

LASSILA & TIKANOJA INTERIM REPORT 1 JANUARY – 30 JUNE 2002

- Net sales: EUR 128.0 million (EUR 121.4 million)
- Operating profit: 10.1 EUR million (EUR 11.9 million)
- Earnings/share: EUR 0.35 (EUR 0.40)
- Return on invested capital (ROI): 12.8 per cent (14.5 %)

FINANCIAL RESULTS

Lassila & Tikanoja net sales for the first half of the year increased by 5.4 per cent. About 4 percentage points of this growth was organic. Earnings per share stood at EUR 0.35 (EUR 0.40). Efficiency was boosted in production generally, improving the gross profit and the figure as a percentage of net sales. The costs of marketing, sales and administration exceeded the figure incurred for the first half of the previous year, however, and thus reduced net profit. One-off costs caused by changing the company's operating name were about EUR 1.5 million. Growth in net sales was hindered by a shortage of sales personnel around the end of the year. During the review period, sales resources were strengthened significantly, which showed clearly in costs but not much in net sales. The increase in administrative costs was a result of expenses arising from operating as a listed company, which come to about EUR 1 million per year, an item not appearing in last year's figures. Three minor company acquisitions took place during the review period.

Net sales from Environmental Services (waste management, recycling services, environmental products) increased by 5.2 per cent. Operating profit amounted to EUR 6.7 million (EUR 6.7 million). The decline in profitability was due to higher marketing and administrative costs. Efficiency improved, particularly in waste management operations. Performance in the recycling services was burdened slightly by the postponement of tyre shred deliveries to the second half of the year. During the current year, priority will be given to improving the efficiency of industrial treatment. Net sales from environmental products increased and profitability improved.

Net sales from Property Services (property management and cleaning) increased by 8.3 per cent. Operating profit declined and amounted to EUR 1.8 million (EUR 3.0 million). The decline was due to the poor performance of property management and higher marketing and administrative costs. The poor financial result for property management arose mainly from unsatisfactory production control, especially in managing subcontracting costs. The introduction of new production planning and control methods started in property management last year will be continued even more intensively this year.

Net sales from Industrial Services (hazardous waste management, industrial cleaning, damage repair services and sewer maintenance) increased by 1.4 per cent. Net sales from all product lines increased, with the exception of industrial cleaning. Operating profit decreased and stood at EUR 1.6 million (EUR 2.2 million), primarily due to higher marketing and administrative costs and a rapid decline in the volume of industrial cleaning early in the year to which production could not be adjusted sufficiently rapidly. The costs of occupational disability pension contributions were also considerably higher than in the first half of 2001. Efficiency in industrial cleaning improved during the second quarter.

FINANCING

Interest-bearing liabilities amounted to EUR 9.1 million less than a year earlier and to EUR 4.4 million less than at the end of the previous financial year. Net financial expenses were 1.5 per cent of net sales and 18.4 per cent of operating profit. EUR 0.5 million in working capital was released during the review period. The equity ratio was 37.5 per cent (35.1%) and the gearing rate was 102.2 (126.8). Investments were financed out of cash flow from operations.

INVESTMENTS

Gross investments totalled EUR 12.6 million, against EUR 6.4 million a year earlier. Machinery and equipment was replaced and three minor company acquisitions made: Mikon Oy Laatupalvelut (specialising in food industry hygiene cleaning), and the business operations of Jyväskylän Ykkös-Siivous Oy (a cleaning company) and Pahvipojat Oy (collecting and recycling paper and paperboard). Depreciation came to EUR 10.7 million.

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 authorised 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 June was 578,871, which is 3.7 per cent of the number of shares. The value of trading was EUR 11.5 million. The trading price varied between EUR 18.00 and EUR 22.25. The final trading price was EUR 19.00. The market capitalisation on 30 June 2002 was EUR 300.7 million. The total number of shares is 15,826,308.

STOCK OPTION SCHEME

The Annual General Meeting of 9 April 2002 decided to issue stock options to key personnel of Lassila & Tikanoja 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 was from 22 April to 24 May, 2002. A total of 128,000 2002A stock options were subscribed by the key personnel of Lassila & Tikanoja. The rest of the 2002A stock options and all 2002B and 2002C stock options were subscribed by L&T Advance Oy, a wholly owned subsidiary of Lassila & Tikanoja plc, to be further distributed to the present and future key personnel of Lassila & Tikanoja.

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 per cent 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 subscription price for the 2002A stock options is EUR 19.42.

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

Once again, demand for Lassila & Tikanoja services in 2002 is expected to increase at a higher rate than GDP. The market outlook is, however, not clear. Customers are increasingly aiming to transfer their cost pressures to their service providers.

Net sales are expected to grow more rapidly than early in the year. Growth in net sales will probably be less than 10 per cent. The decline in financial performance was mainly due to one-off expenses that arose from the change of name, and these will slightly detract from the result for the next quarter as well. Performance for the entire year is expected to remain on the same level as in 2001 due to the heightened operating efficiency, and because stronger sales resources and the effect of the company acquisitions are expected to be reflected in the growth of net sales in the latter half of the year.

STATEMENT OF INCOME

EUR 1000	1-6/2002	%	Pro forma 1-6/ 2001	%	Change %	Pro forma 1-12/2001	%
Net sales	128 010	100.0	121 432	100.0	5.4	245 818	100.0
Cost of goods sold	-105 783	-82.6	-101 321	-83.4	4.4	-201 853	-82.1
Gross profit	22 227	17.4	20 111	16.6	10.5	43 965	17.9
Sales and marketing expenses	-5 086	-4.0	-2 570	-2.1		-5 447	-2.2
Administration expenses	-4 366	-3.4	-3 181	-2.6		-7 294	-3.0
Other operating income and expenses	124	0.1	290	0.2		563	0.2
Operating profit before depreciation on goodwill	12 899	10.1	14 650	12.1	-12.0	31 787	12.9
Depreciation on goodwill	-2 804	-2.2	-2 746	-2.3		-5 499	-2.2
Operating profit	10 095	7.9	11 904	9.8	-15.2	26 288	10.7
Financial income and expenses	-1 857	-1.5	-2 529	-2.1	-26.6	-4 794	-2.0
Profit before extraordinary items	8 238	6.4	9 375	7.7	-12.1	21 494	8.7
Extraordinary items							
Profit before income taxes	8 238	6.4	9 375	7.7	-12.1	21 494	8.7
Income taxes	-2 723*	-2.1	-3 091*	-2.5		-6 674	-2.7
Minority interests			-15			24	
Profit for the period	5 515	4.3	6 269	5.2	-12.0	14 844	6.0

* Taxes on the profit for the period under review.

BALANCE SHEET

EUR 1000	6/2002	Pro forma 6/2001	Pro forma 12/2001
Assets			
Fixed assets			
Intangible assets	82 022	84 014	81 607
Tangible assets	82 129	82 376	81 536
Financial assets	3 339	2 973	3 395
Fixed assets, total	167 490	169 363	166 538
Current assets			
Inventories	1 804	1 502	1 726
Non-current receivables	1	20	1
Current receivables	28 734	31 410	28 546
Cash at bank and in hand	3 793	151	12 305
Current assets, total	34 332	33 083	42 578
Assets, total	201 822	202 446	209 116
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	7 913	7 913	7 913
Other restricted equity	7 518	7 518	7 518
Equity share of accumulated appropriations	2 201	1 880	2 179
Other unrestricted equity	57 980	53 700	61 983
Shareholders' equity, total	75 612	71 011	79 593
Minority interests		39	
Provisions	526	705	526
Liabilities			
Deferred tax liability	4 955	6 757	4 957
Non-current liabilities	76 061	80 983	76 234
Current liabilities	44 668	42 951	47 806
Liabilities, total	125 684	130 691	128 997
Shareholders' equity and liabilities, total	201 822	202 446	209 116

KEY FIGURES

	6/2002	Pro forma 6/2001	Pro forma 12/2001
Earning/share, EUR	0.35	0.40	0.94
Equity/share, EUR	4.78	4.49	5.03
Cash flow from operations/share, EUR	1.05	1.07	2.57
Return on equity (ROE), %	14.2	17.5	19.5
Return on invested capital (ROI), %	12.8	14.5	15.9
Equity ratio, %	37.5	35.1	38.1
Gearing, %	102.2	126.8	91.9
Gross investments, EUR 1000	12 624	6 361	14 804
Depreciation, EUR 1000	10 746	10 985	21 962
Net interest-bearing liabilities, EUR 1000	77 292	90 082	73 138
Average personnel converted to full-time	3 878	3 563	3 676

CASH FLOW STATEMENT

UR 1000	6/2002	Pro forma 6/2001	Pro forma 12/2001
Cash flow before change in working capital	20 687	22 660	47 772
Change in working capital	462	-455	719
Financial items and taxes	-4 461	-5 300	-7 769
Cash flow from operations	16 688	16 905	40 722
Investments in group companies	-3 617		-316
Other investments	-8 449	-8 621	-15 655
Proceeds from sale of fixed assets	1 123	1 086	1 637
Cash flow from investing activities	-10 943	-7 535	-14 334
Dividends paid	-9 484	-7 913	-7 913
Change in interest-bearing liabilities	-4 773	-4 451	-9 315
Cash flow from financing	-14 257	-12 364	-17 228
Change in cash and cash equivalents	-8 512	-2 994	9 160

FIGURES BY DIVISION**NET SALES**

EUR 1000	6/2002	Pro forma 6/2001	Change %	Pro forma 12/2001
Environmental Services	58 357	55 447	5.2	113 087
Property Services	43 217	39 910	8.3	79 836
Industrial Services	26 436	26 075	1.4	52 895
Total	128 010	121 432	5.4	245 818

OPERATING PROFIT

	6/2002	% of net sales	Pro forma 6/2001	% of net sales	Pro forma 12/2001	% of net sales
	EUR 1000		EUR 1000		EUR 1000	
Environmental Services	6 673	11.4	6 723	12.1	13 515	12.0
Property Services	1 839	4.3	2 965	7.4	7 659	9.6
Industrial Services	1 583	6.0	2 216	8.5	5 114	9.7
Total	10 095	7.9	11 904	9.8	26 288	10.7

QUARTERLY FIGURES

EUR 1000	II/2002	I/2002	IV/2001	Pro forma III/2001
Net sales				
Environmental Services	31 017	27 340	28 959	28 681
Property Services	21 543	21 674	20 246	19 680
Industrial Services	14 483	11 953	13 344	13 476
Total	67 043	60 967	62 549	61 837
Operating profit				
Environmental Services	3 792	2 881	2 574	4 218
Property Services	572	1 267	1 700	2 994
Industrial Services	1 474	109	964	1 934
Total	5 838	4 257	5 238	9 146
Net financial expenses	-926	-931	-931	-1 334
Profit before extraordinary items	4 912	3 326	4 307	7 812
Operating margin				
Environmental Services	12.2	10.5	8.9	14.7
Property Services	2.7	5.8	8.4	15.2
Industrial Services	10.2	0.9	7.2	14.4
Lassila & Tikanoja	8.7	7.0	8.4	14.8

	Pro forma II/2001	Pro forma I/2001	Pro forma IV/2000	Pro forma III/2000
Net sales				
Environmental Services	29 157	26 290	27 106	27 683
Property Services	19 609	20 301	18 729	18 405
Industrial Services	14 553	11 522	13 416	14 227
Total	63 319	58 113	59 251	60 315
Operating profit				
Environmental Services	3 371	3 352	1 762	2 607
Property Services	1 338	1 627	1 841	1 512
Industrial Services	1 988	228	1 037	2 317
Total	6 697	5 207	4 640	6 436
Net financial expenses	-1 178	-1 351	-1 169	-1 323
Profit before extraordinary items	5 519	3 856	3 471	5 113
Operating margin				
Environmental Services	11.6	12.8	6.5	9.4
Property Services	6.8	8.0	9.8	8.2
Industrial Services	13.7	2.0	7.7	16.3
Lassila & Tikanoja	10.6	9.0	7.8	10.7

CONTINGENT LIABILITIES

EUR 1000	6/2002	Pro forma 6/2001	Pro forma 12/2001
Security for company liabilities			
Pledges	91	22 723	25
Real estate mortgages	3 798	3 656	3 613
Liabilities			
Leasing payments and liabilities	412	289	360

DERIVATIVE CONTRACTS

EUR 1000	6/2002	Pro forma 6/2001	Pro forma 12/2001
Interest rate swaps			
Nominal values	52 000	52 000	52 000
Market value	-1 117	-709	-1 410

The figures have not been audited.

Lassila & Tikanoja plc was registered on 30 September 2001, when Lassila & Tikanoja plc (former) was demerged into two new listed companies, Lassila & Tikanoja plc and ja J.W. Suominen Group plc. The financial data for the financial year 1 January to 31 December 2001 and for the time before the demerger consist of pro forma figures. They are based on the financial statements of the former Lassila & Tikanoja Group for the period from 1 January 1997 to 30 September 2001 and on the financial statements of the new Lassila & Tikanoja group for the period from 30 September to 31 December 2001. They have been calculated as if the demerger had taken place on 1 January 1997. The pro forma calculation principles are explained in detail in the Demerger Prospectus/Tender Offer Document of 1 March 2001, updated 26 September 2001.

Helsinki, 23 July, 2002

LASSILA & TIKANOJA PLC
Board of Directors