

## LASSILA & TIKANOJA PLC INTERIM REPORT JANUARY 1 – 31 MARCH 2002

- Net sales: EUR 61.0 million (EUR 58.1 million)
- Operating profit: EUR 4.3 million (EUR 5.2 million)
- Earnings/share: EUR 0.14 (EUR 0.19)
- Return on invested capital (ROI): 10.5 % (12.5 %)

### FINANCIAL RESULTS

Lassila & Tikanoja's net sales increased by 4.9 %. Nearly all of this growth was organic. Earnings per share for the first quarter declined by 26.3 % and stood at EUR 0.14. The profits were reduced by slowing down of building activity as well as costs of marketing, sales and pensions exceeding those incurred during the first quarter of the previous year. Growth in net sales was hindered by a shortage of sales personnel at the end of last year. Mikon Oy Laatupalvelut, a cleaning company specialising in food industry hygiene, was acquired in March.

Net sales from Environmental Services (waste management, recycling services, environmental products) increased by 4.0 % and operating profit decreased by 14.1 %. The decline in profitability was due to a lower volume of recycling services and a rise in transport costs. The volume of materials handled declined as construction in particular decreased. During the current year, priority will be on improving the efficiency of industrial treatment.

Net sales from Property Services (property management and cleaning) increased by 6.8 % and operating profit decreased by 22.1 %. Operating profit from cleaning services improved in both absolute and relative terms, while that from property maintenance deteriorated. The profit from property management was reduced by snow removal costs that exceeded those of the previous year. New production planning and control methods will be introduced throughout the property management service network this year.

Net sales from Industrial Services (hazardous waste management, industrial cleaning, damage repair services and sewer maintenance) increased by 3.7 %. Net sales from all product lines increased with the exception of industrial cleaning, the net sales of which decreased in March. Sales did, however, return quickly to a normal level. Operating profit decreased by 52.2 % due to a rapid decline in the volume of industrial cleaning to which production could not be adjusted quickly enough. The costs of occupational disability pension contributions were also considerably higher than those of first quarter 2001. In the case of sewer maintenance and damage repair services, financial performance improved.

### FINANCING

Interest-bearing liabilities amounted to EUR 11.7 million less than a year earlier and to EUR 0.1 million less than at the end of the previous financial year. Net financial expenses were 1.5 % of net sales and 21.9 % of operating profit. EUR 1.2 million was tied up in working capital during the review period. The equity ratio was 38.5 % (33.0%) and the gearing rate was 85.6 (142.7). The figures are not comparable as such, because the dividends were paid in April this year while in March last year. Investments were financed out of cash flow from operations.

### INVESTMENTS

The Group's gross investments totalled EUR 3.8 million, compared with EUR 2.4 million a year ago. Machinery and equipment were renewed and Mikon Oy Laatupalvelut, a cleaning company specialising in food industry hygiene, was acquired. Depreciations (EUR 5.4 million) were significantly higher than investments.

### ADMINISTRATION

The Annual General Meeting held on 9 April, 2002, re-elected Lasse Kurkilahti and Soili Suonoja to the Board of Directors for the period 2002-2003. The Board of Directors comprises the following persons: Heikki Hakala, Lasse Kurkilahti, Juhani Lassila, Juhani Maijala and Soili Suonoja. Juhani Maijala is Chairman and Heikki Hakala Vice Chairman of the Board of Directors.

PricewaterhouseCoopers Oy, Authorized Public Accountants, were elected auditors.

## **AUTHORISATION FOR THE BOARD OF DIRECTORS**

The Board of Directors is not authorized to effect any shares issues or to launch a convertible bond or a bond with warrants.

## **COMPANY SHARES**

The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Exchanges from January through March was 263,966, which is 1.7 % of the number of shares. The value of trading was EUR 5.3 million. The trading price varied between EUR 18.00 and EUR 21.00. The final trading price was EUR 20.30. The market capitalisation on 31 March, 2002 was EUR 321.3 million. The total number of shares is 15,826,308.

## **STOCK OPTION SCHEME**

The Annual General Meeting decided to issue stock options to key personnel of the Lassila & Tikanoja Group and to a wholly-owned subsidiary of Lassila & Tikanoja plc.

Lassila & Tikanoja plc shall issue a maximum of 400,000 stock options of which 130,000 will be marked as '2002A', 130,000 as '2002B' and 140,000 as '2002C'. The subscription period specified by the Board of Directors is from 22 April to 24 May, 2002.

Each stock option entitles its holder to subscribe for one share of Lassila & Tikanoja plc. To each share one voting right is attached. As a result of such share subscription, the number of shares of Lassila & Tikanoja plc may increase by a maximum of 400,000 new shares, which is 2.5 % of the current total number of shares and voting rights.

The share subscription periods for the 2002A stock options is from May 2, 2004 until October 30, 2005, for the 2002B stock options from May 2, 2005 until October 30, 2006 and for the 2002C stock options from May 2, 2006 until October 30, 2007. The share subscription price for the 2002A stock options shall be the trade volume weighted average price of the Company's share on the Helsinki Exchanges in May 2002, for the 2002B stock options the trade volume weighted average price of the Company's share on the Helsinki Exchanges in May 2003 and for the 2002C stock options shall be the trade volume weighted average price of the Company's share on the Helsinki Exchanges in May 2004, each price being rounded off to the nearest cent.

The shares shall entitle their holders to a dividend for the financial year during which the shares have been subscribed for.

## **SUMMARY OF OTHER STOCK EXCHANGE BULLETINS IN CONFORMANCE WITH ARTICLE 7, CHAPTER 2 OF THE SECURITIES MARKETS ACT**

On 5 March, 2002 the Company announced that Säkkipäline Oy, subsidiary of Lassila & Tikanoja plc, will merge into the parent company on 1 April, 2002. After the merger, the business will be conducted under the name Lassila & Tikanoja plc and the company will launch a house brand, L&T.

## **PROSPECTS FOR THE REST OF THE YEAR**

Demand for the Group's services is estimated to increase also this year at a higher rate than the GDP. The market outlook is one of guarded optimism. Customer purchasing behaviour, however, is still cautious.

Net sales are expected to grow during the rest of the year more rapidly than at the beginning of the year. Reaching the long-term average growth target (more than 10%) will require company acquisitions during the first half of the year. Performance for the entire year cannot be predicted on the basis of the lower financial results recorded during the first quarter, since the effect of random factors is significant during the first few months of the year. Profits for the entire year are expected to develop favourably, although higher marketing costs caused by the change of the name will have an adverse effect on the company's financial performance this year.

## STATEMENT OF INCOME

EUR 1000	1-3/2002	%	1-3/2001	%	Change %	1-12/2001	%
<b>Net sales</b>	<b>60 967</b>	<b>100.0</b>	58 113	100.0	4,9	245 818	100.0
Cost of goods sold	<b>-51 318</b>	<b>-84.2</b>	-48 626	-83.7	5,5	-201 853	-82.1
<b>Gross profit</b>	<b>9 649</b>	<b>15.8</b>	9 487	16.3	1,7	43 965	17.9
Sales and marketing expenses	<b>-1 902</b>	<b>-3.1</b>	-1 193	-2.1		-5 447	-2.2
Administration expenses	<b>-2 190</b>	<b>-3.6</b>	-1 744	-3.0		-7 294	-3.0
Other operating income and expenses	<b>72</b>	<b>0.1</b>	32	0.1		563	0.2
<b>Profit before depreciation on goodwill</b>	<b>5 629</b>	<b>9.2</b>	6 582	11.3	-14,5	31 787	12.9
Depreciation on goodwill	<b>-1 372</b>	<b>-2.3</b>	-1 375	-2.4		-5 499	-2.2
<b>Operating profit</b>	<b>4 257</b>	<b>7.0</b>	5 207	9.0	-18,2	26 288	10.7
Financial income and expenses	<b>-931</b>	<b>-1.5</b>	-1 351	-2.3	-31,1	-4 794	-2.0
<b>Profit before extraordinary items</b>	<b>3 326</b>	<b>5.5</b>	3 856	6.6	-13,7	21 494	8.7
Extraordinary items							
<b>Profit before income taxes</b>	<b>3 326</b>	<b>5.5</b>	3 856	6.6	-13,7	21 494	8.7
Income taxes	<b>-1 136*</b>	<b>-1.9</b>	-898*	-1.5		-6 674	-2.7
Minority interests			-14			24	
<b>Profit for the Period</b>	<b>2 190</b>	<b>3.6</b>	2 944	5.1	-25,6	14 844	6.0

\* Taxes on the profit for the period under review.

## BALANCE SHEET

EUR 1000	3/2002	3/2001	12/2001
<b>Assets</b>			
Fixed assets			
Intangible assets			
Tangible assets	<b>81 583</b>	85 392	81 607
Financial assets	<b>79 838</b>	83 602	81 536
Fixed assets, total	<b>3 397</b>	2 527	3 395
	<b>164 818</b>	171 521	166 538
Current assets			
Inventories	<b>1 914</b>	1 809	1 726
Non-current receivables	<b>1</b>	20	1
Current receivables	<b>30 133</b>	31 594	28 546
Cash at bank and in hand	<b>15 333</b>	176	12 305
Current assets, total	<b>47 381</b>	33 599	42 578
Assets, total	<b>212 199</b>	205 120	209 116
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity			
Share capital	<b>7 913</b>	7 913	7 913
Other restricted equity	<b>7 518</b>	7 518	7 518
Equity share of accumulated appropriations	<b>730</b>	1 746	2 179
Other unrestricted equity	<b>65 622</b>	50 515	61 983
Shareholders' equity, total	<b>81 783</b>	67 692	79 593
Minority interests		38	
Provisions	<b>526</b>	1 160	526
Liabilities			
Deferred tax liability	<b>4 430</b>	6 326	4 957
Non-current liabilities	<b>76 138</b>	85 582	76 234
Current liabilities	<b>49 322</b>	44 322	47 806
Liabilities, total	<b>129 890</b>	136 230	128 997
Shareholders' equity and liabilities, total	<b>212 199</b>	205 120	209 116

**KEY FIGURES**

	3/2002	3/2001	12/2001
Earning/share, e	0.14	0.19	0.94
Equity/share, e	5.17	4.28	5.03
Cash flow from operations/share, e	0.49	0.44	2.57
Return on equity (ROE), %	10.9	16.9	19.5
Return on invested capital (ROI), %	10.5	12.5	15.9
Equity ratio, %	38.5	33.0	38.1
Gearing, %	85.6	142.7	91.9
Gross investments, te	3 792	2 362	14 804
Depreciation, te	5 350	5 532	21 962
Net interest-bearing liabilities, te	69 970	96 681	73 138
Average personnel converted to full-time	3 589	3 385	3 676

**CASH FLOW STATEMENT**

EUR 1000	3/2002	3/2001	12/2001
Cash flow before change in working capital	9 500	10 718	47 772
Change in working capital	-1 177	-2 042	719
Financial items and taxes	-490	-1 713	-7 769
<b>Cash flow from operations</b>	<b>7 833</b>	<b>6 963</b>	<b>40 722</b>
Investments in Group companies	-1 607		-316
Other investments	-3 327	-4 338	-15 655
Proceeds from sale of fixed assets	270	175	1 637
<b>Cash flow from investing activities</b>	<b>-4 664</b>	<b>-4 163</b>	<b>-14 334</b>
Dividends paid		7 913	-7 913
Change in interest-bearing liabilities	-140	2 144	-9 315
<b>Change in cash and cash equivalents</b>	<b>3 029</b>	<b>-2 969</b>	<b>9 160</b>

**FIGURES BY DIVISION****NET SALES**

EUR 1000	3/2002	3/2001	Change %	12/2001
Environmental Services	27 340	26 290	4.0	113 087
Property Services	21 674	20 301	6.8	79 836
Industrial Services	11 953	11 522	3.7	52 895
Total	60 967	58 113	4.9	245 818

**OPERATING PROFIT**

	3/2002	% of net sales	3/2001	% of net sales	12/2001	% of net sales
	EUR 1000		EUR 1000		EUR 1000	
Environmental Services	2 881	10.5	3 352	12,8	13 515	12,0
Property Services	1 267	5.8	1 627	8,0	7 659	9,6
Industrial Services	109	0.9	228	2,0	5 114	9,7
Total	4 257	7.0	5 207	9,0	26 288	10,7

## QUARTERLY FIGURES

	I/2002	IV/2001	III/2001	II/2001
<b>Net sales</b>				
Environmental Services	27 340	28 959	28 681	29 157
Property Services	21 674	20 246	19 680	19 609
Industrial Services	11 953	13 344	13 476	14 553
<b>Total</b>	<b>60 967</b>	<b>62 549</b>	<b>61 837</b>	<b>63 319</b>
<b>Operating profit</b>				
Environmental Services	2 881	2 574	4 218	3 371
Property Services	1 267	1 700	2 994	1 338
Industrial Services	109	964	1 934	1 988
<b>Total</b>	<b>4 257</b>	<b>5 238</b>	<b>9 146</b>	<b>6 697</b>
<b>Net financial expenses</b>	<b>-931</b>	<b>-931</b>	<b>-1 334</b>	<b>-1 178</b>
<b>Profit before extraordinary items</b>	<b>3 326</b>	<b>4 307</b>	<b>7 812</b>	<b>5 519</b>
<b>Operating margin</b>				
Environmental Services	10.5	8.9	14.7	11.6
Property Services	5.8	8.4	15.2	6.8
Industrial Services	0.9	7.2	14.4	13.7
<b>L&amp;T Group</b>	<b>7.0</b>	<b>8.4</b>	<b>14.8</b>	<b>10.6</b>

	I/2001	IV/2000	III/2000	II/2000
<b>Net sales</b>				
Environmental Services	26 290	27 106	27 683	22 936
Property Services	20 301	18 729	18 405	18 896
Industrial Services	11 522	13 416	14 227	12 365
<b>Total</b>	<b>58 113</b>	<b>59 251</b>	<b>60 315</b>	<b>54 197</b>
<b>Operating profit</b>				
Environmental Services	3 352	1 762	2 607	3 060
Property Services	1 627	1 841	1 512	609
Industrial Services	228	1 037	2 317	2 125
<b>Total</b>	<b>5 207</b>	<b>4 640</b>	<b>6 436</b>	<b>5 794</b>
<b>Net financial expenses</b>	<b>-1 351</b>	<b>-1 169</b>	<b>-1 323</b>	<b>-1 013</b>
<b>Profit before extraordinary items</b>	<b>3 856</b>	<b>3 471</b>	<b>5 113</b>	<b>4 781</b>
<b>Operating margin</b>				
Environmental Services	12.8	6.5	9.4	13.3
Property Services	8.0	9.8	8.2	3.2
Industrial Services	2.0	7.7	16.3	17.2
<b>L&amp;T Group</b>	<b>9.0</b>	<b>7.8</b>	<b>10.7</b>	<b>10.7</b>

## CONTINGENT LIABILITIES

EUR 1000	3/2002	3/2001	12/2001
<b>Security for company liabilities</b>			
Pledges	25	22 723	25
Real estate mortgages	3 445	3 656	3 613
<b>Liabilities</b>			
Leasing payments and liabilities	360	328	360

**DERIVATIVE CONTRACTS**

EUR 1000	3/2002	3/2001	12/2001
<b>Interest rate swaps</b>			
Nominal values	52 000	52 000	52 000
Market value	-970	-984	-1 410

The figures have not been audited. The figures for the previous years are pro forma.

Helsinki, 23 April, 2002

LASSILA & TIKANOJA PLC  
Board of Directors