



LASSILA & TIKANOJA PLC

LASSILA & TIKANOJA PLC FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER 2004

Lassila & Tikanoja's earnings per share stood at EUR 0.62 (2003: EUR 0.63). The Board proposes a dividend of EUR 0.25 per share, which is 40.5% of the earnings per share. Net sales in the new year are expected to grow faster growth than in the previous year. There will be more investment than previously in both Finland and abroad.

NET SALES AND RESULTS

Lassila & Tikanoja's net sales in the final quarter rose to EUR 89.4 million (EUR 79.1 million), an increase of 13.1%. The operating profit was EUR 8.3 million (EUR 9.1 million) and the operating margin 9.3 (11.5%).

Net sales for the whole year totalled EUR 336.7 million (EUR 306.3 million). This represented an increase of 9.9%, 3 percentage points of which was organic. The profit before taxes was EUR 30.4 million (EUR 31.8 million). The earnings per share were EUR 0.62 (EUR 0.63).

The growth in net sales accelerated in the latter half of the year; the reasons for this include the strengthening of sales resources and the elimination of a major competitor by a take-over from the market. The plants' utilization rate improved. The financial performance for 2003, the comparison year, was improved in particular by the low pension costs in the final quarter.

Environmental Services

Net sales by Environmental Services (waste management, recycling services, environmental products) amounted to EUR 157.4 million (EUR 137.2 million), an increase of 14.7%. The operating profit was EUR 21.8 million (EUR 20.8 million), a growth of 5.1%.

Environmental Services' profitability remained stable. Further investment in sales and plant operations improved recycling services' net sales and financial performance. There was a rise in the volumes handled by the company's own plants in respect of industrial fibres, recyclable plastics and trade and industrial recyclable materials. The new recycling plant at Oulu came on stream towards the end of the summer. Several procedures for environmental impact assessments (EIA) were initiated for the new recycling centre projects. Investment in recycling operations will continue. The tyre recycling operations achieved a production record.

The operations of Salvor Oy, a joint venture company owned in equal proportions by Lassila & Tikanoja and the Finnish Road Enterprise, started in July. Salvor specializes in processing services for industrial by-products, soil remediation and the construction of landfill barrier systems.

The unit in Latvia, L&T Hoetika, achieved its objectives. It invested in new collection and transportation equipment and introduced the L&T brand. The total value of the stock of contracts has shown a favourable trend.

Net sales of environmental products were at the same level as in 2003. The product line, however, fell short of its targets, although there were signs of better things to come in the final quarter.

Property Services

Net sales by Property Services (property maintenance and cleaning services) totalled EUR 123.8 million (EUR 113.8 million), an increase of 8.8%. The operating profit was EUR 7.5 million (EUR 8.5 million).

Operating profit fell in the first and second quarter when the financial performance suffered because of the heavy winter snowfalls and reduced volumes in renewed contracts. Measures to improve production and sales produced results in the second half of the year, particularly in cleaning services, where customer permanence has also improved.

Lassila & Tikanoja's position on the property services market was strengthened, when one of the biggest competitors in the field was eliminated from the market by a takeover. The change in the market situation became apparent at the end of the year with highly successful new sales in both product lines; sales in the final quarter in particular showed a clear upturn that is expected to continue in 2005. The food hygiene services concept attracted new companies that have a major presence in the food industry. The service product developed for service station chains has also been well received.

In June, L&T started its first cleaning assignment abroad at the HK Ruokatalo sausage factory in Latvia. The market in the Baltic region and Moscow was studied for prospective corporate acquisitions. An organization was set up for international operations, its area of responsibility being the expansion of Property Services to the Baltic region.

Lassila & Tikanoja and Amica Restaurants Ltd, which is part of the Fazer Group, established a joint venture company together, Blue Service Partners Oy. The company's task is to provide efficient, comprehensive and top-grade solutions in catering and property services for the public sector, particularly for municipalities. The company's operations started in early 2005.

Industrial Services

Net sales by Industrial Services (hazardous waste management, industrial cleaning, damage repair services and wastewater services) were EUR 55.5 million (EUR 55.2 million). The operating profit was EUR 5.2 million (EUR 6.4 million).

The market situation for Industrial Services was uncertain during the entire year. Poor demand at the beginning of year placed a strain on financial performance and intensified price competition in all the product lines. Demand was fairly uneven the whole year through and difficult to predict. This made it difficult to plan production and was particularly burdensome for the financial performance of industrial cleaning and wastewater services (previously sewer maintenance).

Hazardous waste management and damage repair services both increased their net sales. Net sales by industrial cleaning stayed at the level of the comparison year, while net sales by wastewater services fell. Although it continues to be difficult to predict the future trend in the market situation, prospects for Industrial Services look brighter than at the corresponding time last year.

A hazardous waste management production plant processing solid oily hazardous waste into recycled raw material and fuel went on stream in Tuusula. L&T's own production plants helped the hazardous waste management services to recycle an increasing proportion of waste for reuse, which improved the unit's competitiveness.

The reorganization measures that were taken in damage repair services had the desired effect. The unit's market share was strengthened and profitability improved substantially.

In industrial cleaning, the market is concentrating rapidly as customers centralize purchases. Regional status and service capacity were reinforced with two corporate acquisitions, one of which was carried out in 2005. Some overcapacity has also been removed from the sector.

FINANCING

The company's financial position improved due to the share issue carried out in November-December. Cash reserves at the year end amounted to EUR 19.8 million (EUR 10.8 million). Net interest-bearing liabilities amounted to EUR 60.4 million (EUR 77.6 million). Interest-bearing liabilities amounted to EUR 8.2 million less than a year earlier. Net financial expenses were 1.2% (1.3%) of net sales and 12.0% (10.9%) of operating profit. The equity ratio was 48.8% (40.6%) and the gearing rate was 45.7 (80.1).

Cash flow from operations amounted to EUR 50.7 million (EUR 48.2 million). EUR 1.0 million was released from the working capital, while the previous year EUR 1.3 million was tied up. Liquidity remained at a good level during the whole year.

INVESTMENTS

Gross investments totalled EUR 49.0 million (EUR 43.8 million). Machinery and equipment was replaced and production premises were bought and expanded. EUR 19.1 million were spent on corporate acquisitions. Lassila & Tikanoja purchased 12 companies, the biggest in terms of net sales being Vatostep Oy, Sil-Va Clean Oy and Tampereen Aluesiivous Oy. The joint venture company Salvor Oy purchased two businesses. Lassila & Tikanoja's share of the acquired companies' combined annual net sales is EUR 26.2 million. Depreciation came to EUR 29.9 million (EUR 25.6 million).

Investments by division were as follows: Environmental Services EUR 19.3 million (EUR 17.3 million), Property Services EUR 10.9 million (EUR 10.0 million), Industrial Services EUR 6.8 million (EUR 7.9 million), and investments concerning all divisions EUR 7.6 million (EUR 8.6 million).

PERSONNEL

The average number of personnel converted to full-time employees was 5,409 (4,595). At the year end the total number of employees working full-time and part-time was 6,456 people (5,987). Of them 510 people were abroad.

DISTRIBUTION OF THE PROFIT

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 4 April 2005:

	EUR
Distributable assets according to the consolidated balance sheet on 31 Dec. 2004	59 601 561.00
Parent company profit 1 Jan. – 31 Dec. 2004	13 847 750.83
Parent company retained earnings	20 777 307.20
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Distributable assets according to the parent company balance sheet 31 Dec. 2004	34 625 058.03
The Board of Directors proposes that a dividend of EUR 0.25 be paid on each of the 38,141,834 shares	9 535 458.50
Left on the retained earnings account	25 089 599.53
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Total	34 625 058.03

In accordance with the decision of the Board of Directors, the record date for payment of the dividend is 7 April 2005. The Board of Directors proposes to the Annual General Meeting that the dividend be paid after the record period on 14 April 2005.

Earnings/share were EUR 0.62. The proposed dividend is 40.5% of the earnings per share.

SHARES AND SHARE CAPITAL

The adjusted volume of trading in Lassila & Tikanoja plc shares on the Helsinki Stock Exchange from January through December was 17,264,627, which is 49.8% (30.1%) of the average number of shares. The value of trading was EUR 219.6 million. The adjusted trading price varied between EUR 11.48 and EUR 14.09. The final trading price was EUR 13.13. The market capitalisation was EUR 500.7 million on 30 December 2004.

Pursuant to stock options 2002A, 70,780 shares were subscribed for during the year 2004. As a result of the subscriptions, the share capital was increased by EUR 35.390.

The Extraordinary General Meeting of Shareholders held on 15 November 2004 decided to increase the share capital by a bonus issue of EUR 7,948,544 from EUR 7,948,544 to EUR 15,897,088 where each share entitled its holder to receive one new share without payment. 15,897,088 new shares were issued, and after the bonus issue the number of shares was 31,794,176. The record date of the bonus issue was 18 November 2004, and the new bonus shares were entered in the shareholders' book-entry accounts on 19 November 2004.

The EGM decided to increase the share capital by a rights offering at most by EUR 3,179,417 by offering the shareholders for subscription the maximum of 6,358,834 shares. The subscription period was from 23 November to 15 December 2004. 6,342,058 shares were subscribed for through the exercise of the subscription rights, representing 99.7 percent of the shares offered. The subscription price was EUR 7.50 per share. The gross proceeds of the offering were EUR 47.6 million. As a result of the subscriptions, the share capital was increased from EUR 15,897,088 to EUR 19,068,117 and the number of shares from 31,794,176 shares to 38,136,234 shares. The new shares subscribed for in the offering were traded on the Main List of the Helsinki Stock Exchange as a separate book-entry between 16 and 21 December 2004. The separate book-entry was combined with Lassila & Tikanoja plc's existing class of shares after the shares were registered with the Finnish Trade Register on 21 December 2004, and the trading in the combined shares started on the Helsinki Stock Exchange on 22 December 2004.

On 8 February 2005, the Board approved the subscriptions of 5,600 new shares made pursuant to the stock options 2002A. As a result of these subscriptions, the company's registered share capital will increase by 2,800 euros to 19,070,917 euros and the number of the shares will increase to 38,141,834 shares after the increase has been entered in the Trade Register

Stock options 2002

The Annual General Meeting held on 9 April 2002 decided to issue stock options to key personnel of Lassila & Tikanoja a wholly owned subsidiary of Lassila & Tikanoja plc. 28 key persons have been entitled to subscribe for the stock options.

On the basis of these stock options, 147,160 new shares, adjusted with the bonus issue adjustment factor, have been subscribed for by 27 January 2005. On the basis of the rest of the stock options 2002A, a maximum of 112,840 shares can be subscribed for. On the basis of the rest of all stock options a maximum of 652,840 shares can be subscribed for, which is 1.71% of the registered number of shares and voting rights of the Company.

The share subscription price for the stock options 2002A is EUR 7.86, for the stock options 2002B EUR 7.02 and for the stock options 2002C EUR 11.46.

Notifications on major holdings

On 5 April 2004, Tapiola Group reported that the holding of Tapiola Group had decreased to 4.88% of the share capital and votes of Lassila & Tikanoja plc. On 30 January 2004 the share was 7.0 %. On 22 December 2004, Tapiola Group reported that the holding of Tapiola Group was 5.05% of the share capital and votes of Lassila & Tikanoja plc after the increase in share capital as a result of the rights offering was registered with the Trade Register on 21 December 2004.

GENERAL MEETINGS OF SHAREHOLDERS

The AGM held on 18 March 2004 re-elected Lasse Kurkilahti and Soili Suonoja to the Board of Directors. The Board of Directors comprises the following persons: Heikki Hakala, Lasse Kurkilahti, Juhani Lassila, Juhani Maijala and Soili Suonoja. Juhani Maijala was re-elected full-time Chairman and Heikki Hakala Vice Chairman of the Board of Directors. PricewaterhouseCoopers Oy, Authorised Public Accountants, were elected auditors. The AGM decided that a dividend of EUR 1.20 be paid for the financial year that ended on 31 January 2003.

An Extraordinary General Meeting of Shareholders was held on 15 November 2004. The meeting approved the Board's proposals to an additional dividend of EUR 1.00, increasing of the share capital through a bonus issue, and increasing the share capital by a rights offering. Moreover, the Meeting approved to amend the terms and conditions of the stock option plan 2002 to the effect that the shares subscribed for on the basis of the stock options will entitle their holders to dividends and other rights conferred by the shares after the increase of the share capital has been registered in the Trade Register.

SUMMARY OF STOCK EXCHANGE RELEASES PURSUANT TO ARTICLE 7, CHAPTER 2 OF THE SECURITIES MARKETS ACT

On 18 March the Company disclosed that the Board of Directors had resolved to apply for listing of stock option rights A of the 2002 stock option scheme on the main list of Helsinki Stock Exchange starting from 3 May 2004. A total of 260,000 shares can be subscribed for on the basis of the stock options 2002A. The subscription period is from 2 May 2004 to 30 October 2005.

On 26 October a preliminary summary of the effects of adopting IFRS was disclosed.

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

As of January 1, 2005, Lassila & Tikanoja has adopted the International Financial Reporting Standards (IFRS) in its financial reporting. Prior the adoption of IFRS Lassila & Tikanoja reported under Finnish Accounting Standards (FAS). The transition date for Lassila & Tikanoja is 1 January, 2004. The company has prepared its opening IFRS balance sheet of the transition date.

Before the disclosure of the first quarter results of 2005, Lassila & Tikanoja will disclose a release explaining the detailed effects of adopting IFRS on the financial information of the company and including the comparison figures for the financial year 2004.

The significant estimated effects of the adoption of IFRS are explained in a preliminary summary disclosed on 26 October 2004. The preliminary summary is available on the company website www.lassila-tikanoja.com.

PROSPECTS FOR THE YEAR 2005

The prospects for Lassila & Tikanoja's divisions are better than at the beginning of last year. A major operator was eliminated from the Finnish property services market, and the industrial services market, too, became more concentrated. Organic growth strengthened significantly in the latter half of 2004 and would seem to be continuing. Investments in Finland and its neighbouring areas will boost this growth.

Net sales are expected to grow faster than in 2004 and the financial performance is expected to improve. Growth-oriented inputs will put a short-term strain on performance. This is likely to be reflected in a temporary weakening of relative profitability.

In the new year, the most significant investments will be made in plants that will raise the utilization of waste materials and in expanding operations abroad.

STATEMENT OF INCOME

EUR 1000	1-12/2004	%	1-12/2003	%	Change %
Net sales	336 675	100.0	306 256	100	9.9
Cost of goods sold	-274 685	-81.6	-246 448	-80.5	11.5
Gross profit	61 990	18.4	59 808	19.5	3.6
Sales and marketing expenses	-8 551	-2.5	-7 509	-2.5	13.9
Administration expenses	-10 509	-3.1	-9 514	-3.1	10.5
Other operating income and expenses	596	0.2	641	0.2	-7.0
Operating profit before depreciation on goodwill	43 526	12.9	43 426	14.2	0.2
Depreciation on goodwill	-8 971	-2.7	-7 726	-2.5	16.1
Operating profit	34 555	10.3	35 700	11.7	-3.2
Financial income and expenses	-4 149	-1.2	-3 879	-1.3	7.0
Profit before extraordinary items	30 406	9.0	31 821	10.4	-4.4
Extraordinary items					
Profit before income taxes	30 406	9.0	31 821	10.4	-4.4
Income taxes	-8 592	-2.6	-9 740	-3.2	-11.8
Minority interests	-438		-261		67.8
Profit for the period	21 376	6.3	21 820	7.1	-2.0

BALANCE SHEET

EUR 1000	12/2004	12/2003
Assets		
Fixed assets		
Intangible assets	91 868	86 041
Tangible assets	116 441	104 728
Financial assets	3 856	3 478
Fixed assets, total	212 165	194 247
Current assets		
Inventories	4 005	2 729
Non-current receivables	2	1
Current receivables	36 573	30 997
Cash at bank and in hand	19 821	10 757
Current assets, total	60 401	44 484
Assets, total	272 566	238 731
Shareholders' equity and liabilities		
Shareholders' equity		
Share capital	19 068	7 913
Other restricted equity	44 932	7 518
Equity share of accumulated appropriations	7 047	4 921
Other unrestricted equity	59 602	75 434
Shareholders' equity, total	130 649	95 786
Minority interests	1 595	1 157
Provisions	349	69
Liabilities		
Deferred tax liability	6 875	6 825
Non-current liabilities	66 868	79 229
Current liabilities	66 230	55 665
Liabilities, total	139 973	141 719
Shareholders' equity and liabilities, total	272 566	238 731

KEY FIGURES

	12/2004	12/2003
Earnings/share, EUR	0.62	0.63
Equity/share, EUR	3.43	2.78
Dividend/share, EUR	0.25*	1.01
Dividend/earnings, %	40.5*	159.6
Dividend yield, %	1.9*	8.0
P/E ratio	21.3	19.9
Cash flow from operations/share, EUR	1.46	1.40
Return on equity, % (ROE)	19.0	24.0
Return on invested capital, % (ROI)	17.5	20.5
Equity ratio, %	48.8	40.6
Gearing, %	45.7	80.1
EVA, EUR million	16.8	19.6
Gross investments, EUR 1000	49 039	43 770
Depreciation, EUR 1000	29 914	25 643
Net interest-bearing liabilities, EUR 1000	60 407	77 636
Average personnel, converted to full-time	5 409	4 595
Adjusted number of shares		
Average during the year	34 650 239	34 477 003
At year end	38 136 234	34 477 003
Number of shares traded as a percentage of the average	49.8	30.1

* Proposal by the Board of Directors

EVA = Operating profit – cost calculated on invested capital (average of four quarters). WACC = 9.0
Share issue adjustment factor 2.178462

CASH FLOW STATEMENT

EUR 1000	12/2004	12/2003
Cash flow before change in working capital	63 421	61 129
Change in working capital	1 042	-1 258
Financial items and taxes	-13 785	-11 632
Cash flow from operations	50 678	48 239
Investments in group companies	-16 907	-11 255
Other investments	-30 362	-30 089
Proceeds from sale of fixed assets	2 260	759
Cash flow from investing activities	-45 009	-40 585
Proceeds from share issue	48 569	
Dividends paid	-34 845	-11 854
Change in interest-bearing liabilities	-10 330	10 162
Cash flow from financing	3 394	-1 692
Change in cash and cash equivalents	9 063	5 962

FIGURES BY DIVISION

NET SALES

EUR 1000	12/2004	12/2003	Change %
Environmental Services	157 385	137 235	14.7
Property Services	123 785	113 786	8.8
Industrial Services	55 505	55 235	0.5
Total	336 675	306 256	9.9

OPERATING PROFIT

	12/2004		12/2003		Change %
	EUR 1000	%	EUR 1000	%	
Environmental Services	21 842	13.9	20 773	15.1	5.1
Property Services	7 547	6.1	8 527	7.5	-11.5
Industrial Services	5 166	9.3	6 400	11.6	-19.3
Total	34 555	10.3	35 700	11.7	-3.2

QUARTERLY FIGURES

EUR 1000	Q404	Q304	Q204	Q104
Net sales				
Environmental Services	41 952	39 782	40 315	35 336
Property Services	33 343	30 796	29 505	30 141
Industrial Services	14 109	15 677	14 786	10 933
Total	89 404	86 255	84 606	76 410
Operating profit				
Environmental Services	5 309	6 105	6 340	4 088
Property Services	2 091	3 451	1 414	591
Industrial Services	931	2 603	2 131	-499
Total	8 331	12 159	9 885	4 180
Net financial expenses	-1 029	-1 088	-1 050	-982
Profit before extraordinary items	7 302	11 071	8 835	3 198
Operating margin				
Environmental Services	12.7	15.3	15.7	11.6
Property Services	6.3	11.2	4.8	2.0
Industrial Services	6.6	16.6	14.4	-4.6
Lassila & Tikanoja	9.3	14.1	11.7	5.5

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

CONTINGENT LIABILITIES

EUR 1000	12/2004	12/2003
Security for company liabilities		
Pledged shares	284	204
Real estate mortgages	784	
Corporate mortgages	50	
Other securities	943	
Liabilities		
Leasing payments and liabilities	1 601	938

DERIVATIVE CONTRACTS

EUR 1000	12/2004	12/2003
Interest rate swaps		
Nominal values	75 333	82 000
Market value	-584	-1 592

The figures have not been audited.

Helsinki, 8 February 2005

LASSILA & TIKANOJA PLC
Board of Directors