021	2020
Allowance for impairment, 1 January	0.6	2.4
Change in the income statement	-0.1	-1.8
Allowance for impairment, 31 December	0.4	0.6

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. The Group has classified its subsidiary L&T Biowatti Oy as held for sale. Consequently, a total of EUR 11.3 million from trade and other receivables has been reclassified as assets held for sale. More information on the assets held for sale is provided in [note 5.3](#).

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 L&T Biowatti and 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	2021	2020
Raw materials and consumables	2.6	23.9
Finished goods	1.2	3.0
Other inventories	2.1	3.8
Total	5.9	30.7

The acquisition cost recognised as cost of inventories was EUR 22.7 million (30.3), which includes a change in inventories of EUR -0.9 million (8.7).

EUR 1.2 million (0.9) of the value of inventories was recognised as an expense, and a write-down of the carrying value to the net realisable value was made respectively. The expense is included in Materials and services in the income statement.

The Group has classified its subsidiary L&T Biowatti Oy as held for sale. Consequently, a total of EUR 25.7 million from the Group's inventories has been reclassified as assets held for sale. More information on the assets held for sale is provided in [note 5.3](#).

2.3 Trade and other current payables

Accounting policy

Trade and other current non-interest-bearing payables are recognised in the balance sheet at historical cost which corresponds with their fair value, as the discounted effect is not essential considering the maturity of the payables. Trade payables are classified as financial liabilities that are presented in Note [4.1 Financial risk management](#) and [4.2 Financial assets and liabilities by category](#).

MEUR	2021	2020
Advances received	11.0	13.4
Trade payables	58.3	64.1
Derivative liabilities	0.5	0.8
Current tax liabilities	3.3	0.3
Other liabilities	23.7	22.7
Accrued expenses and deferred income	78.8	76.7
Total	175.6	178.0
Accrued expenses and deferred income		
Liabilities related to personnel expenses	64.5	62.0
Other accrued expenses	14.3	14.8
Total	78.8	76.7

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

The Group has classified its subsidiary L&T Biowatti Oy as held for sale. Consequently, a total of EUR 10.7 million from the Group's trade and other current payables has been reclassified as liabilities held for sale. More information on the liabilities held for sale is provided in [note 5.3](#).

2.4 Other non-current liabilities

MEUR	2021	2020
Advances received	0.0	0.1
Other liabilities	0.1	0.0
Total	0.1	0.1

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 contaminated soil processing site.

Obligations covered by the environmental provisions

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 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.

During the financial year 2020, the Group commissioned a new landfill area in Oulu. The material recycling centre 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.

At the end of December 2021, the Group acquired a new landfill in Pori. Related to the new landfill, the Group recognised environmental provisions relating to the restoration and post-closure environmental monitoring of the site totalling EUR 1.4 million in the financial statements of 2021.

Other provisions

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

Critical judgements by Management

A provision is recognised if the exact amount or timing of the event is not known. Otherwise the item is recognised in accrued liabilities. The amounts of provisions are estimated on each closing date and adjusted according to the best estimate at the time of the assessment.

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	Environmental provisions	Other provisions	Total
Provisions at 1 Jan 2020	5.3	1.8	7.1
Additions	1.7	1.2	2.9
Used during the year	-0.1	-0.5	-0.6
Effect of discounting	0.1	0.0	0.1
Provisions at 31 Dec 2020	7.0	2.4	9.5

MEUR	2021	2020
Non-current provisions	8.1	7.1
Current provisions	2.7	2.4
Total	10.8	9.5

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 some minor defined benefit plans originating mainly from business acquisitions. The Group is responsible for some of these defined benefit pension plans, while others are covered by pension insurance. The obligations have been calculated for each plan separately, using the projected unit credit method. Pension costs are recognised in the income statement over employees' periods of service, in accordance with actuarial calculations. When calculating the present value of pension obligations, the discount rate is based on the market yield of the high-quality bonds issued by the company, whose maturity materially corresponds to the estimated maturity of the pension obligation. The risk premium is based on bonds issued by companies with an 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 recorded 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.

MEUR	2021	2020
Amounts recognised in the statement of financial position		
Present value of funded obligations	0.4	0.4
Fair value of plan assets	-0.3	-0.4
	0.1	0.0
Present value of unfunded obligations	1.4	1.3
Closing net liability	1.4	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	0.1	0.1
Actuarial gain (-) and loss (+) on obligation	0.0	0.0
Benefits paid	-0.1	-0.1
Closing value of obligation	1.7	1.7
Changes in fair value of plan assets		
Opening fair value of plan assets	0.9	0.9
Interest income	0.1	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	0.9	0.9

MEUR	2021	2020
Movements in the liability recognised in the statement of financial position		
Opening liability	1.4	1.3
Expense recognised in the income statement	0.0	0.1
Employers' contributions	0.0	0.0
Actuarial gain (-) and loss (+)	0.0	0.1
Contributions paid	-0.1	-0.1
Closing liability	1.3	1.4
Amounts recognised in the income statement		
Current service cost	0.0	0.0
Interest cost	0.1	0.1
Interest income	-0.1	0.0
Actuarial gain (-) and loss (+)	0.0	0.1
Total	0.0	0.1

Defined contribution maturity of the obligation

MEUR	2021	2020
Maturity of less than one year	0.1	0.1
1-5 years	0.6	0.6
5-10 years	0.5	0.5
10-15 years	0.2	0.2
15-20 years	0.1	0.1
20-25 years	0.1	0.1
25-30 years	0.1	0.1
over 30 years	0.1	0.1
Total	1.8	1.8

The Group estimates that it will contribute EUR 74 thousand to defined benefit plans in 2022.

MEUR	2021	2020
Present value of obligation	1.7	1.7
Fair value of plan assets	-0.3	-0.4
Deficit	1.4	1.4
Principal actuarial assumptions used		
Discount rate	0.7 %	0.4 %
Expected rate of return on plan assets	2.1 %	1.2 %
Expected rate of salary increase	4.4 %	3.4 %
Expected rate of inflation	1.9 %	0.9 %

3 Intangible and tangible assets

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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 entities at the time of acquisition. Goodwill is not amortised, but is tested annually for impairment. Goodwill is presented in the statement of financial position at original cost less impairment losses, if any.

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

Other intangible assets consist primarily of software and software licences.

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

The depreciation period for computer software and software licences is five 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) in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Critical judgements by Management

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

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

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

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

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

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

1. Financial result 2. Operational assets and liabilities **3. Intangible and tangible assets** 4. Financial risk and capital structure 5. Consolidation and other notes

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 amortisation and impairment, 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 amortisation and impairment, 31 Dec 2021	-14.6	-37.2	-24.0	-9.8	-5.8	-25.7		-117.1
Carrying amount, 31 Dec 2021	172.1	18.1	0.2	0.3	3.5	6.9	3.5	204.6

Other intangible assets arising from acquisitions include mainly patents and permits. Contractual commitments related to intangible assets totalled EUR 0.0 million (3.2).

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 2020	166.3	47.4	23.9	10.1	10.5	51.8	1.7	311.6
Additions					1.2	0.8	3.3	5.3
Business acquisitions	0.7	0.4	0.1					1.1
Disposals	-0.1				-3.2	-11.2	0.5	-14.0
Impairments					-0.1	-10.8	-0.9	-11.8
Transfers between items	0.0					1.9	-1.9	0.0
Exchange differences	1.8	0.8	0.0	0.0	0.1	0.0	0.0	2.8
Acquisition cost, 31 Dec 2020	168.7	48.6	24.0	10.1	8.3	32.4	2.8	295.0
Accumulated amortisation and impairment, 1 Jan 2020	-14.5	-30.9	-23.9	-9.7	-7.9	-36.8		-123.6
Accumulated amortisation on disposals and transfers	0.1				3.1	14.7		17.9
Amortisation charge		-2.9	-0.0	-0.1	-0.8	-8.9		-12.6
Impairments					0.1	6.9		7.0
Exchange differences	-0.4	-0.4	0.0	0.0	0.0	0.0		-0.9
Accumulated amortisation and impairment, 31 Dec 2020	-14.7	-34.3	-24.0	-9.7	-5.4	-24.0		-112.1
Carrying amount 31, Dec 2020	154.0	14.3	0.1	0.4	2.9	8.4	2.8	182.9

3.2 Goodwill impairment tests

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 impairment testing. From year 2021 onwards, goodwill allocated to the Swedish Group companies is tested on Facility Services, Sweden level, which is the lowest level on which the Swedish businesses of the Group are followed and managed.

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 upkeep 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 in cash flow.

Critical judgements by Management

In goodwill impairment testing, the recoverable amounts of the cash-generating units to which the goodwill is allocated are determined on the basis of value-in-use calculations. These calculations require management judgements. Though the assumptions used are appropriate according to the management's judgement, the estimated cash flows may differ fundamentally from those realised in the future.

Goodwill allocation

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

MEUR	2021	2020
Environmental Services	86.9	74.1
Industrial Services	19.8	19.8
Facility Services, Finland	28.6	22.5
Facility Services, Sweden	36.8	37.6
Total	172.1	154.0

Impairment testing in 2021

Impairment testing has been prepared based on value-in-use calculations in which future cash flows are discounted to current value. The growth assumption used in the value-in-use calculations of cashflow-generating units is 1.9 per cent, which corresponds to the mid-term inflation goal of the European Central Bank. Long-term growth rates used in the value-in-use calculations of cash-generating units.

The discount rates used in calculations are based on the Group's weighted average cost of capital before tax (WACC). Factors in WACC are risk-free income, market risk premium, division-specific beta cost of capital as well as the ratio between equity and liabilities. A discount rate has been defined for each cash-generating unit. There are no grounds for the determination of separate division-specific risk allowances in addition to the sector-specific risk included in the WACC components as the management does not consider that the company's operations include a risk higher than the division-specific risk. Furthermore, Finland and Sweden are similar geographic areas in terms of business operations.

Discount rates used in the calculations (pre tax):

%	2021	2020
Environmental Services	7.7	7.9
Industrial Services	7.8	7.9
Facility Services, Finland	7.7	7.7
Facility Services, Sweden	7.7	8.1

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 2021.

Sensitivity analyses of impairment testing

A sensitivity analysis of each cash-generating unit was performed, during which the key calculation assumptions were tested. In the sensitivity analysis, a key assumption was tested by changing the threshold values at which the value in use would equal the book value. Based on the results of the test, a change in the central assumptions which would be considered as somewhat likely could not result in the accounting value of a cashflow-generating unit exceeding the value-in-use. At the time of testing, the value in use exceeded the carrying value by over 50 per cent in Environmental Services, in Facility Services Finland and in Facility Services Sweden and by over 40 per cent in Industrial services.

Value in use in relation to the carrying amount:

	2021	2020
Environmental Services	Over 50%	Over 50%
Industrial Services	Over 40%	Over 50%
Facility Services, Finland	Over 50%	Over 50%
Facility Services, Sweden	Over 50%	Over 50%

3.3 Property, plant and equipment

Accounting policy

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

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

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

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

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

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

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

Critical judgements by Management

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

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

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

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

MEUR	2021					Total	MEUR	2020					Total
	Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress			Land	Buildings and constructions	Machinery and equipment	Other	Prepayments and construction in progress	
Acquisition cost, 1 Jan 2021	5.8	134.4	393.3	0.1	8.9	542.6	Acquisition cost, 1 Jan 2020	6.3	130.4	403.6	0.1	4.2	544.6
Additions	1.7	2.3	15.4		20.2	39.6	Additions		1.8	13.2		26.5	41.4
Business acquisitions			2.0			2.0	Business acquisitions		0.2	0.7			0.9
Disposals	-0.1	-1.0	-17.4			-18.5	Disposals	-0.1	-3.2	-31.6		-0.0	-34.9
Transfers between items		3.2	15.6		-19.0	-0.2	Impairments	-0.4	-1.7	-6.2		-0.0	-8.3
Exchange differences		-0.0	-0.0	-0.0		-0.0	Transfers between items		7.3	14.4		-21.7	0.0
Acquisition cost, 31 Dec 2021	7.4	138.9	408.9	0.1	10.1	565.4	Exchange differences	-0.0	-0.2	-0.8	0.0	-0.0	-1.0
Accumulated depreciation, 1 Jan 2021	-0.5	-98.4	-303.8	-0.1		-402.8	Acquisition cost, 31 Dec 2020	5.8	134.4	393.3	0.1	8.9	542.6
Accumulated depreciation on disposals and transfers		0.6	16.6			17.1	Accumulated depreciation, 1 Jan 2020	-0.5	-96.0	-318.5	-0.1		-415.1
Depreciation for the period		-5.9	-20.8			-26.7	Accumulated depreciation on disposals and transfers		2.6	31.0			33.6
Exchange differences		0.0	0.0	0.0		0.0	Depreciation for the period		-6.2	-21.0			-27.1
Accumulated depreciation, 31 Dec 2021	-0.5	-103.8	-308.0	-0.1		-412.4	Impairments		1.0	4.2			5.2
Carrying amount, 31 Dec 2021	6.9	35.1	100.8	0.1	10.1	153.0	Exchange differences		0.1	0.5	-0.0		0.6
							Accumulated depreciation, 31 Dec 2020	-0.5	-98.4	-303.8	-0.1		-402.8
							Carrying amount, 31 Dec 2020	5.3	36.0	89.5	0.1	8.9	139.8

The carrying amount of machinery and equipment includes EUR 11.5 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 17.2 million (10.1).

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 asset retirement obligations are also considered in the cost of the right-of-use asset. Right-of-use assets are subject to impairment testing in future periods.

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. IFRS 16 defines the incremental borrowing rate as 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.

The company's lease agreements do not include any significant variable leases or residual value guarantees.

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.

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, 31 Dec 2021	10.3	27.2	32.3	69.8

MEUR	Land	Buildings and constructions	Machinery and equipment	Total
Acquisition cost, 1 Jan 2020	12.4	38.3	47.8	98.5
Additions	1.3	9.8	4.5	15.7
Disposals	-0.2	-7.4	-0.5	-8.0
Exchange differences	-	0.1	0.2	0.3
Acquisition cost, 31 Dec 2020	13.5	40.9	52.0	106.4
Accumulated depreciation, 1 Jan 2020	-1.1	-8.6	-11.7	-21.3
Accumulated depreciation on disposals and transfers	0.0	2.7	0.5	3.3
Depreciation for the period	-1.2	-8.6	-7.5	-17.3
Exchange differences	-	-0.1	-0.1	-0.2
Accumulated depreciation, 31 Dec 2020	-2.2	-14.5	-18.9	-35.6
Carrying amount, 31 Dec 2020	11.3	26.4	33.1	70.9

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, see note [1.7 Lease expenses](#).

4 Financial risks and capital structure

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4.1 Financial risk management

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

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

Foreign exchange risk

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 Group's 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.

In 2021, translation differences totalling EUR -1.6 million (5.4) were accumulated in the equity due to the fluctuations of currency rates. The translation difference in 2021 is totally related to the Swedish business. At the balance sheet date,

the Swedish krona denominated translation position was EUR 48.9 million (42.8).

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. The Group hedges cash reserves denominated in foreign currencies by converting them into euros through foreign exchange transactions. Financing for subsidiaries is provided through intra-Group loans that are denominated in the functional currency of each subsidiary. Group companies operating in Finland use the euro as the invoicing currency for sales almost exclusively.

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 only a minor holding in unlisted shares, and there is no substantial price risk related to these shares.

Commodity price risk

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

The 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, 64 per cent (80) of the Company's borrowings were either fixed interest rate borrowings or hedged with interest rate swaps. Variable-rate borrowings accounted for 36 per cent (20). Therefore changes in the interest rate level will not impact interest costs in full.

All interest rate swaps made to hedge the cash flow are hedges in accordance with the Group's risk management policy and hedge accounting 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 regarding expected credit loss presented in [note 2.1](#).

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

Credit risk related to financial assets

MEUR	2021	2020
Other non-current receivables	1.4	1.3
Trade receivables	86.8	82.9
Contract assets	22.8	19.4
Other current receivables	0.5	1.7
Cash and cash equivalents	28.6	50.2

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 limits totalling EUR 30 million and a commercial paper programme totalling EUR 100 million. At the end of the financial period, the Group's liquid assets and investments amounted to EUR 28.6 million (50.2). The commercial paper programme EUR 100 million was in all unused (comparison period used 85). The following table shows the Group's financial liabilities classified according to contractual maturity dates at the balance sheet date. The figures shown are undiscounted contractual cash flows. The long-term borrowings include equity ratio and interest cover covenants and other normal terms which restrict giving of collaterals to other financiers and discontinuance or disposal of present business. Breaching of these terms would entitle the borrowers to call in the loans immediately, which would lead to earlier realisation of the cash flows related to the borrowings.

Maturity of financial liabilities

MEUR 2021	Carrying amount	Contractual cash flows	2022	2023	2024	2025	2026	2027 and later
Bank borrowings and loans from pension 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	64.2	7.7	5.6	11.4

MEUR 2020	Carrying amount	Contractual cash flows	2021	2022	2023	2024	2025	2026 and later
Bank borrowings and loans from pension institutions	49.9	51.6	0.4	0.4	0.4	50.4	-	-
Bonds	49.8	51.9	0.6	0.6	50.6	-	-	-
Commercial paper liabilities	15.0	15.0	15.0	-	-	-	-	-
Lease liabilities	72.0	76.6	17.0	14.9	13.6	9.7	8.0	13.4
Derivative liabilities	0.8	0.8	0.8	-	-	-	-	-
Trade and other payables	86.8	86.8	86.8	-	-	-	-	-
Total	274.2	282.7	120.6	16.0	64.6	60.1	8.0	13.4

Maturity of lease liabilities

MEUR	2021	2020
Lease liabilities		
– minimum lease payments by maturity		
Not later than one year	20.0	17.0
Later than one year and not later than five years	44.9	46.2
Later than five years	11.4	13.4
Total minimum lease payments	76.2	76.6
Future finance charges	-5.4	-4.6
Present value of lease liabilities	70.9	72.0
Maturity of present value of lease liabilities		
Not later than one year	19.9	16.3
Later than one year and not later than five years	40.4	44.0
Later than five years	10.6	11.6
Total	70.9	72.0

Breakdown of borrowings and facilities

MEUR	2021			2020		
	In use	Undrawn	Total	In use	Undrawn	Total
Loans from financial institutions and pension loans	74.9	-	74.9	49.9	-	49.9
Bonds	49.9	-	49.9	49.8	-	49.8
Committed credit facility	-	30.0	30.0	-	30.0	30.0
Commercial paper programme	-	100.0	100.0	15.0	85.0	100.0
Lease liabilities from financial institutions	6.6	43.4	50.0	31.2	18.8	50.0
Other lease liabilities	64.3	-	64.3	40.8	-	40.8
Total	195.6	173.4	369.0	186.7	133.8	320.5

Sensitivity to market 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, while changes in the fair value of other derivative contracts are assumed to be allocated entirely to the income statement.

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

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

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

Sensitivity analysis of market risk arising from financial instruments

MEUR	2021		2020	
	Profit after tax	Equity	Profit after tax	Equity
Derivatives:				
+ 0.5% change in market interest rates	-0.2	0.1	-0.1	0.1
- 0.2% change in market interest rates	0.0	0.0	0.0	0.0

4.2 Financial assets and liabilities by category

Accounting policy

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

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

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

Financial assets and liabilities at fair value through profit or loss are derivative financial instruments to which hedge accounting is not applied.

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

Derivatives

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

Bank loans and other borrowings

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

Lease liabilities

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

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. Financial instruments of hierarchy level 1 are shares and interest-bearing investments which are recognised at fair value through other comprehensive income. Financial instruments of hierarchy level 2 are over-the-counter (OTC) derivatives which are categorised into those which are recognised at fair value in the profit and loss statement and those which are recognised through other comprehensive income in case they meet the requirements for hedge accounting. A financial instrument is categorised to level 3 if its fair value cannot be determined based on observable market information.

In the Group, only derivatives are recognised at fair value. Derivatives, which comprise interest rate swaps are categorised in Level 2. The fair values of financial instruments are based on prices derived from prices quoted in an active market or generally accepted valuation models that are, to a significant degree, based on verifiable market data.

Critical judgements by Management

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

MEUR	2021			2020			Fair value hierarchy level	Note
	Amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item	Amortised cost	Derivatives under hedge accounting	Carrying amounts by balance sheet item		
Non-current financial assets								
Other receivables	1.4		1.4	1.3		1.3		
Current financial assets								
Trade and other receivables	110.1		110.1	104.0		104.0		2.1
Cash and cash equivalents	28.6		28.6	50.2		50.2		
Total financial assets	140.0	-	140.0	155.5	-	155.5		
Non-current financial liabilities								
Borrowings	124.8		124.8	99.7		99.7	2	
Lease liabilities	51.0		51.0	55.7		55.7		4.1
Current financial liabilities								
Borrowings	0.0		0.0	15.0		15.0	2	
Lease liabilities	19.9		19.9	16.3		16.3		4.1
Trade and other payables	82.0		82.0	86.8		86.8		2.3
Derivative liabilities		0.5	0.5		0.8	0.8	2	
Total financial liabilities	277.7	0.5	278.1	273.5	0.8	274.3		

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

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).

4.3 Cash and cash equivalents

Accounting policy

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.

MEUR	2021	2020
Cash on hand and in banks	28.6	50.2
Total	28.6	50.2

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

4.4 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.

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

MEUR	Number of outstanding shares, 1,000 shares	Share capital	Invested non- restricted equity reserve	Own shares	Total
At 1 Jan 2020	38,094	19.4	0.6	-10.8	9.2
25 February 2020 Transfer of own shares	1			0.0	0.0
20 March 2020 Transfer of own shares	10			0.1	0.1
At 31 Dec 2020	38,105	19.4	0.6	-10.7	9.3

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 18 March 2021 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 2021, the company held 686,396 treasury shares (693,589) representing 1.8 per cent 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.

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 share capital shall be increased if extraordinarily rapid growth or large investments call for more capital.

The development of the capital structure is monitored quarterly using the equity ratio and gearing. The calculation of these key figures is shown in the following tables.

MEUR	2021	2020
Equity in the consolidated statement of financial position	210.4	192.6
Equity and liabilities total	635.3	596.6
Current advances received	-11.0	-13.4
Non-current advances received	-	-0.1
Total	624.3	583.1
Equity ratio, %	33.7%	33.0%

MEUR	2021	2020
Equity in the consolidated statement of financial position	210.4	192.6
Non-current borrowings	175.8	155.4
Current borrowings	19.9	31.3
Cash and cash equivalents	-28.6	-50.2
Net interest-bearing liabilities	167.1	136.5
Gearing, %	79.4%	70.9%

4.5 Dividend per share

At the Annual General Meeting on 17th March 2022, the Board of Directors will propose that a dividend of EUR 0.46 per share be paid for the 2021 financial year. On the basis of a decision taken by the Annual General Meeting, the company paid a dividend of EUR 0.40 per share for 2020.

4.6 Financial liabilities

MEUR	1 Jan 2021	Cash flow	Non-cash flow adjustments		31 Dec 2021
			Transfer from non-current to current	Other non-cash flow adjustments	
Non-current					
Loans from financial institutions	49.9	25.0		0.0	74.9
Bonds	49.8			0.1	49.9
Lease liabilities	55.7		-14.1	9.4	51.0
Total	155.4	25.0	-14.1	9.5	175.8
Current					
Lease liabilities	16.3	-18.1	14.1	7.6	19.9
Current loans	15.0	-15.0			0.0
Total	31.3	-33.1	14.1	7.6	19.9

MEUR	1 Jan 2020	Cash flow	Non-cash flow adjustments		31 Dec 2020
			Transfer from non-current to current	Other non-cash flow adjustments	
Non-current					
Loans from financial institutions	49.9			0.0	49.9
Bonds	49.7			0.1	49.8
Lease liability	62.0		-22.0	15.7	55.7
Total	161.6	-	-22.0	15.8	155.4
Current					
Lease liabilities	15.8	-16.2	22.0	-5.3	16.3
Current loans	-	15.0			15.0
Total	15.8	-1.2	22.0	-5.3	31.3

Fair values of financial liabilities are presented in Note 4.2 Financial assets and liabilities by category.

Maturity of long-term bank borrowings and financial lease liabilities is presented in Note 4.1 Financial risk management.

4.7 Contingent liabilities

MEUR	2021	2020
Collaterals for own commitments		
Mortgages on rights of tenancy	1.4	0.1
Other securities	0.1	0.0
Bank guarantees required for environmental permits	16.7	12.4
Other bank guarantees	11.0	10.6
Mortgages under own control		
Company mortgages	0.2	0.2

Other securities are guarantee deposits.

4.8 Derivative financial instruments and hedge accounting

Accounting policy

In accordance with the financing policy, derivative agreements are used for the reduction of financial risks related to changes in interest and commodity rates. The derivative agreements concluded were interest rate swaps which have 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 created 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 Group's risk management. Any profits and losses resulting from derivatives included in hedging are recognised in line with the underlying asset. Derivative agreements are initially specified as hedging of future cashflows and forecast purchases (cashflow hedging) or as derivatives agreements to which hedging does not apply (financial hedging). Cashflow hedging applies 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	2021		2020	
	Nominal value	Fair value	Nominal value	Fair value
Maturity of interest rate swaps under hedge accounting				
Not later than one year	-	-	-	-
Later than one year and not later than five years	30.0	-0.5	30.0	-0.9
Later than five years	-	-	-	-
Total	30.0	-0.5	30.0	-0.9

The interest rate swaps are used to hedging cash flows related to a floating rate loans. The hedges have been effective, and the changes in the fair values are shown in the consolidated statement of comprehensive income for the period.

The fixed interest rates of the interest rate swaps at 31 December 2021 were 0.8 per cent (0.8). The floating interest rates were 3-month Euribor and 6-month Euribor.

5 Consolidation and other notes

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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 in a separate income statement and the statement of comprehensive income, and the share of equity belonging to the non-controlling interest is presented as a separate item in the consolidated statement of financial position under equity.

Associates

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

Foreign currency translation

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

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 Relations Oy, Helsinki	100.0
L&T Toimi Oy, Helsinki	100.0
L&T Biowatti Oy, Helsinki	100.0
L&T Hankinta Ky, Helsinki	100.0
L&T Työllistämispalvelu 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
Serveco Oy, Tampere	100.0
Sihvari Oy, Jyväskylä	100.0
Turun Seudun Hyötykuljetus Oy, Masku	100.0
Spectra yhtiöt Oy, Lohja	100.0

Foreign subsidiaries

Lassila & Tikanoja Service AB, Stockholm, Sweden	100.0
Lassila & Tikanoja FM AB, Stockholm, Sweden	100.0
Lassila & Tikanoja Services OÜ, in voluntary liquidation, Tallinn, Estonia	100.0

Associated companies

Suomen Keräystuote Oy, Helsinki	40.0
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5.3 Business acquisitions and assets and liabilities classified as held for sale

Accounting policy

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

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

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

Changes in acquisition costs may arise on the basis of terms and conditions related to the acquisition price in the deeds of sale. In many acquisitions a small portion of the acquisition price is contingent on future events (less than 12 months). These conditional acquisition prices are recognised at fair value at the time of acquisition, and any changes are recorded without profit impact through the acquisition cost calculation.

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

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. Serveco Oy, established in 2007, provides real estate and facility services and has strong competence in food hygiene and daily maintenance services.

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 Oy, a company offering support services for retail sector. Spectra Oy is a Finnish family business, which provides maintenance and support services for the largest Finnish grocery stores and shopping centres.

Lassila & Tikanoja acquired the waste management and recycling business of Kuusamon Jätehuolto Oy on 1 June 2020.

On 1 July 2020, Lassila & Tikanoja acquired the entire share capital of Oakland Service Oy, which specialised in industrial cleaning. Oakland Service Oy provided demanding special cleaning services for industrial facilities, the construction sector and the maritime trade as well as sewer maintenance services for businesses and housing companies.

The business acquisition of M.E. Jäte & Trans Oy was completed on 1 November 2020. As a result of the acquisition, the company's waste service in the Parainen area was transferred to L&T.

Business acquisitions had an EUR 15.0 million (1.4) million impact on the Group's net sales for the financial period and EUR 0.7 million (0.0) on the operating profit. If the acquisitions in 2021 had been completed on 1 January 2021, the Group's net sales would be approximately EUR 822.9 million and the operating profit approximately EUR 42.6 million.

Business acquisitions, Sihvari

Fair value, MEUR	2021
Intangible assets	6.0
Property, plant and equipment	1.7
Right-of-use assets	3.1
Inventories	0.5
Receivables	2.2
Cash and cash equivalents	0.2
Total assets	13.8
Other liabilities	8.3
Deferred tax liabilities	1.2
Total liabilities	9.6
Net assets acquired	4.2
Total consideration	17.0
Goodwill	12.8
Effect on cash flow	
Consideration paid in cash	-17.0
Cash and cash equivalents of the acquired company	0.2
Cash flow from investing activities	-16.8

Other business acquisitions, combined

Fair value total, MEUR	2021	2020
Intangible assets	1.4	0.5
Property, plant and equipment	0.3	0.9
Receivables	1.4	0.6
Cash and cash equivalents	2.4	0.1
Total assets	5.4	2.1
Trade and other payables	2.5	1.0
Deferred tax liabilities	0.2	0.0
Total liabilities	2.7	1.0
Total identifiable net assets	2.7	1.0
Total consideration	8.8	1.7
Goodwill	6.1	0.7
Impact on cash flow		
Consideration paid in cash	-8.8	-1.7
Cash and cash equivalents of the acquired companies	2.4	0.1
Outstanding payments	-	0.0
Cash flows from investing activities	-6.4	-1.6

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

Divested businesses

In 2021 and 2020, the Group had no divested businesses.

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. Neova's fuel wood business will be transferred to L&T Biowatti Oy, and with the merger the company will continue as an independent limited company. Lassila & Tikanoja's share of the joint venture will be 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 establishment of a joint venture requires an approval of the Competition and Consumer Authority and until then the parties will continue their own business activities independently as separate companies. The merger of the businesses is expected to be finalised by the end of 2022. Lassila & Tikanoja has decided to classify L&T Biowatti Oy's assets and liabilities as held for sale. The items are measured at the lower of probable sales price less costs of sales and the book value. L&T Biowatti Oy is reported as part of Environmental Services segment.

MEUR	2021
Intangible assets and property, plant and equipment	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

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) 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 0.8 million (0.7).

Employee benefits to the President and CEO

TEUR	2021	2020
Salaries and other short-term employee benefits	461.6	442.4
Share-based payments	-	13.9
Pension expenses, statutory	39.9	38.3
Total	501.5	494.6

Employee benefits to other members of the Group Executive Board

TEUR	2021	2020
Salaries and other short-term employee benefits	1,506.3	1,328.3
Bonuses	105.4	49.6
Share-based payments	-	19.9
Pension expenses, statutory	164.8	140.8
Total	1,776.5	1,538.5

Salaries and remunerations paid to members of the Board of Directors

TEUR	2021	2020
Heikki Bergholm, Chairman of the Board	80	77
Sakari Lassila, Deputy Chairman of the Board	57	53
Teemu Kangas-Kärki	42	39
Laura Lares	43	39
Jukka Leinonen*	39	-
Pasi Tolppanen	40	37
Laura Tarkka	40	39
Miikka Majjala**	3	39

*Board member since 18 March 2021

**Board member until 18 March 2021

On 26 March 2021, 7,193 shares were transferred to the members of the Board of Directors as part of the remuneration of the Board (20 March 2020: 9,727).

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 2021, 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 5 thousand (132).

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	2021	2020
Auditing	0.3	0.2
Other assignments in accordance with the auditing act	0.0	0.0
Tax consulting services	0.0	0.0
Other services	0.0	0.0
Total	0.3	0.3

Non-audit services performed by the statutory auditor KPMG Oy Ab in the financial year 2021 totalled EUR 22.6 thousand (44.1).

5.6 Disputes and litigation

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

5.7 Events after the balance sheet date

On 12 January 2022, the company announced that Lassila & Tikanoja's Shareholders' Nomination Board, established by the Annual General Meeting on 12 March 2020, proposes to the Annual General Meeting to be held on 17 March 2022 that the Board of Directors have six (6) members. The Nomination Board proposes that Teemu Kangas-Kärki, Laura Lares, Sakari Lassila, Jukka Leinonen, Laura Tarkka, and Pasi Tolppanen are elected to the Board of Directors from among the current members.

The Chairman of the Board of Directors, Heikki Bergholm, has announced that he is no longer available for the election of the members of the Board of Directors. The candidates have informed the company that if they are elected, they will elect Jukka Leinonen as Chairman of the Board of Directors and Sakari Lassila as Vice Chairman.

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Financial statements of the parent company

MEUR	2021	2020	Note
Net sales	22.8	546.5	1
Other operating income	0.3	5.0	4
Change of inventory	-	1.6	
Materials and services	-0.0	-154.7	
Employee benefit expenses	-9.3	-242.3	2
Other operating expenses	-16.2	-94.4	3,4
Depreciation, amortisation and impairment	-0.9	-37.7	
Operating profit before goodwill amortisation	-3.4	24.1	4
Goodwill amortisation	-	-0.5	
Operating profit	-3.4	23.5	
Financial income and expenses	-1.1	-2.7	5
Profit before appropriations and taxes	-4.5	20.9	
Appropriations			
Increase/decrease in accumulated depreciation difference	0.3	-0.5	
Group contribution	20.5	-2.7	6
Income tax	-3.1	-3.6	7
Profit for the period	13.3	14.0	

Balance sheet of the parent company

MEUR	2021	2020	Note	MEUR	2021	2020	Note
ASSETS				Current assets			
Non-current assets				Inventories			
Intangible assets			8	Raw materials and consumables	-	3.1	
Intangible rights	0.1	0.9		Finished products/goods	-	1.3	
Goodwill	-	1.3		Other inventories	-	3.8	
Other intangible assets	1.6	8.0			-	8.2	
Advance payments and construction in progress	0.5	2.6		Non-current receivables			
	2.2	12.7		Loan receivables from group companies	69.7	69.7	
Tangible assets			9	Loan receivables	0.3	0.0	
Land	-	5.2		Prepayments	-	0.3	
Buildings and constructions	0.2	32.9		Deferred tax assets	0.3	2.7	17
Machinery and equipment	0.1	100.2			70.3	72.8	
Other tangible assets	0.0	0.0		Current receivables			11
Advance payments and construction in progress	0.0	8.9		Receivables from group companies	63.4	16.4	
	0.3	147.2		Trade receivables from associated companies	-	0.1	
Financial assets			10	Trade receivables	-	66.6	
Shares in group companies	126.1	31.1		Other receivables	0.1	0.1	
Shares in associated companies	-	0.0		Prepaid expenses and accrued income	2.6	9.1	11
Other shares and holdings	0.2	0.3			66.2	92.4	
	126.3	31.4		Cash and cash equivalents	26.0	30.4	
Total non-current assets	128.8	191.3		Total current assets	162.5	203.7	
				Total assets	291.3	395.0	

Balance sheet of the parent company

MEUR	2021	2020	Note	MEUR	2021	2020	Note
SHAREHOLDERS' EQUITY AND LIABILITIES							
Shareholders' equity			12	Liabilities			14
Share capital	19.4	19.4		Non-current			
Invested non-restricted equity reserve	0.7	0.7		Loans from credit institutions	75.0	50.0	
Retained earnings	53.2	54.3		Bonds	49.9	49.8	
Profit for the period	13.3	14.0		Lease liabilities	-	18.7	
Total shareholders' equity	86.6	88.4		Accrued income	-	0.1	
					124.9	118.5	
Accumulated appropriations				Current			
Depreciation difference	0.7	22.2		Loans from credit institutions	-	15.0	
				Lease liabilities	-	4.8	
Obligatory provisions			13	Advances received	-	10.2	
Non-current	0.3	7.0		Trade payables	2.5	45.0	
Current	1.2	1.4		Trade payables to associated companies	-	0.1	
	1.5	8.4		Liabilities to group companies	68.8	11.4	
				Other liabilities	0.6	16.5	
				Accrued expenses and deferred income	5.7	54.4	
					77.7	157.4	
				Total liabilities	202.5	276.0	
				Total shareholders' equity and liabilities	291.3	395.0	

Cash flow statement of the parent company

MEUR	2021	2020	MEUR	2021	2020
Operations			Financing		
Profit (+) / loss (-) before appropriations and taxes	-4.5	2.7	Paid group contributions	-3.1	-0.0
Adjustments:			Received group contributions	0.3	1.0
Depreciation, amortisation and impairments	0.9	38.2	Proceeds from short-term borrowings	40.0	35.0
Gains and losses on sales of non-current assets	-0.0	-2.8	Repayments of short-term borrowings	-55.0	-20.0
Financial income and expenses	1.1	20.9	Repayments of lease liabilities	-	-4.4
Provisions	-0.2	1.7	Proceeds from long-term loans	25.0	-
Other adjustments	0.2	-0.2	Dividends paid	-15.2	-35.0
Cash flow before change in working capital	-2.4	60.4	Cash flow from financing activities	-8.0	-23.5
Change in working capital			Changes in cash and cash equivalents	-4.4	4.6
Increase/decrease in current non-interest-bearing receivables	-0.2	4.9	Cash and cash equivalents at 1 January	30.4	25.8
Increase/decrease in inventories	-	-1.7	Cash and cash equivalents at 31 December	26.0	30.4
Increase/decrease in current non-interest-bearing liabilities	-14.2	3.8			
Cash flow from operations before financial income/expenses and tax	-16.9	67.5	Cash and cash equivalents at 31 December		
Interest expenses and other financial expenses paid	-2.0	-2.7	Cash and cash equivalents	26.0	30.4
Interest received from operations	0.9	0.4		26.0	30.4
Direct taxes paid	0.4	-7.0			
Cash flow from operating activities	-17.6	58.2			
Investments					
Acquired businesses	-	-0.8			
Investments in subsidiaries and associated companies	-	-0.0			
Proceeds from sale of subsidiaries and businesses	-	2.2			
Investments in tangible and intangible assets	-0.9	-40.7			
Proceeds from sale of tangible and intangible assets	0.0	0.8			
Change in other non-current receivables	-0.3	-			
Investments in / proceeds from long-term receivables	-	0.1			
Change in loans to Group companies	22.4	8.2			
Cash flow from investing activities	21.2	-30.2			

Accounting policies of the parent company

Basis of preparation

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

On 1 January 2021, Lassila & Tikanoja Plc incorporated its three divisions as separate limited liability companies. The Environmental Services and Industrial Services divisions were each incorporated as separate companies named L&T Ympäristöpalvelut Ltd and L&T Teollisuuspalvelut Ltd. The Facility Services division's new companies were named L&T Siivous Ltd, L&T Kiinteistöhuolto Ltd and L&T Kiinteistötekniikka Ltd. During the incorporation, share of parent company's assets and liabilities allocated to divisions was transferred to the newly established companies. As a result, the income statement and the balance sheet of 2021 are not comparable to the previous year.

Non-current assets

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

Buildings and structures	5–30 years
Vehicles	6–15 years
Machinery and equipment	4–10 years
Intangible rights and other capitalised expenditure	5–10 years

Depreciation on fixed assets acquired during the financial year is calculated from the day on which they become operational. Investments are measured at cost.

In 2008 the Group started to apply the units of production method to new landfills. Landfills are depreciated on the basis of the volume of waste received. This method reflects more closely than the straight-line method the expected future benefits to be derived from the landfills. As the Kerava landfill is about to be filled up, it will be fully depreciated using the straight-line method. As a result of the incorporation, the landfills were transferred to the new companies in the beginning of 2021.

Inventories

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

As a result of the incorporation, the inventories of the parent company were transferred to the new companies at the beginning of 2021.

Items denominated in foreign currencies

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

Net sales

Sales are stated net of indirect sales taxes, discounts and

exchange rate differences. Sales freights and other costs incurred in sales and deliveries are recognised as either costs of goods sold or sales expenses. Bad debt is recognised under other operating expenses. Administrative services invoiced from other group companies are included in net sales from 1 January 2021 onwards as a result of the incorporation of the divisions.

Research and development expenditure

Research and development expenditure is recognised as an expense.

Other operating income

Other operating income consist of items not included in regular business of the company, such as gains on sales of fixed assets.

Leases

Assets and liabilities from leases recognised in the balance sheet are related to the lease agreements from year 2019 or earlier years, which were classified as finance leases. Assets leased under a finance lease were recognised in property, plant, and equipment at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. They were depreciated over the term of the lease or over their expected useful lives, if shorter. Liabilities arising from the leases were recognised as lease liabilities. Each lease payment was apportioned between financial cost and loan repayment. These lease agreements and the related balance sheet items were transferred to the new companies at the beginning of 2021.

The lease payments of the lease contracts, that remained in the parent company, 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.

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.

Income taxes

Current income tax is determined for the taxable profit for the period according to prevailing tax rates. Taxes are adjusted by current tax rates for previous periods, if any.

Deferred taxes

Deferred tax assets and liabilities are calculated based on temporary differences in taxation and the financial statements. Deferred tax assets are recognised to the balance sheet only to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilised.

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

MEUR	2021	%	2020	%
Net sales by division				
Environmental Services	-	-	226.8	41.5
Industrial Services	-	-	96.0	17.6
Facility Services	-	-	223.7	40.9
Administrative Services, Group companies	22.8	100.0	-	-
Total	22.8	100.0	546.5	100.0
Net sales by market area				
Finland	22.8	100.0	538.6	98.6
Other countries	-	-	7.9	1.4
Total	22.8	100.0	546.5	100.0

2. Personnel and administrative bodies

	2021	2020
Average personnel		
Salaried employees	107	1,129
Non-salaried employees	-	4,478
Total	107	5,607

MEUR	2021	2020
Personnel expenses		
Salaries and bonuses	7.3	203.7
Pension expenditure	1.7	31.3
Other salary-related expenses	0.3	7.3
Total	9.3	242.3

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

MEUR	2021	2020
KPMG		
Auditing	0.1	0.2
Other assignments in accordance with the auditing act	0.0	0.0
Tax consulting services	0.0	0.0
Other services	0.0	0.0
Total	0.1	0.2

4. Other operating income and expenses

MEUR	2021	2020
Other operating income		
From group companies		
Compensation for administration costs	-	0.5
From others		
Profit on sale of non-current assets	-	0.8
Government grants	0.1	0.5
Recovery of bad debts	0.0	0.0
Annual discounts	0.0	0.2
Gains on sale of subsidiary	-	2.2
Other operating income	0.2	0.8
Total	0.3	5.0
Other operating expenses		
To others		
ICT costs	10.4	13.8
Travel costs	0.1	6.1
Vehicles and machinery	0.0	34.9
Rents and real estate costs	1.7	18.0
Expert fees	2.6	7.2
Voluntary social security costs	0.8	4.9
Other	0.6	9.4
Total	16.2	94.4

5. Financial income and expenses

MEUR	2021	2020
Interest and other financial income	0.9	0.4
Interest and other financial costs	-2.0	-3.0
Total financial income and costs	-1.1	-2.7
Financial income and costs include:		
Interest income		
from group companies	0.5	0.1
from others	0.0	0.2
Foreign exchange gains		
from others	0.3	0.0
Interest costs		
to group companies	-0.3	-0.3
to others	-1.4	-1.8
Other financial expenses		
to others	-0.2	-1.0
	-1.1	-2.7

6. Appropriations

MEUR	2021	2020
Increase/decrease in accumulated depreciation difference		
Intangible assets	0.3	1.5
Tangible assets	-0.0	-2.1
	0.3	-0.5
Group contribution		
Group contribution received	24.8	0.3
Group contribution paid	-4.3	-3.1
Total group contributions	20.5	-2.7
Total Appropriations	20.8	-3.3

7. Income taxes

MEUR	2021	2020
Income taxes on operations for the financial year	3.2	4.3
Income taxes from previous financial years	-0.2	-0.4
Change in deferred taxes	0.0	-0.2
Total	3.1	3.6

8. Intangible assets

MEUR	Intangible rights	Goodwill	Other intangible assets	Prepayments and construction in progress	Total
Acquisition cost, 1 Jan 2021	2.0	114.5	35.9	2.6	155.0
Transfer between acquisition cost and accumulated amortisation	-	-	0.1	-	0.1
Transfers in connection with incorporation	-1.7	-29.1	-14.4	-2.0	-47.1
Additions	-	-	0.0	0.8	0.8
Disposals	-0.0	-	-1.3	-	-1.3
Transfers between items	-	-	0.9	-0.9	-
Acquisition cost, 31 Dec 2021	0.3	85.4	21.1	0.5	107.4
Accumulated amortisation, 1 Jan 2021	-1.2	-113.2	-27.9	-	-142.2
Transfer between acquisition cost and accumulated amortisation	-	-	-0.1	-	-0.1
Transfers in connection with incorporation, accumulated amortisation	0.9	27.8	8.5	-	37.2
Accumulated amortisation on disposals and transfers	0.0	-	0.7	-	0.7
Amortisation during the period	-0.0	-	-0.7	-	-0.7
Accumulated amortisation, 31 Dec 2021	-0.3	-85.4	-19.5	-	-105.2
Total carrying amount, 31 Dec 2021	0.1	-	1.6	0.5	2.2
Acquisition cost, 1 Jan 2020	5.1	113.8	60.0	1.7	180.6
Additions	0.1	0.9	0.6	3.1	4.6
Disposals	-3.2	-0.1	-15.4	-0.0	-18.6
Impairments	-0.0	-	-10.8	-0.9	-11.7
Transfers between items	-	-0.1	1.5	-1.3	-
Acquisition cost, 31 Dec 2020	2.0	114.5	35.9	2.6	155.0
Accumulated amortisation, 1 Jan 2020	-4.0	-112.7	-45.6	-	-162.3
Accumulated amortisation on disposals and transfers	3.1	0.1	15.9	-	19.1
Impairments	0.0	-	6.9	-	6.9
Amortisation during the period	-0.4	-0.5	-5.0	-	-6.0
Accumulated amortisation, 31 Dec 2020	-1.2	-113.2	-27.9	-	-142.2
Total carrying amount, 31 Dec 2020	0.9	1.3	8.0	2.6	12.7

Other intangible assets includes several ICT projects. Contractual commitments related to intangible assets totalled EUR 0 million (3.2).

9. Tangible assets

MEUR	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
2021						
Acquisition cost, 1 Jan	5.2	107.5	361.6	0.0	8.9	483.2
Transfer between acquisition cost and accumulated depreciation	-	1.0	0.0	-	-	1.0
Transfers in connection with incorporation	-5.2	-108.1	-360.6	-0.0	-8.9	-482.8
Additions	-	0.0	0.0	-	0.1	0.1
Disposals	-	-0.2	-0.3	-	-	-0.5
Transfers between items	-	0.1	-	-	-0.1	-
Acquisition cost, 31 Dec	-	0.4	0.7	0.0	0.0	1.1
Accumulated depreciation, 1 Jan		-74.6	-261.4			-336.0
Transfer between acquisition cost and accumulated depreciation		-1.0	-0.0			-1.0
Transfers in connection with incorporation, accumulated depreciation		75.3	260.7			335.9
Accumulated depreciation on disposals and transfers		0.2	0.3			0.5
Depreciation during the period		-0.0	-0.1			-0.1
Accumulated depreciation, 31 Dec		-0.2	-0.6			-0.7
Total carrying amount, 31 Dec	-	0.2	0.1	0.0	0.0	0.3

MEUR	Land	Buildings and constructions	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
2020						
Acquisition cost, 1 Jan	5.2	100.1	366.1	0.0	4.1	475.6
Additions	-	0.6	10.9	-	26.3	37.8
Disposals	-0.0	-0.5	-29.6	-	-	-30.1
Transfers between items	-	7.3	14.2	-	-21.5	-
Acquisition cost, 31 Dec	5.2	107.5	361.6	0.0	8.9	483.2
Accumulated depreciation, 1 Jan		-69.7	-267.1			-336.8
Accumulated depreciation on disposals and transfers		0.5	29.0			29.5
Depreciation during the period		-5.4	-23.3			-28.7
Accumulated depreciation, 31 Dec		-74.6	-261.4			-336.0
Total carrying amount, 31 Dec	5.2	32.9	100.2	0.0	8.9	147.2

Lease agreements included in tangible assets were transferred to L&T Ympäristöpalvelut Ltd as part of the incorporation (in 2020 23.0). Contractual commitments related to property, plant and equipment totalled EUR 0 million (10.1).

10. Investments

MEUR	Shares in group companies	Other shares and holdings	Capital loan receivable	Total
2021				
Acquisition cost at 1 January	31.1	0.3		31.4
Transfers in connection with incorporation	-	-0.2		-0.2
Additions	95.0	0.0		95.0
Disposals	-	-0.0		-0.0
Acquisition cost at 31 December	126.1	0.2	-	126.3
Total carrying amount	126.1	0.2	-	126.3

MEUR	Shares in group companies	Other shares and holdings	Capital loan receivable	Total
2020				
Acquisition cost at 1 January	23.9	0.4	12.5	36.7
Additions	12.5	-	-	12.5
Disposals	-5.3	-0.0	-12.5	-17.8
Acquisition cost at 31 December	31.1	0.3	-	31.4
Total carrying amount	31.1	0.3	-	31.4

	Holding of shares and votes, %
Holdings in group companies	
L&T Biowatti Oy, Helsinki	100.0
L&T Relations Oy, Helsinki	100.0
L&T Toimi Oy, Helsinki	100.0
L&T Työllistämispalvelu 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
Associated companies	
Suomen Keräystuote Oy, Helsinki	40.0

11. Short-term receivables

MEUR	2021	2020
From group companies		
Loan receivables	62.9	16.0
Trade receivables	0.6	0.4
Total	63.4	16.4
Prepaid expenses and accrued income		
Employees' health care compensation	0.0	1.4
Annual discounts	-	0.8
Licences	1.8	2.0
Taxes	-	3.1
Other	0.8	1.7
Total	2.6	9.1

12. Shareholders' equity

MEUR	2021	2020
Restricted equity		
Share capital at 1 January / 31 December	19.4	19.4
Fair value reserve at 1 January	-	0.0
Valuation of commodity derivatives	-	-0.0
Fair value reserve at 31 December	-	-
Tied equity capital, total	19.4	19.4
Non-restricted equity		
Invested non-restricted equity reserve, at 1 January	0.7	0.7
Expense recognition of share-based benefits	-	0.0
Invested non-restricted equity reserve at 31 December	0.7	0.7
Retained earnings at 1 January	68.3	89.2
Dividend distribution	-15.2	-35.0
Expired dividends	0.0	0.0
Share-based benefits recognised as expense	0.1	0.1
Retained earnings at 31 December	53.2	54.3
Profit for the period	13.3	14.0
Non-restricted equity total	67.2	69.0
Shareholders' equity at 31 December	86.6	88.4
Distributable funds		
Retained earnings	53.2	54.3
Profit for the period	13.3	14.0
Invested non-restricted equity reserve	0.7	0.7
Total distributable funds	67.2	69.0

13. Obligatory provisions

MEUR	2021	2020
Environmental provisions	-	7.2
Pension liabilities	0.3	0.4
Provision for accident insurance contribution	1.2	0.7
Other provisions	-	0.1
Total	1.5	8.4

Environmental provisions in the comparative period include restoration provisions for the landfills.

14. Liabilities

Repayments of non-current liabilities in coming years

MEUR	2022	2023	2024	2025	2026
Bank borrowings	-	25.0	50.0	-	-
Bonds	-	50.0	-	-	-

MEUR	2021	2020
Liabilities to group companies		
Trade payables	0.0	1.7
Other liabilities	68.8	9.7
Total	68.8	11.4
Accrued expenses and deferred income		
Personnel expenses	2.1	52.3
Other expenses	3.6	2.1
Total	5.7	54.4

Maturity of lease liabilities

MEUR	2021	2020
Lease liabilities		
– minimum lease payments by maturity		
Not later than one year	-	4.9
Later than one year and not later than five years	-	17.7
Later than five years	-	1.9
Total minimum lease payments	-	24.6
Future finance charges	-	-1.0
Present value of lease liabilities	-	23.6
Maturity of present value of lease liabilities		
Not later than one year	-	4.8
Later than one year and not later than five years	-	17.3
Later than five years	-	1.4
Total	-	23.5

Lease liabilities are related to the company's heavy machinery.

15. Contingent liabilities

MEUR	2021	2020
For own commitments		
Mortgages on rights of tenancy	0.1	0.1
Other securities	-	0.0
Liabilities related to leasing and leases		
Maturity within 1 year	1.5	9.8
Maturity in subsequent years	3.4	31.9
Total	4.9	41.7
For group companies		
Guaranties	29.5	13.5
Bank guarantees required for environmental permits	-	12.4
Other bank guarantees	0.7	4.9
Mortgages under own control		
Company mortgages	0.2	0.2

16. Derivatives**Interest rate swaps**

MEUR	2021	2020
Nominal value	30.0	30.0
Fair value	-0.5	-0.9

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

17. Deferred tax assets

MEUR	2021	2020
Unused depreciation	0.0	1.0
Obligatory provisions	0.3	1.7
Impairment of non-current assets	0.0	0.0
Total	0.3	2.7

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

According to the financial statements, Lassila & Tikanoja plc's unrestricted equity amounts to EUR 67,190,797.35, with the operating profit for the period representing EUR 13,253,020.79 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 0.46 per share be paid for the financial year 2021.

The dividend is to be paid to shareholders included in the company shareholder register maintained by Euroclear Finland Oy on the record date, 21 March 2022. The Board proposes to the Annual General Meeting that the dividend be paid on 28 March 2022.

No dividend shall be paid on share held by the company on the record date of dividend payment, 21 March 2022.

On the day the proposal for the distribution of assets was made, the number of shares entitling to dividend was 38,112,478, which means

the total amount of the dividend would be	EUR 17,531,739.88
To be retained and carried forward	EUR 49,659,057.47
Total	EUR 67,190,797.35

Signatures to the Report of the Board of Directors and the Financial Statements for the year 2021

Helsinki on 26 January 2022

Heikki Bergholm Sakari Lassila Teemu Kangas-Kärki Laura Lares

Jukka Leinonen 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 9 February 2022

KPMG Oy Ab

Leenakaisa Winberg
APA

Auditor's Report

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

To the Annual General Meeting of Lassila & Tikanoja Plc Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lassila & Tikanoja Plc (business identity code 1680140-0) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, 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 financial statements in Finland and comply with statutory requirements.

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

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 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided are disclosed in [note 5.5](#) to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to

evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the 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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER
HOW THE MATTER WAS ADDRESSED IN THE AUDIT
**Impairment of goodwill and other acquisition-related intangible assets
(Accounting policies and Notes 3.1, 3.2 and 5.3 to the consolidated financial statements)**

The Group expands its activities through acquisitions. As a result, the Group's assets include a significant amount of goodwill and other acquisition-related intangible assets. At the year-end 31.12.2021 the Group had €172.1 million in goodwill and €18.6 million in other acquisition-related intangible assets.

In 2021 Lassila & Tikanoja acquired company Sihvari Oy for €17.0 million. Goodwill arising from the acquisition was €12.8 million and €6.0 million was allocated to separately identifiable intangible assets.

Acquisition accounting requires the fair value of the acquired assets and liabilities at the acquisition date to be determined. This involved complex valuation considerations and management judgment.

Goodwill and other intangible assets are tested for impairment annually.

Estimating future cash flows in impairment tests involves a significant amount of management judgment in respect of profitability, long-term growth rate and discount rates, among others.

Overall, due to the high level of management judgment involved, and the significant carrying amounts involved, impairment of goodwill and other acquisition-related intangible assets is considered one of the key areas of our audit.

With the involvement of KPMG valuation specialists, we have challenged the anticipated future performance and evaluated key assumptions made by management in preparing the purchase price allocation.

We have performed audit procedures on the acquired opening balances.

Our audit procedures regarding impairment testing included, among others:

- We evaluated the key assumptions used in respect of profitability levels, discount rate and long-term growth rate.
- We involved KPMG valuation specialists when considering the appropriateness of the assumptions used by comparing to external market and industry data, and to test the technical accuracy of the calculations.

In addition, we considered the appropriateness of the related notes to the consolidated financial statements.

THE KEY AUDIT MATTER
HOW THE MATTER WAS ADDRESSED IN THE AUDIT
**Revenue recognition
(Accounting policies and Notes 1.1 and 1.2 to the consolidated financial statements)**

Revenue recognition is one of our focus areas for example due to following:

- Revenue consists of numerous individual service transactions generated in multiple business locations.
- Volumes of sales transactions processed in several IT systems are substantial. The Group also uses a number of service pricing models and client contract templates.
- The collection of basic data for invoicing purposes is based on various processes and IT systems, too.
- Partly due to the nature of business the user rights in the sales-related IT systems are relatively extensive.

Our audit procedures covered assessment of the sales-related internal control environment, as well as testing of the operating effectiveness of the associated key controls. We also carried out both analytical audit procedures and test of details.

Audit procedures included key person interviews in order to obtain an understanding of the whole process and to assess the appropriateness of the revenue recognition principles and practices applied. We also assessed the accuracy of the recognition of revenues on accrual basis.

In addition, we considered the appropriateness of the Group's disclosures in respect of revenues.

THE KEY AUDIT MATTER**HOW THE MATTER WAS ADDRESSED IN THE AUDIT****Accounting of employee benefits
(Accounting policies and Notes 1.3 and 5.4 to the consolidated financial statements)**

Accounting of employee benefits is one of our focus areas for example due to following:

- The Group operates in highly labor-intensive business and accordingly significant part of the Group's operating expenses consists of employee-related costs.
- The collection of basic payroll data is carried out in numerous business locations using service line specific processes. Respectively, the number of individuals involved in the payroll process is high.
- Considering the above-mentioned circumstances, the importance of the control environment is emphasized when ensuring the correctness of the Group's financial reporting.

Our audit procedures covered assessment of the payroll internal control environment and testing the operating effectiveness of the related key controls.

In addition, we carried out both analytical and substantive audit procedures that included testing of individual payroll transactions and comparing the cost accruals recognized at year-end to the confirmations obtained from external parties.

In addition, we considered the appropriateness of the Group's disclosures in respect of employee benefits.

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 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 cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 15 March 2012, and our appointment represents a total period of uninterrupted engagement of 10 years.

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 Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. 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 and 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 that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the members of the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Helsinki 9 February 2022

KPMG OY AB

Leenakaisa Winberg

Authorised Public Accountant, KHT



LEADER OF THE REGENERATIVE SOCIETY

Lassila & Tikanoja Plc

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