



LASSILA & TIKANOJA PLC FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2003

Lassila & Tikanoja's earnings per share improved and stood at EUR 1.38 (2002: EUR 1.00). The Board proposes a dividend of EUR 1.20 per share, which is 87.0% of the earnings per share. Market prospects for 2004 are good. Increased net sales and a slightly better result are expected.

NET SALES AND RESULTS

The result for the last quarter of Lassila & Tikanoja's business operations was better than expected. The result for the period was also improved by the lower-than-forecast pension expenses for 2003. Net sales totalled EUR 79.1 million (EUR 68.8 million). The operating profit was EUR 9.1 million (EUR 5.8 million) and the operating margin 11.5% (8.5%).

Net sales for the entire year amounted to EUR 306.3 million (EUR 267.2 million). Net sales increased by 14.6%, 4 percentage points of which was organic. The pre-tax profit was EUR 31.8 million (EUR 23.2 million). The earnings per share was EUR 1.38 (EUR 1.00).

Net sales increased faster than fixed costs. Company acquisitions were rapidly integrated. The degree of capacity utilization at the new plants was at a good level, particularly in the latter part of the year. Productivity was improved in almost all the product lines. Pension costs were lower than expected. The result for 2002 was adversely affected by non-recurring costs caused by changing the company's operating name amounting to about EUR 1.5 million. Operations were expanded abroad, when a Latvian waste management company was acquired in October.

Net sales by Environmental Services (Waste Management, Recycling Services, Environmental Products) amounted to EUR 137.2 million (EUR 122.3 million), an increase of 12.2%. The operating profit was EUR 20.8 million (EUR 15.9 million), an increase of 31.0%. Marketing efforts were successful, and more materials were sent to recycling plants than previously. The net sales and result of Waste Management and Recycling Services showed a clear improvement. Productivity also improved thanks to the increased volume and new production capacity. Investment in the recycling operations will also continue in the new year. Environmental Products fell short of its targets because of reduced domestic demand.

Net sales by Property Services (Property Maintenance and Cleaning Services) totalled EUR 113.8 million (EUR 87.8 million), an increase of 29.5%. The operating profit went up by 37.1% to EUR 8.5 million (EUR 6.2 million). The organic growth of property maintenance was bigger than expected. Cooperation with institutional property owners went well. Cleaning Services integrated a fairly big corporate acquisition more efficiently than expected. The result of both product lines improved, primarily because control could be kept over fixed costs with the increase in net sales. Cleaning Services' result also improved in relative terms.

Net sales by Industrial Services (Hazardous Waste Management, Industrial Cleaning, Damage Repair Services, Sewer Maintenance) were EUR 55.2 million (EUR 57.0 million), a fall of 3.1%. The operating profit rose 34.3% to EUR 6.4 million (EUR 4.8 million). The aim of the division was to improve profitability, and for the most part it succeeded. Unprofitable small units in Damage Repair Services and Industrial Cleaning were terminated. The sale of capacity at Hazardous Waste Management's new recycling plant was successful. Industrial Cleaning's new concentrated organizational model improved the control of both sales and production and raised the usage capacity of the equipment. Net sales of Hazardous Waste Management and Sewer Maintenance went up. Apart from Damage Repair Services, the result of all the product lines improved; in Industrial Cleaning's case the improvement was considerable.

FINANCING

Interest-bearing liabilities amounted to EUR 10.3 million more than a year earlier. Nevertheless, interest-bearing net liabilities totalling EUR 77.6 million (EUR 73.3 million) increased by only EUR 4.3 million, because cash reserves were unusually large at the year end, amounting to EUR 10.8 million (4.8 million). Net financial expenses were 1.3% (1.4%) of net sales and 10.9% (13.7%) of operating profit. The equity ratio was 40.6% (41.0%) and the gearing rate was 80.1 (84.4). Cash flow from operations amounted to EUR 48.2 million (EUR 42.0 million). EUR 1.3 million was tied up in working capital, while the previous year EUR 5.7 million was released. Liquidity remained at a good level during the whole year. Investments were financed out of cash flow from operations.

INVESTMENTS

Gross investments totalled EUR 43.8 million (EUR 33.6 million), of which EUR 13.0 million were company acquisitions. Six companies were acquired. Their total annual net sales were EUR 25.8 million. The largest acquisition was SPS Siivouspalvelut Oy, a cleaning services company.

Its annual net sales in 2002 were EUR 13.5 million and it employed 700 people. In October, a Latvian waste management company A/S Hoetika ATU was acquired. Its net sales for the whole year 2003 were EUR 7.9 million and it employs 490 people.

The investments focused mainly on collection equipment and recycling plants. Depreciation came to EUR 25.6 million (EUR 22.2 million).

Investments by division were as follows: Environmental Services EUR 17.3 million, Property Services EUR 10.0 million, Industrial Services EUR 7.9 million, and investments concerning all divisions EUR 8.6 million.

A major project to develop the information systems was started in the autumn. The new operating management system will create tools that will make the operations more efficient and provide customers with a better service.

PERSONNEL

The average number of personnel converted to full-time employees was 4,595 (3,763). At the year end Lassila & Tikanoja employed 5,987 people (4,848). Of them 490 people were employed by the Latvian subsidiary.

COMPANY SHARES

The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Exchanges from January through December was 4,758,046, which is 30.1% of the number of shares. The value of trading was EUR 91.6 million. The trading price varied between EUR 15.01 and EUR 29.50. The final trading price was EUR 27.50. The market capitalisation was EUR 435.2 million on 30 December 2003. The total number of shares is 15,826,308.

The AGM held on 9 April 2002 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 130,000 2002A stock options and 128,000 2002B stock options. The share subscription price for the 2002A stock options is EUR 19.37. This subscription price has been reduced by the amount of the dividend for the year 2002 which exceeds 70% of the profit per share for the year. The subscription price for the 2002B stock options is the trade volume weighted average price of the Lassila & Tikanoja plc's share on the Helsinki Exchanges in May 2003, rounded off to the nearest cent, EUR 17.69.

PROPOSAL BY THE BOARD OF DIRECTORS

The following proposal concerning distribution of the profit will be made by the company Board of Directors to the Annual General Meeting to be held on 18 March 2004:

| | EUR |
|--|---------------|
| Distributable assets according to the consolidated balance sheet on 31 Dec. 2003 | 75 579 559.00 |
| Parent company profit 1 Jan. – 31 Dec. 2003 | 14 185 430.00 |
| Parent company retained earnings | 41 480 534.80 |
| Distributable assets according to the parent company balance sheet 31 Dec. 2003 | 55 665 964.80 |
| The Board of Directors proposes that a dividend of EUR 1.20 be paid on each of the 15,826,308 shares | 18 991 569.60 |
| Left on the retained earnings account | 36 674 395.20 |
| Total | 55 665 964.80 |

In accordance with the decision of the Board of Directors, the record date for payment of the dividend is 23 March 2004. The Board of Directors proposes to the Annual General Meeting that the dividend be paid after the record period on 30 March 2004.

Earnings/share were EUR 1.38. The proposed dividend is 87.0% of the earnings per share.

SUMMARY OF STOCK EXCHANGE RELEASES IN CONFORMANCE WITH ARTICLE 7, CHAPTER 2 OF THE SECURITIES MARKETS ACT

On 1 April 2003 the Company issued a stock exchange release giving the decisions of the Annual General Meeting:

The AGM re-elected Heikki Hakala, Juhani Lassila and Juhani Maijala to the Board of Directors for the period 2003-2004. 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. Principal Auditor is Heikki Lassila, Authorised Public Accountant.

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.

IFRS TRANSITION PROJECT

The IFRS transition project began in June 2002 and has proceeded according to the plan approved by the Board of Directors. Firstly, Lassila & Tikanoja's existing accounting practices were examined. Standards in force, their effect and the required changes were studied. Exposure drafts of proposed standards and the changes they might require were also looked at. The accounting system has been modified to meet the IFRS information requirements.

Finnish accounting standard will continue to be the accounting policy until 2005, but the balance sheet for 1 January 2004 and the financial statement as well as interim reports for 2004 will also be prepared in accordance with IFRS reporting for comparison purposes.

According to the present impression, the introduction of IFRS standards will not have any material effect on the shareholders' equity on the transition day.

PROSPECTS FOR THE YEAR 2004

The market prospects in Lassila & Tikanoja's business sectors are still good. No factors have been observed that would fundamentally change the competition situation. Net sales are expected to grow and the result improve slightly. Keeping the relative profitability at the level for 2003 will be extremely challenging. The operating profit in relation to net sales was high, particularly in Environmental Services and Property Services.

One of the biggest investments in the new year will be in plants that will raise the utilization of waste materials. The company also aims to expand abroad.

STATEMENT OF INCOME

| EUR 1000 | 1-12/2003 | % | 1-12/2002 | % | Change % |
|---|----------------|-------------|-----------|-------|----------|
| Net sales | 306 256 | 100 | 267 175 | 100 | 14.6 |
| Cost of goods sold | -246 448 | -80.5 | -217 611 | -81.4 | 13.3 |
| Gross profit | 59 808 | 19.5 | 49 564 | 18.6 | 20.7 |
| Sales and marketing expenses | -7 509 | -2.5 | -8 582 | -3.2 | |
| Administration expenses | -9 514 | -3.1 | -8 637 | -3.2 | |
| Other operating income and expenses | 641 | 0.2 | 409 | 0.2 | |
| Operating profit before depreciation on goodwill | 43 426 | 14.2 | 32 754 | 12.3 | 32.6 |
| Depreciation on goodwill | -7 726 | -2.5 | -5 905 | -2.2 | |
| Operating profit | 35 700 | 11.7 | 26 849 | 10.0 | 33.0 |
| Financial income and expenses | -3 879 | -1.3 | -3 677 | -1.4 | 5.5 |
| Profit before extraordinary items | 31 821 | 10.4 | 23 172 | 8.7 | 37.3 |
| Extraordinary items | | | | | |
| Profit before income taxes | 31 821 | 10.4 | 23 172 | 8.7 | 37.3 |
| Income taxes | -9 740 | -3.2 | -7 189 | -2.7 | |
| Minority interests | -261 | | -99 | | |
| Profit for the financial year | 21 820 | 7.1 | 15 884 | 5.9 | 37.4 |

BALANCE SHEET

| EUR 1000 | 12/2003 | 12/2002 |
|--|----------------|---------|
| Assets | | |
| Fixed assets | | |
| Intangible assets | 86 041 | 83 795 |
| Tangible assets | 104 728 | 89 396 |
| Financial assets | 3 478 | 3 468 |
| Fixed assets, total | 194 247 | 176 659 |
| Current assets | | |
| Inventories | 2 729 | 2 311 |
| Non-current receivables | 1 | 1 |
| Current receivables | 30 997 | 28 292 |
| Cash at bank and in hand | 10 757 | 4 795 |
| Current assets, total | 44 484 | 35 399 |
| Assets, total | 238 731 | 212 058 |
| Shareholders' equity and liabilities | | |
| Shareholders' equity | | |
| Share capital | 7 913 | 7 913 |
| Other restricted equity | 7 518 | 7 518 |
| Equity share of accumulated appropriations | 4 921 | 2 943 |
| Other unrestricted equity | 75 434 | 67 607 |
| Shareholders' equity, total | 95 786 | 85 981 |
| Minority interests | 1 157 | 895 |
| Provisions | 69 | 526 |
| Liabilities | | |
| Deferred tax liability | 6 825 | 5 827 |
| Non-current liabilities | 79 229 | 66 450 |
| Current liabilities | 55 665 | 52 379 |
| Liabilities, total | 141 719 | 124 656 |
| Shareholders' equity and liabilities, total | 238 731 | 212 058 |

KEY FIGURES

| | 12/2003 | 12/2002 |
|--|---------|---------|
| Earnings/share, EUR | 1.38 | 1.00 |
| Equity/share, EUR | 6.05 | 5.43 |
| Dividend/share, EUR | 1.20* | 0.75 |
| Dividend/earnings, % | 87.0* | 74.7 |
| Dividend yield, % | 4.4* | 4.8 |
| P/E ratio | 19.9 | 15.4 |
| Cash flow from operations/share, EUR | 3.05 | 2.66 |
| Return on equity, % (ROE) | 24.0 | 19.2 |
| Return on invested capital, % (ROI) | 20.5 | 16.5 |
| Equity ratio, % | 40.6 | 41.0 |
| Gearing, % | 80.1 | 84.4 |
| EVA, EUR million | 19.6 | 11.3 |
| Gross investments, EUR 1000 | 43 770 | 33 640 |
| Depreciation, EUR 1000 | 25 643 | 22 220 |
| Net interest-bearing liabilities, EUR 1000 | 77 636 | 73 311 |
| Average personnel, converted to full-time | 4 595 | 3 763 |
| Number of shares traded as a percentage of the average | 30.1 | 18.3 |

* Proposal by the Board of Directors

EVA = Operating profit – cost calculated on invested capital (average of four quarters). WACC 2003 = 9.0, WACC 2002 = 9.5

CASH FLOW STATEMENT

| EUR 1000 | 12/2003 | 12/2002 |
|--|----------------|----------------|
| Cash flow before change in working capital | 61 129 | 48 599 |
| Change in working capital | -1 258 | 5 664 |
| Financial items and taxes | -11 632 | -12 229 |
| Cash flow from operations | 48 239 | 42 034 |
| Investments in group companies | -11 255 | -9 737 |
| Other investments | -30 089 | -22 993 |
| Proceeds from sale of fixed assets | 759 | 1 766 |
| Cash flow from investing activities | -40 585 | -30 964 |
| Dividends paid | -11 854 | -9 484 |
| Change in interest-bearing liabilities | 10 162 | -9 096 |
| Cash flow from financing | -1 692 | -18 580 |
| Change in cash and cash equivalents | 5 962 | -7 510 |

FIGURES BY DIVISION**NET SALES**

| EUR 1000 | 12/2003 | 12/2002 | Change % |
|------------------------|----------------|----------------|-------------|
| Environmental Services | 137 235 | 122 327 | 12.2 |
| Property Services | 113 786 | 87 841 | 29.5 |
| Industrial Services | 55 235 | 57 007 | -3.1 |
| Total | 306 256 | 267 175 | 14.6 |

OPERATING PROFIT

| | 12/2003 | | 12/2002 | | Change % |
|------------------------|---------------|-------------|---------------|-------------|-------------|
| | EUR 1000 | % | EUR 1000 | % | |
| Environmental Services | 20 773 | 15.1 | 15 863 | 13.0 | 31.0 |
| Property Services | 8 527 | 7.5 | 6 219 | 7.1 | 37.1 |
| Industrial Services | 6 400 | 11.6 | 4 767 | 8.4 | 34.3 |
| Total | 35 700 | 11.7 | 26 849 | 10.0 | 33.0 |

QUARTERLY FIGURES

| EUR 1000 | Q403 | Q303 | Q203 | Q103 |
|--|---------------|---------------|---------------|---------------|
| Net sales | | | | |
| Environmental Services | 36 249 | 34 686 | 35 071 | 31 229 |
| Property Services | 28 998 | 28 095 | 28 755 | 27 938 |
| Industrial Services | 13 823 | 14 531 | 14 311 | 12 570 |
| Total | 79 070 | 77 312 | 78 137 | 71 737 |
| Operating profit | | | | |
| Environmental Services | 5 291 | 6 247 | 5 803 | 3 432 |
| Property Services | 2 301 | 3 085 | 1 935 | 1 206 |
| Industrial Services | 1 486 | 3 022 | 1 725 | 167 |
| Total | 9 078 | 12 354 | 9 463 | 4 805 |
| Net financial expenses | -932 | -961 | -1 015 | -971 |
| Profit before extraordinary items | 8 146 | 11 393 | 8 448 | 3 834 |
| Operating margin | | | | |
| Environmental Services | 14.6 | 18.0 | 16.5 | 11.0 |
| Property Services | 7.9 | 11.0 | 6.7 | 4.3 |
| Industrial Services | 10.8 | 20.8 | 12.1 | 1.3 |
| Lassila & Tikanoja | 11.5 | 16.0 | 12.1 | 6.7 |

| EUR 1000 | Q402 | Q302 | Q202 | Q102 |
|--|--------|--------|--------|--------|
| Net sales | | | | |
| Environmental Services | 31 819 | 32 151 | 31 017 | 27 340 |
| Property Services | 22 914 | 21 710 | 21 543 | 21 674 |
| Industrial Services | 14 116 | 16 455 | 14 483 | 11 953 |
| Total | 68 849 | 70 316 | 67 043 | 60 967 |
| Operating profit | | | | |
| Environmental Services | 3 726 | 5 464 | 3 792 | 2 881 |
| Property Services | 1 694 | 2 686 | 572 | 1 267 |
| Industrial Services | 414 | 2 770 | 1 474 | 109 |
| Total | 5 834 | 10 920 | 5 838 | 4 257 |
| Net financial expenses | -866 | -954 | -926 | -931 |
| Profit before extraordinary items | 4 968 | 9 966 | 4 912 | 3 326 |
| Operating margin | | | | |
| Environmental Services | 11.7 | 17.0 | 12.2 | 10.5 |
| Property Services | 7.4 | 12.4 | 2.7 | 5.8 |
| Industrial Services | 2.9 | 16.8 | 10.2 | 0.9 |
| Lassila & Tikanoja | 8.5 | 15.5 | 8.7 | 7.0 |

CONTINGENT LIABILITIES

| EUR 1000 | 12/2003 | 12/2002 |
|---|---------|---------|
| Security for company liabilities | | |
| Pledges | 204 | 97 |
| Real estate mortgages | | 3 613 |
| Corporate mortgages | | 25 |
| Liabilities | | |
| Leasing payments and liabilities | 938 | 312 |

DERIVATIVE CONTRACTS

| EUR 1000 | 12/2003 | 12/2002 |
|----------------------------|---------|---------|
| Interest rate swaps | | |
| Nominal values | 82 000 | 52 000 |
| Market value | -1 592 | -2 430 |

The figures have not been audited.

Helsinki, 3 February 2004

LASSILA & TIKANOJA PLC
Board of Directors