



LASSILA & TIKANOJA PLC

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LASSILA & TIKANOJA PLC INTERIM REPORT 1 JANUARY – 30 SEPTEMBER 2002

- Net sales: EUR 198.3 million (EUR 183.3 million)
- Operating profit: EUR 21.0 million (EUR 21.1 million)
- Earnings/share: EUR 0.78 (EUR 0.73)
- Return on invested capital (ROI): 17.2% (16.8%)

NET SALES AND RESULTS

Lassila & Tikanoja net sales in the third quarter totalled EUR 70.3 million (EUR 61.8 million). Gross profit came to EUR 15.9 million (EUR 13.5 million), corresponding to 22.6% of net sales (21.9%). Operating profit was EUR 10.9 million (EUR 9.2 million) and operating margin 15.5% (14.8%).

Net sales for January-September came to EUR 198.3 million, an increase of 8.2%. Over 5 percentage points of this growth was organic. Organic growth was boosted during the third quarter due to strengthening of sales resources early in the year and large damage repair assignments. Profit before income taxes was EUR 18.2 million (EUR 17.2 million). Earnings per share came to EUR 0.78 (EUR 0.73). Efficiency was boosted in operations generally, improving the gross profit and the figure as a percentage of net sales. Nine minor company acquisitions took place during the review period.

The costs of marketing, sales and administration were significantly higher than during the corresponding period in 2001. This was mostly due to costs caused by changing the company's operating name (about EUR 1.5 million) and to the fact that the costs arising from operating as a listed company were not included in last year's figures. These costs were divided by divisions and they reduced the net profits of all divisions.

Net sales from Environmental Services (waste management, recycling, environmental products) totalled EUR 90.5 million, an increase of 7.6%. Operating profit came to EUR 12.1 million (EUR 10.9 million). The rise in profitability was due to greater efficiency in waste management operations and larger deliveries of recycled materials. Development focuses on increasing waste recovery capacity and improving the efficiency of industrial treatment. Net sales from environmental products increased significantly and profitability improved.

Net sales from Property Services (property maintenance and cleaning) came to EUR 64.9 million (EUR 59.6 million), an increase of 9.0%. Operating profit was EUR 4.5 million (EUR 6.0 million). Operating profit from the cleaning services was good although higher pension costs than in 2001 cut at profits. The performance of the division did not reach the level of the previous year, however. The decline of operating profit was mainly due to the poor performance of property maintenance during the first half of the year. During the third quarter, performance of property maintenance improved significantly, thanks to new production planning and control methods and production intensification measures taken in the summer.

Net sales from Industrial Services (hazardous waste management, industrial cleaning, damage repair services and sewer maintenance) totalled EUR 42.9 million (EUR 39.5 million). It grew by 8.4%. Net sales from all product lines increased, with the exception of industrial cleaning. The growth was primarily due to large damage repair assignments and company acquisitions. The operating profit was EUR 4.4 million (EUR 4.2 million). As measured by gross profit, efficiency improved in operations in all product lines. The performance was burdened with increased subcontracting costs arising from variations in volumes.

FINANCING

Interest-bearing liabilities amounted to EUR 9.0 million less than a year earlier and to EUR 4.7 million less than at the end of the previous financial year. Net financial expenses were 1.4% of net sales and 13.4% of operating profit. EUR 2.8 million was tied up in working capital during the review period (EUR 4.2 million). The equity ratio was 39.1%(36.6%)and the gearing rate was 91.6 (109.8). Investments were financed out of cash flow from operations.

INVESTMENTS

Gross investments totalled EUR 22.7 million (EUR 8.5 million), of which EUR 9.8 million were acquisitions. Machinery and equipment was replaced and minor company acquisitions made. Depreciation came to EUR 16.4 million.

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 September was 1,192,305, which is 7.5% of the number of shares. The value of trading was EUR 21.8 million. The trading price varied between EUR 15.00 and EUR 22.25. The final trading price was EUR 15.00. The market capitalisation was EUR 237.4 million on 30 September 2002. The total number of shares is 15,826,308.

SUMMARY OF STOCK EXCHANGE RELEASES 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.

On 9 April 2002 the Company issued a stock exchange release giving the decisions of the Annual General Meeting:

The AGM 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.

The AGM decided to issue stock options to key personnel of Lassila & Tikanoja and to a wholly-owned subsidiary of Lassila & Tikanoja plc.

The Company shall issue a maximum of 400,000 stock options. 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. So far the key persons have been entitled to subscribe for 128,000 stock options. The share subscription price for these options is EUR 19.42.

On 15 October 2002 the Company issued a stock exchange release giving preliminary information on the third quarter result.

PROSPECTS FOR THE REST OF THE YEAR

Demand for Lassila & Tikanoja services in 2002 is expected to keep increasing at a higher rate than GDP. Net sales are expected to keep growing during the last quarter compared to the corresponding period last year. The growth for the entire year is expected to be at the current eight per cent level. Performance for the entire year is expected to be on the same level as in 2001, though slightly better.

STATEMENT OF INCOME

EUR 1000	1-9/2002	%	Pro forma 1-9/2001	%	Change %	Pro forma 1-12/2001	%
Net sales	198 326	100	183 269	100	8.2	245 818	100
Cost of goods sold	-160 207	-80.8	-149 633	-81.6	7.1	-201 853	-82.1
Gross profit	38 119	19.2	33 636	18.4	13.3	43 965	17.9
Sales and marketing expenses	-6 593	-3.3	-3 819	-2.1		-5 447	-2.2
Administration expenses	-6 367	-3.2	-4 982	-2.7		-7 294	-3.0
Other operating income and expenses	173	0.1	334	0.2		563	0.2
Operating profit before depreciation on goodwill	25 332	12.8	25 169	13.7	0.6	31 787	12.9
Depreciation on goodwill	-4 317	-2.2	-4 119	-2.2		-5 499	-2.2
Operating profit	21 015	10.6	21 050	11.5	-0.2	26 288	10.7
Financial income and expenses	-2 811	-1.4	-3 863	-2.1	-27.2	-4 794	-2.0
Profit before extraordinary items	18 204	9.2	17 187	9.4	5.9	21 494	8.7
Extraordinary items							
Profit before income taxes	18 204	9.2	17 187	9.4	5.9	21 494	8.7
Income taxes	-5 756*	-2.9	-5 637*	-3.1		-6 674	-2.7
Minority interests	-36		-26			24	
Profit for the period	12 412	6.3	11 524	6.3	7.7	14 844	6.0

* Taxes on the profit for the period under review.

BALANCE SHEET EUR 1000	9/2002	Pro forma 9/2001	Pro forma 12/2001
Assets			
Fixed assets			
Intangible assets	83 187	82 614	81 607
Tangible assets	85 259	79 833	81 536
Financial assets	3 466	3 399	3 395
Fixed assets, total	171 912	165 846	166 538
Current assets			
Inventories	2 409	1 495	1 726
Non-current receivables	1	12	1
Current receivables	34 520	35 398	28 546
Cash at bank and in hand	4 373	5 993	12 305
Current assets, total	41 303	42 898	42 578
Assets, total	213 215	208 744	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	2 077		2 179
Other unrestricted equity	65 001	60 837	61 983
Shareholders' equity, total	82 509	76 268	79 593
Minority interests	839	50	
Provisions	526	544	526
Liabilities			
Deferred tax liability	5 438	3 893	4 957
Non-current liabilities	71 563	80 641	76 234
Current liabilities	52 340	47 348	47 806
Liabilities, total	129 341	131 882	128 997
Shareholders' equity and liabilities, total	213 215	208 744	209 116

KEY FIGURES

	9/2002	Pro forma 9/2001	Pro forma 12/2001
Earnings/share, EUR	0.78	0.73	0.94
Equity/share, EUR	5.21	4.82	5.03
Cash flow from operations/share, EUR	1.64	1.58	2.57
Return on equity (ROE), %	20.4	20.7	19.5
Return on invested capital (ROI), %	17.2	16.8	15.9
Equity ratio, %	39.1	36.6	38.1
Gearing, %	91.6	109.8	91.9
Gross investments, EUR 1000	22 742	8 479	14 804
Depreciation, EUR 1000	16 396	16 511	21 962
Net interest-bearing liabilities, EUR 1000	76 384	83 783	73 138
Average personnel converted to full-time	3 857	3 676	3 676

CASH FLOW STATEMENT

EUR 1000

	9/2002	Pro forma 9/2001	Pro forma 12/2001
Cash flow before change in working capital	37 144	37 219	47 772
Change in working capital	-2 795	-4 233	719
Financial items and taxes	-8 434	-8 001	-7 769
Cash flow from operations	25 915	24 985	40 722
Investments in group companies	-7 809		-316
Other investments	-12 193	-10 645	-15 655
Proceeds from sale of fixed assets	1 245	1 358	1 637
Cash flow from investing activities	-18 757	-9 287	-14 334
Dividends paid	-9 484	-7 913	-7 913
Change in interest-bearing liabilities	-5 616	-4 937	-9 315
Cash flow from financing	-15 100	-12 850	-17 228
Change in cash and cash equivalents	-7 942	2 848	9 160

FIGURES BY DIVISION**NET SALES**

EUR 1000

	9/2002	Pro forma 9/2001	Change %	Pro forma 12/2001
Environmental Services	90 508	84 128	7.6	113 087
Property Services	64 927	59 590	9.0	79 836
Industrial Services	42 891	39 551	8.4	52 895
Total	198 326	183 269	8.2	245 818

OPERATING PROFIT

	9/2002 EUR 1000	% of net sales	Pro forma 9/2001 EUR 1000	% of net sales	Pro forma 12/2001 EUR 1000	% of net sales
Environmental Services	12 137	13.4	10 941	13.0	13 515	12.0
Property Services	4 525	7.0	5 959	10.0	7 659	9.6
Industrial Services	4 353	10.1	4 150	10.5	5 114	9.7
Total	21 015	10.6	21 050	11.5	26 288	10.7

QUARTERLY FIGURES

EUR 1000	Q302	Q202	Q102	Q401
Net sales				
Environmental Services	32 151	31 017	27 340	28 959
Property Services	21 710	21 543	21 674	20 246
Industrial Services	16 455	14 483	11 953	13 344
Total	70 316	67 043	60 967	62 549
Operating profit				
Environmental Services	5 464	3 792	2 881	2 574
Property Services	2 686	572	1 267	1 700
Industrial Services	2 770	1 474	109	964
Total	10 920	5 838	4 257	5 238
Net financial expenses	-954	-926	-931	-931
Profit before extraordinary items	9 966	4 912	3 326	4 307
Operating margin				
Environmental Services	17.0	12.2	10.5	8.9
Property Services	12.4	2.7	5.8	8.4
Industrial Services	16.8	10.2	0.9	7.2
Lassila & Tikanoja	15.5	8.7	7.0	8.4

	Pro forma Q301	Pro forma Q201	Pro forma Q101	Pro forma Q400
Net sales				
Environmental Services	28 681	29 157	26 290	27 106
Property Services	19 680	19 609	20 301	18 729
Industrial Services	13 476	14 553	11 522	13 416
Total	61 837	63 319	58 113	59 251
Operating profit				
Environmental Services	4 218	3 371	3 352	1 762
Property Services	2 994	1 338	1 627	1 841
Industrial Services	1 934	1 988	228	1 037
Total	9 146	6 697	5 207	4 640
Net financial expenses	-1 334	-1 178	-1 351	-1 169
Profit before extraordinary items	7 812	5 519	3 856	3 471
Operating margin				
Environmental Services	14.7	11.6	12.8	6.5
Property Services	15.2	6.8	8.0	9.8
Industrial Services	14.4	13.7	2.0	7.7
Lassila & Tikanoja	14.8	10.6	9.0	7.8

CONTINGENT LIABILITIES

EUR 1000	9/2002	Pro forma 9/2001	Pro forma 12/2001
Security for company liabilities			
Pledges	96	22 723	25
Real estate mortgages	3 714	3 656	3 613
Liabilities			
Leasing payments and liabilities	411	256	360

DERIVATIVE CONTRACTS

EUR 1000	9/2002	Pro forma 9/2001	Pro forma 12/2001
Interest rate swaps			
Nominal values	52 000	52 000	52 000
Market value	-2 177	-1 789	-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, 22 October 2002

LASSILA & TIKANOJA PLC
Board of Directors