

LASSILA & TIKANOJA PLC

INTERIM REPORT

1 JANUARY – 30 SEPTEMBER 2003

- Net sales: EUR 227.2 million (EUR 198.3 million)
- Operating profit: EUR 26.6 million (EUR 21.0 million)
- Earnings/share: EUR 1.02 (EUR 0.78)
- Return on invested capital (ROI): 20.5% (17.2%)

NET SALES AND RESULTS

July-September gave the company its best quarterly financial results so far. Net sales totalled EUR 77.3 million (EUR 70.3 million). Operating profit was 16.0% (15.5%) of net sales, amounting to EUR 12.4 million against EUR 10.9 million last year.

Net sales for the nine-month period grew 14.6%. Corporate acquisitions accounted for 11 percentage points of this growth, while the remainder was organic growth. Profit for the period was up 30.2% and earnings per share rose to EUR 1.02 (EUR 0.78). Net sales grew faster than fixed costs. Integration of the four companies acquired during the review period has proceeded smoothly and facility investments carried out during the first six months of the year have reached their planned utilisation rate. Results for the same period last year were affected by one-off costs totalling around EUR 1.5 million.

Net sales by Environmental Services (waste management, recycling services, environmental products) increased by 11.6% and operating profit by 27.6%. Sales of waste management and recycling services went well and results improved for both product lines. Productivity in waste management remained at the good level already achieved. Productivity in recycling services improved because of higher volumes and increased efficiency at the plants. Investment in recycling operations will continue. Environmental products fell somewhat short of their targets.

Net sales by Property Services (property maintenance and cleaning services) were up 30.6% and operating profit up 37.6%. Property maintenance exceeded its targets substantially. Cooperation with institutional property owners developed favourably and net sales increased in maintenance of technical systems. The process of integrating SPS Siivouspalvelut, the company acquired at the beginning of the year, has proceeded smoothly. The improved results for both product lines were primarily due to the growth in net sales and the successful control of fixed costs.

Net sales by Industrial Services (hazardous waste management, industrial cleaning, damage repair services and sewer maintenance) were down 3.4%, but operating profit was up 12.9%. Of the individual product lines, hazardous waste management and sewer maintenance were both up. Net sales for damage repair services were down due to the fact that this year there have been no major damage repair contracts like last year's and that unprofitable business has been given up. Profitability improved in hazardous waste management, largely due to successful sales work and the introduction of the new physical/chemical treatment plant in the spring. Productivity and financial results improved for industrial cleaning, although net sales were down. In damage repair services, the corrective measures helped to produce the planned results.

FINANCING

Interest-bearing liabilities amounted to EUR 11.2 million more than a year earlier and to EUR 13.8 million more than at the end of the previous financial year. Interest-bearing net liabilities increased by only EUR 2.1 million, because cash reserves were unusually large. Net financial expenses were 1.3% of net sales and 11.1% of operating profit. EUR 5.0 million was tied up in working capital during the review period (EUR 2.8 million). The equity ratio was 38.9%(39.1%)and the gearing rate was 82.6 (91.6). Investments were financed out of cash flow from operations.

INVESTMENTS

Gross investments totalled EUR 25.4 million (EUR 22.7 million). The largest single investment was the acquisition of SPS Siivouspalvelut Oy, a cleaning company, at the beginning of the period. During the first half of the year two new recycling plants were started. 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 18.8 million.

After the review period, Lassila & Tikanoja has acquired A/S Hoetika ATU, the leading waste management company in Latvia. The net sales of Hoetika were EUR 7 million in 2002, and it employs 450 persons. The acquisition has come into force on 17 October 2003, and after that the acquired company operates under the name L&T Hoetika.

ADMINISTRATION

The Annual General Meeting held on 1 April, 2003, re-elected Heikki Hakala, Juhani Lassila and Juhani Majjala 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 Majjala and Soili Suonoja. Juhani Majjala 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 September was 3,512,614, which is 22.2% of the number of shares. The value of trading was EUR 60.7 million. The trading price varied between EUR 15.01 and EUR 21.00. The final trading price was EUR 20.00. The market capitalisation was EUR 316.5 million on 30 September 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

Business prospects for the rest of the year remain favourable. The growth in net sales will slacken, however, due to the timing of corporate acquisitions in 2002. Results for the last quarter are expected to be of the same magnitude as last year despite the fact that pension costs will rise from the level of the last quarter of the previous year.

Net sales for the entire year will exceed slightly EUR 300 million and pre-tax profit is expected to be over EUR 28 million.

STATEMENT OF INCOME

EUR 1000	1-9/2003	%	1-9/2002	%	Change %	1-12/2002	%
Net sales	227 186	100.0	198 326	100	14.6	267 175	100.0
Cost of goods sold	-182 848	-80.5	-160 207	-80.8	14.1	-217 611	-81.4
Gross profit	44 338	19.5	38 119	19.2	16.3	49 564	18.6
Sales and marketing expenses	-5 437	-2.4	-6 593	-3.3		-8 582	-3.2
Administration expenses	-6 783	-3.0	-6 367	-3.2		-8 637	-3.2
Other operating income and expenses	233	0.1	173	0.1		409	0.2
Operating profit before depreciation on goodwill	32 351	14.2	25 332	12.8	27.7	32 754	12.3
Depreciation on goodwill	-5 729	-2.5	-4 317	-2.2		-5 905	-2.2
Operating profit	26 622	11.7	21 015	10.6	26.7	26 849	10.0
Financial income and expenses	-2 947	-1.3	-2 811	-1.4	4.8	-3 677	-1.4
Profit before extraordinary items	23 675	10.4	18 204	9.2	30.1	23 172	8.7
Extraordinary items							
Profit before income taxes	23 675	10.4	18 204	9.2	30.1	23 172	8.7
Income taxes	-7 366*	-3.2	-5 756*	-2.9		-7 189	-2.7
Minority interests	-146		-36			-99	
Profit for the period	16 163	7.1	12 412	6.3	30.2	15 884	5.9

* Taxes on the profit for the period under review.

BALANCE SHEET

EUR 1000	9/2003	9/2002	12/2002
Assets			
Fixed assets			
Intangible assets	82 708	83 187	83 795
Tangible assets	96 325	85 259	89 396
Financial assets	3 426	3 466	3 468
Fixed assets, total	182 459	171 912	176 659
Current assets			
Inventories	2 506	2 409	2 311
Non-current receivables	1	1	1
Current receivables	33 254	34 520	28 292
Cash at bank and in hand	16 486	4 373	4 795
Current assets, total	52 247	41 303	35 399
Assets, total	234 706	213 215	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	3 183	2 077	2 943
Other unrestricted equity	71 661	65 001	67 607
Shareholders' equity, total	90 275	82 509	85 981
Minority interests	1 050	839	895
Provisions		526	526
Liabilities			
Deferred tax liability	6 162	5 438	5 827
Non-current liabilities	83 774	71 563	66 450
Current liabilities	53 445	52 340	52 379
Liabilities, total	143 381	129 341	124 656
Shareholders' equity and liabilities, total	234 706	213 215	212 058

KEY FIGURES

	9/2003	9/2002	12/2002
Earnings/share, EUR	1.02	0.78	1.00
Equity/share, EUR	5.70	5.21	5.43
Cash flow from operations/share, EUR	2.06	1.64	2.66
Return on equity (ROE), %	24.4	20.4	19.2
Return on invested capital (ROI), %	20.5	17.2	16.5
Equity ratio, %	38.9	39.1	41.0
Gearing, %	82.6	91.6	84.4
EVA, EUR million	14.9*	9.3**	11.3**
Gross investments, EUR 1000	25 378	22 742	33 640
Depreciation, EUR 1000	18 747	16 396	22 220
Net interest-bearing liabilities, EUR 1000	75 452	76 384	73 311
Average personnel converted to full-time	4 603	3 857	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	9/2003	9/2002	12/2002
Cash flow before change in working capital	45 155	37 144	48 599
Change in working capital	-5 002	-2 795	5 664
Financial items and taxes	-7 474	-8 434	-12 229
Cash flow from operations	32 679	25 915	42 034
Investments in group companies	-3 599	-7 809	-9 737
Other investments	-20 333	-12 193	-22 993
Proceeds from sale of fixed assets	1 050	1 245	1 766
Cash flow from investing activities	-22 882	-18 757	-30 964
Dividends paid	-11 855	-9 484	-9 484
Change in interest-bearing liabilities	13 748	-5 616	-9 096
Cash flow from financing	1 893	-15 100	-18 580
Change in cash and cash equivalents	11 690	-7 942	-7 510

FIGURES BY DIVISION**NET SALES**

EUR 1000	9/2003	9/2002	change %	12/2002
Environmental Services	100 986	90 508	11.6	122 327
Property Services	84 788	64 927	30.6	87 841
Industrial Services	41 412	42 891	-3.4	57 007
Total	227 186	198 326	14.6	267 175

OPERATING PROFIT

	9/2003		9/2002		12/2002	
	EUR 1000	% of net sales	EUR 1000	% of net sales	EUR 1000	% of net sales
Environmental Services	15 482	15.3	12 137	13.4	15 863	13.0
Property Services	6 226	7.3	4 525	7.0	6 219	7.1
Industrial Services	4 914	11.9	4 353	10.1	4 767	8.4
Total	26 622	11.7	21 015	10.6	26 849	10.0

QUARTERLY FIGURES

EUR 1000	Q303	Q203	Q103	Q402
Net sales				
Environmental Services	34 686	35 071	31 229	31 819
Property Services	28 095	28 755	27 938	22 914
Industrial Services	14 531	14 311	12 570	14 116
Total	77 312	78 137	71 737	68 849
Operating profit				
Environmental Services	6 247	5 803	3 432	3 726
Property Services	3 085	1 935	1 206	1 694
Industrial Services	3 022	1 725	167	414
Total	12 354	9 463	4 805	5 834
Net financial expenses	-961	-1 015	-971	-866
Profit before extraordinary items	11 393	8 448	3 834	4 968
Operating margin				
Environmental Services	18.0	16.5	11.0	11.7
Property Services	11.0	6.7	4.3	7.4
Industrial Services	20.8	12.1	1.3	2.9
Lassila & Tikanoja	16.0	12.1	6.7	8.5

	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

CONTINGENT LIABILITIES

EUR 1000	9/2003	9/2002	12/2002
Security for company liabilities			
Pledges	181	96	97
Real estate mortgages	3 445	3 714	3 613
Corporate mortgages	25		25
Liabilities			
Leasing payments and liabilities	321	411	312

DERIVATIVE CONTRACTS

EUR 1000	9/2003	9/2002	12/2002
Interest rate swaps			
Nominal values	82 000	52 000	52 000
Market value	-2 270	-2 177	-2 430

The figures have not been audited.

Helsinki, 21 October 2003

LASSILA & TIKANOJA PLC
Board of Directors