LASSILA & TIKANOJA PLC

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INTERIM REPORT
1 JANUARY – 30 JUNE 2003

- Net sales: EUR 149.9 million (EUR 128.0 million)
- Operating profit: EUR 14.3 million (EUR 10.1 million)
- Earnings/share: EUR 0.52 (EUR 0.35)
- Return on invested capital (ROI): 16.9%(12.8%)

NET SALES AND RESULTS

Lassila & Tikanoja net sales for the second quarter of the financial year totalled EUR 78.1 million (EUR 67.0 million). Gross profit amounted to EUR 15.4 million (EUR 12.6 million), and the gross profit margin was 19.7 (18.8). Operating profit came to EUR 9.5 million (EUR 5.8 million), which was 12.1% (7.0%) of net sales.

Lassila & Tikanoja net sales for the first six months grew by 17.1%. Corporate acquisitions accounted for more than 12 percentage points of this growth, while the rest was organic growth. Profit for the review period was up 50%, and earnings per share improved to EUR 0.52 (EUR 0.35). Net sales grew significantly faster than fixed costs. Productivity was weakened in the early part of the year by the very severe winter. The company purchased the share capital of SPS Siivouspalvelut Oy, a cleaning services company, during the review period, and also acquired three smaller companies. The results for the same period last year were affected by one-off costs totalling about EUR 1.5 million.

Net sales by Environmental Services (waste management, recycling services, environmental products) increased by 13.6% and operating profit by 38.4%. Waste management productivity remained good. Improved profitability was especially due to the growth in net sales and the successful control of fixed costs. The results for recycling services improved by a greater amount than expected, particularly in the second quarter, due to an increase in the amount of materials handled and the success of sales efforts. Investment will continue in the growing recycling business. In environmental products, both net sales and financial results remained at the good level achieved for the same period last year.

Net sales by Property Services (property maintenance and cleaning services) were up by 31.2% and operating profit by 70.8%. The sales for property maintenance were good and results improved. The provision of maintenance for technical systems has expanded in line with plans, and investment in these services will continue. The process of integrating SPS Siivouspalvelut Oy, the company purchased at the start of the year, has proceeded as planned. The financial results for cleaning services were affected by these integration costs as anticipated, but were nevertheless good. The improved results were due primarily to the growth in net sales and successful control of fixed costs in both product lines.

Net sales by Industrial Services (hazardous waste management, industrial cleaning, damage repair services and sewer maintenance) rose by 1.7% and operating profit by 19.5%. Net sales grew in all product lines. Operating profit was also up in all product lines except damage repair services, which recorded a loss. Profitability improved in hazardous waste management, largely due to introduction of the new physical/chemical treatment plant in the spring. The financial results for industrial cleaning showed an improvement, thanks to successful sales work, more centralised management and an increase in production efficiency. In damage repair services, capacity was adjusted to correspond with demand, and a minor loss-making activitiy was discontinued at the same time. These measures will have their full effect in the second half of the year.

FINANCING

Interest-bearing liabilities amounted to EUR 10.9 million more than a year earlier and to EUR 13.8 million more than at the end of the previous financial year. Net financial expenses were 1.3% of net sales and 13.9% of operating profit. EUR 3.5 million was tied up in working capital during the review period, while EUR 0.5 million was released a year earlier. The equity ratio was 36.8%(37.5%)and the gearing rate was 101.5 (102.2).

INVESTMENTS

Gross investments totalled EUR 19.9 million (EUR 12.6 million). The largest single investment was the acquisition of SPS Siivouspalvelut Oy, a cleaning services company, at the beginning of the year. In addition, machinery and equipment was replaced, production premises were bought and expanded and three minor corporate acquisitions made. The total annual net sales of the companies acquired during the period are EUR 18.2 million. Depreciation came to EUR 12.4 million.

ADMINISTRATION

The Annual General Meeting held on 1 April, 2003, 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 share issues or to launch a convertible bond or a bond with warrants. Neither is the Board authorised to decide on the repurchase nor disposal of the Company’s own shares.

COMPANY SHARES

The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Exchanges from January through June was 2,580,893, which is 16.3% of the number of shares. The value of trading was EUR 42.6 million. The trading price varied between EUR 15.01 and EUR 19.00. The final trading price was EUR 18.35. The market capitalisation was EUR 290.4 million on 30 June 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 126,000 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.

PROSPECTS FOR THE REST OF THE YEAR

The prospects for the rest of the year are good. Net sales are expected to grow further, though at a slower pace than during the early months of the year. Major effects of corporate acquisitions made in 2002 were already felt in the second half of that year. The financial results for the remainder of 2003 are expected to be at least as good as those for the corresponding period in 2002, though not markedly greater, as the results for the second half of 2002 were fairly good, especially for the third quarter. Translated into annual figures, this means considerably higher growth and better results than in 2002.

STATEMENT OF INCOME

EUR 1000	**1-6/2003**	**%**	1-6/2002	%	Change %	1-12/2002	%
Net sales	**149 874**	**100.0**	128 010	100.0	17.1	267 175	100.0
Cost of goods sold	**-123 664**	**-82.5**	-105 783	-82.6	16.9	-217 611	-81.4
Gross profit	**26 210**	**17.5**	22 227	17.4	17.9	49 564	18.6
Sales and marketing expenses	**-3 852**	**-2.6**	-5 086	-4.0		-8 582	-3.2
Administration expenses	**-4 654**	**-3.1**	-4 366	-3.4		-8 637	-3.2
Other operating income and expenses	**424**	**0.3**	124	0.1		409	0.2
Operating profit before depreciation on goodwill	**18 128**	**12.1**	12 899	10.1	40.5	32 754	12.3
Depreciation on goodwill	**-3 860**	**-2.6**	-2 804	-2.2		-5 905	-2.2
Operating profit	**14 268**	**9.5**	10 095	7.9	41.3	26 849	10.0
Financial income and expenses	**-1 986**	**-1.3**	-1 857	-1.5	6.9	-3 677	-1.4
Profit before extraordinary items	**12 282**	**8.2**	8 238	6.4	49.1	23 172	8.7
Extraordinary items							
Profit before income taxes	**12 282**	**8.2**	8 238	6.4	49.1	23 172	8.7
Income taxes	**-3 893***	**-2.6**	-2 723*	-2.1		-7 189	-2.7
Minority interests	**-113**					-99	
Profit for the period	**8 276**	**5.5**	5 515	4.3	50.1	15 884	5.9

* Taxes on the profit for the period under review.

BALANCE SHEET

EUR 1000	**6/2003**	6/2002	12/2002
Assets			
Fixed assets			
Intangible assets	**84 607**	82 022	83 795
Tangible assets	**95 737**	82 129	89 396
Financial assets	**3 437**	3 339	3 468
Fixed assets, total	**183 781**	167 490	176 659
Current assets			
Inventories	**2 588**	1 804	2 311
Non-current receivables	**1**	1	1
Current receivables	**33 069**	28 734	28 292
Cash at bank and in hand	**7 300**	3 793	4 795
Current assets, total	**42 958**	34 332	35 399
Assets, total	**226 739**	201 822	212 058
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	**2 758**	2 201	2 943
Other unrestricted equity	**64 199**	57 980	67 607
Shareholders' equity, total	**82 388**	75 612	85 981
Minority interests	**1 018**		895
Provisions	**526**	526	526
Liabilities			
Deferred tax liability	**5 893**	4 955	5 827
Non-current liabilities	**83 774**	76 061	66 450
Current liabilities	**53 140**	44 668	52 379
Liabilities, total	**142 807**	125 684	124 656
Shareholders' equity and liabilities, total	**226 739**	201 822	212 058

KEY FIGURES

	6/2003	6/2002	12/2002
Earnings/share, EUR	**0.52**	0.35	1.00

Equity/share, EUR	**5.21**	4.78	5.43
Cash flow from operations/share, EUR	**1.13**	1.05	2.66
Return on equity (ROE), %	**19.7**	14.2	19.2
Return on invested capital (ROI), %	**16.9**	12.8	16.5
Equity ratio, %	**36.8**	37.5	41.0
Gearing, %	**101.5**	102.2	84.4
EVA, EUR million	**6.7***	2.3*	11.3**
Gross investments, EUR 1000	**19 910**	12 624	33 640
Depreciation, EUR 1000	**12 392**	10 746	22 220
Net interest-bearing liabilities, EUR 1000	**84 637**	77 292	73 311
Average personnel converted to full-time	**4 688**	3 878	3 763

EVA = Operating profit – cost calculated on invested capital (average of four quarters)
* WACC = 9.0
** WACC = 9.5

CASH FLOW STATEMENT

EUR 1000	**6/2003**	6/2002	12/2002
Cash flow before change in working capital	**26 370**	20 687	48 599
Change in working capital	**-3 457**	462	5 664
Financial items and taxes	**-5 041**	-4 461	-12 229
Cash flow from operations	**17 872**	16 688	42 034
Investments in group companies	**-3 826**	-3 617	-9 737
Other investments	**-14 157**	-8 449	-22 993
Proceeds from sale of fixed assets	**720**	1 123	1 766
Cash flow from investing activities	**-17 263**	-10 943	-30 964
Dividends paid	**-11 855**	-9 484	-9 484
Change in interest-bearing liabilities	**13 748**	-4 773	-9 096
Cash flow from financing	**1 893**	-14 257	-18 580
Change in cash and cash equivalents	**2 502**	-8 512	-7 510

FIGURES BY DIVISION

NET SALES

EUR 1000	**6/2003**	6/2002	change %	12/2002
Environmental Services	**66 300**	58 357	13,6	122 327
Property Services	**56 693**	43 217	31,2	87 841
Industrial Services	**26 881**	26 436	1,7	57 007
Total	**149 874**	128 010	17,1	267 175

OPERATING PROFIT

	6/2003		6/2002		12/2002	
	EUR 1000	**% of net sales**	EUR 1000	% of net sales	EUR 1000	% of net sales
Environmental Services	**9 235**	**13.9**	6 673	11.4	15 863	13.0
Property Services	**3 141**	**5.5**	1 839	4.3	6 219	7.1
Industrial Services	**1 892**	**7.0**	1 583	6.0	4 767	8.4
Total	**14 268**	**9.5**	10 095	7.9	26 849	10.0

QUARTERLY FIGURES

EUR 1000	Q203	Q103	Q402	Q302
Net sales				
Environmental Services	35 071	31 229	31 819	32 151
Property Services	28 755	27 938	22 914	21 710
Industrial Services	14 311	12 570	14 116	16 455
Total	78 137	71 737	68 849	70 316

Operating profit				
Environmental Services	5 803	3 432	3 726	5 464
Property Services	1 935	1 206	1 694	2 686
Industrial Services	1 725	167	414	2 770
Total	9 463	4 805	5 834	10 920
Net financial expenses	-1 015	-971	-866	-954
Profit before extraordinary items	8 448	3 834	4 968	9 966
Operating margin				
Environmental Services	16.5	11.0	11.7	17.0
Property Services	6.7	4.3	7.4	12.4
Industrial Services	12.1	1.3	2.9	16.8
Lassila & Tikanoja	12.1	6.7	8.5	15.5

	Q202	Q102	Q401	Pro forma Q301
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

CONTINGENT LIABILITIES

EUR 1000	**6/2003**	6/2002	12/2002
Security for company liabilities			
Pledges	**194**	91	97
Real estate mortgages	**3 445**	3 798	3 613
Corporate mortgages	**529**		25
Liabilities			
Leasing payments and liabilities	**311**	412	312

DERIVATIVE CONTRACTS

EUR 1000	**6/2003**	6/2002	12/2002
Interest rate swaps			
Nominal values	**72 000**	52 000	52 000
Market value	**-2 801**	-1 117	-2 430

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 July 2003

LASSILA & TIKANOJA PLC
Board of Directors