



LASSILA &amp; TIKANOJA PLC

## LASSILA & TIKANOJA PLC: FINANCIAL STATEMENTS RELEASE 1 JANUARY – 31 DECEMBER 2006

- Net sales for the fourth quarter EUR 115.4 million, growth 18.8%; operating profit EUR 10.3 million, growth 13.9%; earnings per share EUR 0.18 (EUR 0.16)
- Full-year net sales EUR 436.0 million, growth 15.5%; operating profit EUR 50.2 million, growth 27.8 %; earnings per share EUR 0.90 (EUR 0.70)
- In 2007, the growth in net sales is estimated to clearly exceed 20% and financial performance is estimated to improve.

The financial statements release has been prepared in accordance with the accounting and valuation principles of IFRS. No audit report has been submitted.

### GROUP NET SALES AND FINANCIAL PERFORMANCE

#### Fourth quarter net sales and financial performance

Net sales for the final quarter stood at EUR 115.4 million (EUR 97.1 million). This represented an increase of 18.8%, 7.5 percentage points of which came from corporate acquisitions. The operating profit was EUR 10.3 million (EUR 9.1 million), which is 8.9% (9.3%) of net sales.

Strong organic growth continued in all divisions thanks to successful new and additional sales. Exceptionally warm weather had a positive effect on the earnings of Environmental Services and Industrial Services.

#### Net sales and financial performance for 2006

The full-year net sales increased by 15.5% and stood at EUR 436.0 million (EUR 377.4 million), 5.8 percentage points of this growth coming from corporate acquisitions. Earnings per share were EUR 0.90 (EUR 0.70).

Organic growth was strong, which was attributable to good sales management, successful sales work and improved customer satisfaction. In the latter half of the year, the efficiency of product development was improved and several new service products were launched on the market. L&T's market position strengthened. Sweden was introduced as a new operating country. Recycling plant investments were held back by delays in obtaining environmental permits.

The emphasis for management in 2006 was on improving productivity and cost-based management. Industrial Services and Environmental Services were particularly successful in improving their efficiency, and the profitability of both divisions improved substantially. The Finnish operations of Property and Office Support Services achieved their targets, but the expansion of international operations caused an earnings burden that exceeded that planned. Centralisation of customer service improved cost-efficiency. Non-recurring sales gains amounting to almost EUR 2 million improved earnings.

#### Financial summary

	<b>10-12</b>	10-12	Change	<b>1-12</b>	1-12	Change
	<b>/2006</b>	/2005	%	<b>/2006</b>	/2005	%
Net sales, EUR million	<b>115.4</b>	97.1	18.8	<b>436.0</b>	377.4	15.5
Operating profit, EUR million	<b>10.3</b>	9.1	13.9	<b>50.2</b>	39.3	27.8
Operating margin, %	<b>8.9</b>	9.3		<b>11.5</b>	10.4	
Profit before taxes, EUR million	<b>10.0</b>	9.0	11.1	<b>48.5</b>	37.5	29.4
Earnings per share, EUR	<b>0.18</b>	0.16	12.5	<b>0.90</b>	0.70	28.6
EVA, EUR million	<b>4.6</b>	3.4	35.3	<b>28.6</b>	18.3	56.3

## **NET SALES AND FINANCIAL PERFORMANCE BY DIVISION**

### **Environmental Services**

#### **October to December**

The net sales of Environmental Services (waste management, recycling services, environmental products) in the fourth quarter amounted to EUR 55.5 million (EUR 47.3 million), an increase of 17.2%. The operating profit was EUR 7.4 million (EUR 5.9 million).

Strong organic growth continued and production conditions were good. The volume of recycling services increased and production costs were successfully kept under control, which resulted in a substantial earnings improvement. The joint venture, Salvor Oy, was also able to increase its net sales and improve performance.

#### **Year 2006**

Environmental Services' net sales for the entire year amounted to EUR 207.3 million (EUR 180.7 million), an increase of 14.7%. The operating profit was EUR 32.5 million (EUR 24.0 million).

Investments in improving productivity and recycling plants were continued. Together with strong organic growth, they resulted in a substantial improvement in profitability. The efficiency of recycling plants was improved, and the company was able to process its increasing production volumes at the planned costs. Measures to improve productivity will be continued by increasing training in economical driving, introducing a driving guidance and monitoring system based on vehicle computers and starting the phased introduction of a new production management system.

A fairly large recycling plant was built in Turku, and Suomen Keräystuote Oy was acquired. An extension to Suomen Keräystuote Oy's processing plant will be completed during the first quarter of 2007. Suomen Keräystuote is a wholesaler of recycled paper and board, as well as a recycled paper producer organisation. Appeals filed against environmental permits caused some delays in recycling plant investments. However, currently valid and pending permits will also enable the construction of new recycling plants in 2007. A few plants are currently under construction and several are being planned.

International operations made good progress, and greater efficiency in production and price increases in Latvia and Russia brought a clear improvement to the financial performance. In the late summer, a new recycling plant began operating in Latvia. A decision has been made to build the first recycling plant in Russia, scheduled to begin operating at the beginning of 2008. The company also intends to expand its operations by other means in the northern part of the Moscow region.

Environmental Products' financial performance improved as a result of reorganisation and efficiency measures. Environmental Products established a dedicated sales organisation in Russia.

The joint venture, Salvor Oy, increased its net sales substantially but clearly fell short of its earnings target. Its performance improved in the fourth quarter, but the full-year result showed a loss.

### **Property and Office Support Services**

#### **October to December**

The net sales of Property and Office Support Services (property maintenance and cleaning services) totalled EUR 44.6 million (EUR 36.5 million), an increase of 22.0%. The operating profit was EUR 1.2 million (EUR 2.4 million).

The division met its targets in Finland. New sales and additional sales to contract customers continued strongly. The costs of cleaning operations abroad burdened earnings, while non-recurring costs were attributable to units outside Finland. New sales in Russia and Latvia have started according to plan. Mild weather did not improve performance much, because snow ploughing is mainly covered by advance agreements with fixed prices with subcontractors. There were no snow transports that would have provided for additional invoicing.

## **Year 2006**

The full-year net sales of Property and Office Support Services totalled EUR 168.4 million (EUR 142.9 million), an increase of 17.9%. Their operating profit was EUR 8.8 million (EUR 11.9 million).

Price competition in Finland was intense during the first half of the year, but the situation normalised during the second half, and new sales were very successful. Lost contracts in the first half of the year were successfully replaced by additional sales to existing customers, and cleaning services within Finland exceeded their earnings target. The first outsourcing agreements for support services were made with forest industry customers. Employment pension costs regained typical levels after having been exceptionally low in 2005.

Most of the net sales growth in cleaning services occurred abroad. However, investment in expanding business operations abroad had a detrimental effect on the division's financial performance. Cleaning operations abroad ran at a loss. Earnings were burdened by the costs of initiating operations and certain other non-recurring items.

Cleaning operations in Sweden were started through the acquisitions of Allied Service Partners AB (ASP) and All Clean & Consulting Entrepreneur i Sverige AB (Accent). At the beginning of 2007, L&T acquired the food industry hygiene services company, Skånsk Allservice AB, with its subsidiaries. Through these acquisitions, L&T achieved its targeted position in the Swedish market and is now the third largest commercial operator in the Swedish cleaning market. During 2007, the focus in Sweden will be on integrating acquisitions, seeking organic growth and improving financial performance. Lassila & Tikanoja now provides cleaning services in Sweden, Latvia, Russia and Norway.

We reorganised our cleaning services in Moscow, reallocating their resources. New sales gained momentum in Moscow and Latvia during the latter half of the year.

Net sales for property maintenance increased through organic growth and the financial performance improved. In a fairly demanding competitive situation, the product line outperformed market growth. It was able to improve cost control and sell additional services to contract customers. In particular, the maintenance of technical systems showed clear growth, and operations expanded to new locations.

The division was renamed Property and Office Support Services. This new name better describes the expanded service offering. Property services refer to the maintenance, servicing and operation of buildings, equipment and rooms, while office support services help the users of premises focus on their core business. Office support services include reception, mailing, attendant, security and catering services, as well as the administration of premises. These extensive service packages are either provided by L&T itself, or by networking with the leading company in each sector.

## **Industrial Services**

### **October to December**

The net sales of Industrial Services (hazardous waste management, industrial cleaning, damage repair services and wastewater services) in the fourth quarter totalled EUR 16.6 million (EUR 14.4 million), an increase of 15.3%. The operating profit was EUR 2.7 million (EUR 0.9 million).

The net sales of all product lines increased, and all growth was organic. Favourable weather conditions increased demand. Demand for hazardous waste management increased and has remained at a healthy level since August. The net sales of industrial cleaning increased, even though this was the first year with no maintenance shutdowns in the fourth quarter. The largest proportional increase in net sales was seen in damage repair services.

The earnings of Industrial Services improved substantially, mainly due to the improved performance of hazardous waste management. Industrial cleaning was able to adapt its costs to seasonal variations in demand.

During the period, EUR 0.7 million was recognised in other income due to a change in the fair value of oil derivatives purchased by L&T Recoil in October. Changes in the fair value of oil derivatives have a quarterly earnings effect.

## **Year 2006**

Industrial Services' net sales for the entire year amounted to EUR 64.4 million (EUR 57.6 million), an increase of 11.9%. The operating profit was EUR 9.6 million (EUR 4.7 million). All product lines were able to increase their net sales, with damage repair services accounting for the greatest improvement. The division's growth was completely organic and its market position strengthened.

The division's financial performance improved clearly, due to increased net sales and improved productivity. An increased volume was managed with lower fixed costs. All product lines clearly improved their performance. The most significant part of the performance improvement was attributable to a reorganisation programme carried out in industrial cleaning in 2005.

Within hazardous waste management, L&T managed to raise the rate of waste recovery, which further reduced the expensive delivery of hazardous waste for destruction by a third party. The industrial cleaning market established itself and demand increased after a very difficult year in 2005. There were many fires and other accidents in 2006 that increased the net sales of damage repair services. Demand for wastewater services remained at an equally strong level for the entire year.

In September, L&T and key personnel from GT Trading Oy established the joint venture, L&T Recoil Oy, which will build a waste oil re-refinery in Hamina. L&T's share of ownership is 50%. The plant will be completed in early 2008 and the total value of the investment exceeds EUR 20 million. This plant is a step forward in the hazardous waste processing chain in accordance with the company's strategy. It will also present new opportunities for growth and internationalisation.

## **FINANCING**

Interest-bearing liabilities amounted to EUR 6.4 million less than a year earlier. Net interest-bearing liabilities, totalling EUR 52.5 million, decreased by EUR 24.0 million. The exceptionally high amount of liquid assets at the end of the year was attributable to very positive cash flow from operations during the fourth quarter, as well as an arrangement carried out just before the year end through which L&T sold a major part of its lightweight vehicle fleet to a leasing company.

In October-December, interest expenses exceeded those in the comparison period by EUR 0.1 million. In January-December they were on the same level as in the previous year.

EUR 0.1 million (EUR 0.4 million) resulting from changes in the fair values of interest rate swaps was recognised in the income statement under finance income in October-December. The total income for the whole year amounted to EUR 0.5 million (EUR 0.8 million). Net finance costs for the whole year decreased by 5.7%, being 0.4% (0.5%) of net sales and 3.4% (4.6%) of operating profit.

A total of EUR 0.4 million arising from the changes in the fair value of an interest rate swap to which hedge accounting under IAS 39 is applied, was recognised in equity in 2006.

The equity ratio was 50.4% (49.5%). The gearing rate was 29.7 (49.3). Cash flow from operating activities amounted to EUR 69.9 million (EUR 48.9 million). EUR 1.7 million were released from the working capital (EUR 3.3 million were tied up). Liquidity remained on a good level during the whole year. The capital expenditure was entirely financed out of cash flow from operating activities.

## CAPITAL EXPENDITURE

Capital expenditure totalled EUR 47.2 million (EUR 60.9 million). Approximately EUR 13 million were spent on nine corporate acquisitions. The combined annual net sales of the acquired companies totalled EUR 28.8 million.

In October a Swedish company All Clean & Consulting Entrepreneur i Sverige AB (Accent) providing cleaning and office support services was acquired. The net sales of Accent amounted to about EUR 9.2 million in 2005, and it employs 180 persons. The property maintenance and cleaning operations of Sisä-Suomen Kiinteistöapu Oy LKV were also acquired.

The following acquisitions were made in the third quarter:

A Latvian Property and Office Support Services company SIA Evus was acquired for Property and Office Support Services in August. The net sales for Evus amounted to 0.6 million euros in 2005, and it employs around 100 people. In September, the business operations of Kiimingin Kiinteistöpalvelu Oy, a minor property and office support services company, were acquired.

The following acquisitions were made in the second quarter:

In April majority of the shares of Suomen Keräystuote Oy was acquired, and the company, being previously an associate, became a group company. L&T holds presently 100 per cent of the shares. Suomen Keräystuote Oy is a marketing company of Finnish paper collection companies. It supplies collected recoverable paper and board to industry. The net sales for Suomen Keräystuote amounted to EUR 7 million in 2005, but the effect on the group net sales on annual level is only EUR 3.8 million due to intra-group net sales. In addition, the rental operations of WeeCee Finland Oy were acquired.

The following acquisitions were made in the first quarter:

Hämeenlinnan Puhtaanapito Oy, a waste management company, was acquired for Environmental Services. Its net sales totalled EUR 4.4 million in 2005 and it employed 36 people. Allied Service Partners AB (ASP), a Swedish company specialising in property maintenance services, was acquired for Property and Office Support Services. ASP operates in Stockholm and Gothenburg. The net sales of ASP were EUR 10.3 million in 2005, and it employs 390 people. The property maintenance operations of Kempeleen Kiinteistöhuolto Oy were also acquired.

In addition to corporate acquisitions, machinery and equipment were replaced, production premises were expanded, and new information systems were built. Depreciation and amortisation amounted to EUR 28.2 million (EUR 24.8 million) in January-December.

Capital expenditure by division was as follows: Environmental Services EUR 22.0 million (EUR 40.5 million), Property and Office Support Services EUR 19.5 million (EUR 11.5 million), and Industrial Services EUR 5.7 million (EUR 8.8 million).

In December an agreement was signed on the acquisition of the majority (70%) of the shares of Biowatti Oy from the acting management of the company for Environmental Services. L&T also made a commitment to redeem the remaining thirty percent of the shares by the end of the year 2011. The acquisition price for the seventy percent portion was EUR 30.1 million. No interest-bearing liabilities were transferred in the acquisition. Biowatti is the leading Finnish bio energy supplier utilising renewable energy sources, operating in the procurement, processing, marketing and delivery of bio fuels. The main products are by-products of forest and wood processing industries and logging chips. The net sales of Biowatti for the year 2006 amounted to EUR 64.2 million. Bio fuel sales account for two thirds and industrial raw materials sales for one third of the net sales. The acquisition became effective on 1 February 2007.

In the consolidated financial statements the whole acquisition price (100%) of Biowatti is recognised as acquisition cost. No minority interest is separated from the profit or equity, but the estimated acquisition price

of the remaining 30 percent (EUR 6 million) is recognised as interest-bearing non-current liability. The final price of the 30 percent portion will be determined based on the future earnings of Biowatti.

In early January 2007, Skånsk Allservice AB together with subsidiaries Hygienutveckling AB and Hygienutveckling A/S operating in Norway were acquired. The consolidated net sales of the group totalled about EUR 10 million in 2006, most of which came from hygiene services for the food industry.

## PERSONNEL

In 2006, the average number of employees converted into full-time equivalents was 6,775 (5,918). At year end the total number of full-time and part-time employees was 8,328 people (7,512). Of them 1,822 people (1,222) worked outside Finland.

## PROPOSAL FOR THE DISTRIBUTION OF PROFIT

According to the financial statements, Lassila & Tikanoja plc's distributable assets amount to EUR 40,900,168.17, of which EUR 24,648,860.77 constitutes profit for the financial period. There were no substantial changes in the financial standing of the company after the end of the financial period, and the solvency test referred to in Chapter 13, Section 2 of the Companies Act does not affect the amount of distributable assets. The Board of Directors proposes to the General Meeting of Shareholders that distributable assets be used as follows:

A dividend of EUR 0.55 per share will be paid on each of the 38,549,719 shares, totalling	EUR 21,202,345.45
To be retained and carried forward	EUR 19,697,822.72
<b>Total</b>	<b>EUR 40,900,168.17</b>

In accordance with the resolution of the Board of Directors, the record date is 29 March 2007. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 5 April 2007.

Earnings per share amounted to EUR 0.90. The proposed dividend is 61.1% of the earnings per share.

## SHARES AND SHARE CAPITAL

### Traded volume and price

The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Stock Exchange during the year 2006 was 12,807,684, which is 33.3% (40.0) of the average number of shares. The value of trading was EUR 217.6 million. The trading price varied between EUR 14.75 and EUR 22.46. The closing price was EUR 21.66. The market capitalisation went up by 45.9% and was EUR 834.5 million (EUR 571.8 million) at year end.

### Share capital

At the beginning of the year the company's registered share capital amounted to EUR 19,188,887. During the year 2006, a total of 150,400 shares were subscribed for pursuant to the 2002B and 2002C options rights. After these subscriptions, the company's share capital amounts to EUR 19,264,087 and the number of the shares is 38,528,174.

On 5 February 2007, the Board approved the subscriptions of 21,545 new shares made pursuant to the 2002C share options. As a result of these subscriptions, the company's registered share capital will increase by EUR 10,772,50 to EUR 19,274,859.50 and the number of the shares will increase to 38,549,719 shares after the increase has been entered in the Trade Register.

### Dividend for the financial year 2005

The Annual General Meeting held on 23 March 2006 resolved on a dividend of EUR 0.40 per share for the financial year 2005. The dividend, totalling EUR 15.4 million, was paid on 4 April 2006.

### **Option plans 2002 and 2005**

The subscription periods for 2002A and 2002B share options have ended. The subscription period for the 2002B-options ended on 30 October 2006, and 255,800 shares were subscribed for. The rest 200 outstanding options and the 4,000 options held by L&T Advance Oy expired.

280,000 2002C options have been issued. 274,000 have been granted to key persons of the company. Until 29 January 2007, a total of 39,245 shares have been subscribed for pursuant to the 2002C options. Pursuant to the remaining outstanding 2002C options a maximum of 234,755 shares can be subscribed for, which is 0.6% of the current number of shares. The subscription period ends on 30 October 2007. The share subscription price is EUR 11.46. The 2002C options have been listed on the Helsinki Stock Exchange since 2 May 2006.

In 2005, 600,000 share options were issued, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. Presently, 26 key persons hold 165,000 2005A options and 35 key persons hold 195,000 2005B options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 8,000 2005A options, 7,000 2005B options and 230,000 2005C options.

The share subscription price for the 2005A options is EUR 14.22, and for 2005B options EUR 16.98. The options issued under the share option plan 2005 entitle their holders to subscribe for a maximum of 1.6% of the current number of shares.

### **Notifications on major holdings**

On 10 April 2006, Tapiola Group reported that its holding in the share capital and votes of Lassila & Tikanoja plc had decreased to 4.6%.

### **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.

## **BOARD OF DIRECTORS AND AUDITORS**

The Annual General Meeting of Shareholders held on 23 March 2006 confirmed five as the number of the members of the Board of Directors. The following Board members were re-elected to the Board until the end of the following AGM: Heikki Hakala, Lasse Kurkilahti, Juhani Lassila, Juhani Maijala and Soili Suonoja.

PricewaterhouseCoopers Oy, Authorised Public Accountants, were elected auditors. Principal Auditor is Heikki Lassila, Authorised Public Accountant.

In a meeting held after the Annual General Meeting the Board of Directors re-elected Juhani Maijala as Chairman of the Board and Heikki Hakala as Vice Chairman.

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

On 23 March 2006, the Board of Directors resolved to apply for listing of 2002C share option rights on the main list of the Helsinki Stock Exchange starting from 2 May 2006.

## **EVENTS AFTER THE BALANCE SHEET DATE**

An agreement to acquire a majority holding of Biowatti Oy was signed in December. The acquisition was subject to approval of the competition authority. The approval was given on 18 January 2007, and the acquisition became effective on 1 February 2007.

## **NEAR-TERM UNCERTAINTIES**

The most significant uncertainty factor in the near term is that the performance of foreign units within Property and Office Support Services may not improve on the planned schedule. The slowness of environmental and other permit procedures may cause delays in the implementation of planned recycling plant investments in Finland as well as Russia. Changes in the fair value of oil derivatives related to L&T Recoil's operations depend on the development of world market prices for oil. This may have a substantial effect on the earnings of Industrial Services.

## **PROSPECTS FOR THE YEAR 2007**

The prospects in Lassila & Tikanoja's markets are good, and the company's market position has strengthened. Among other things, the demand for Environmental Services in Finland will be increased by the fact that many landfills will have to be closed down towards the end of the year due to new EU regulations. The forest energy market should develop favourably, due to a continuing trend towards increasing the use of renewable energy sources. The market outlook for Property and Office Support Services in Finland is better than last year, and the competitive situation has normalised. The market outlook for Industrial Services is quite positive. Strong demand seems to be continuing, and the company's position in the market has clearly improved. Clear growth will also be seen in markets outside Finland.

Successful new sales in the latter half of 2006 provided the preconditions for continuing strong organic growth. Corporate acquisitions, Biowatti in particular, will strongly increase net sales. Biowatti's operations require very little capital and do not call for an operating profit level as high as that of other operations within Environmental Services. This will decrease the operating profit of Environmental Services in comparison with net sales.

During the year, two or three new recycling plants and terminals will be built, including one in Russia. Investments will increase due to completed corporate acquisitions and other investment decisions.

The management emphasis in 2006 was on improving productivity and cost-based management. This concept will be further elaborated, particularly in Property and Office Support Services. We estimate that the growth in net sales will clearly exceed 20% and financial performance will improve.

**INCOME STATEMENT**

EUR 1000	10-12/2006	10-12/2005	1-12/2006	1-12/2005
<b>Net sales</b>	<b>115 362</b>	<b>97 097</b>	<b>436 004</b>	<b>377 448</b>
Cost of goods sold	-100 226	-83 633	-367 968	-320 536
<b>Gross profit</b>	<b>15 136</b>	<b>13 464</b>	<b>68 036</b>	<b>56 912</b>
Selling and marketing costs	-3 739	-2 988	-12 844	-11 508
Administrative expenses	-2 445	-1 614	-8 660	-7 304
Other operating income and expenses	1 360	192	3 653	1 154
<b>Operating profit</b>	<b>10 312</b>	<b>9 054</b>	<b>50 185</b>	<b>39 254</b>
Finance income	462	577	1 526	1 431
Finance costs	-828	-697	-3 225	-3 232
Share of profit of associates	18	27	18	27
<b>Profit before income tax</b>	<b>9 964</b>	<b>8 961</b>	<b>48 504</b>	<b>37 480</b>
Income tax expense	-2 956	-2 585	-13 249	-10 250
<b>Profit for the period</b>	<b>7 008</b>	<b>6 376</b>	<b>35 255</b>	<b>27 230</b>
<b>Attributable to:</b>				
Equity holders of the parent	6 858	6 360	34 613	26 822
Minority interest	150	16	642	408
<b>Earnings per share for profit attributable to the equity holders of the parent:</b>				
Earnings per share, EUR	0.18	0.16	0.90	0.70
Earnings per share, EUR -diluted	0.18	0.16	0.90	0.70

**BALANCE SHEET**

EUR 1000	12/2006	12/2005
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	106 611	99 120
Intangible assets from acquisitions	9 893	9 859
Other intangible assets	7 903	5 893
Property, plant and equipment	134 038	135 404
Other non-current assets	6 785	6 676
<b>Total non-current assets</b>	<b>265 230</b>	<b>256 952</b>
<b>Current assets</b>		
Inventories	4 315	4 744
Trade and other receivables	58 249	45 898
Cash and cash equivalents	24 790	7 252
<b>Total current assets</b>	<b>87 354</b>	<b>57 894</b>
<b>TOTAL ASSETS</b>	<b>352 584</b>	<b>314 846</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	19 264	19 189
Share premium reserve	47 666	46 606
Revaluation and other reserves	326	-179
Retained earnings	72 291	60 428
Profit for the period	34 613	26 822
Total equity attributable to equity holders of the parent	174 160	152 866
Minority interest	2 709	2 166
<b>Total equity</b>	<b>176 869</b>	<b>155 032</b>
<b>Non-current liabilities</b>		
Deferred income tax liabilities	22 350	15 768
Pension obligations	352	176
Provisions	936	684
Interest-bearing liabilities	59 031	59 629
Other non-current liabilities	431	224
<b>Total non-current liabilities</b>	<b>83 100</b>	<b>76 481</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	18 231	24 077
Trade and other non-interest-bearing payables	74 112	58 956
Provisions	272	300
<b>Total current liabilities</b>	<b>92 615</b>	<b>83 333</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>352 584</b>	<b>314 846</b>

**CASH FLOW STATEMENT**

EUR 1000	12/2006	12/2005
Cash generated from operations before change in working capital	75 911	62 490
Change in working capital	1 746	-3 214
Net finance cost	-1 987	-2 880
Taxes	-5 776	-7 455
<b>Net cash flows from operating activities</b>	<b>69 894</b>	<b>48 941</b>
Investments in group companies	-10 658	-15 801
Other investments	-34 885	-40 175
Proceeds from sales of property, plant and equipment	14 089	1 775
<b>Net cash flows from investing activities</b>	<b>-31 454</b>	<b>-54 201</b>
Proceeds from share subscriptions	1 018	1 795
Dividends paid	-15 339	-9 525
Change in borrowings	-6 566	475
<b>Net cash flows from financing activities</b>	<b>-20 887</b>	<b>-7 255</b>
<b>Net change in liquid assets</b>	<b>17 553</b>	<b>-12 515</b>
Liquid assets at beginning of period	7 252	19 759
Changes in exchange rates and fair values	-15	8
Liquid assets in balance sheet	<b>24 790</b>	<b>7 252</b>

**STATEMENT OF CHANGES IN EQUITY**

EUR 1000	Share capital	Share premium reserve	Translation difference reserve	Re-valuation reserves	Retained earnings	Equity attrib. to equity holders of the parent	Minority interest	Total equity
<b>Equity at 1.1.2005</b>	<b>19 068</b>	<b>44 932</b>	<b>-289</b>	<b>13</b>	<b>69 515</b>	<b>133 239</b>	<b>1 550</b>	<b>134 789</b>
Current available-for-sale investments, change in fair value				-12		-12		-12
Currency translation differences			109			109		109
Items recognised directly in equity			109	-12		97		97
Profit for the period					26 822	26 822	408	27 230
<b>Total recognised income and expenses</b>			109	-12	26 822	26 919	408	27 327
Share option remuneration								
Subscriptions pursuant to 2002 options	121	1 674				1 795		1 795
Remuneration expense of share options					448	448		448
Dividends paid					-9 535	-9 535		-9 535
Investment by a minority holder							208	208
<b>Equity at 31.12.2005</b>	<b>19 189</b>	<b>46 606</b>	<b>-180</b>	<b>1</b>	<b>87 250</b>	<b>152 866</b>	<b>2 166</b>	<b>155 032</b>
<b>Equity at 1.1.2006</b>	<b>19 189</b>	<b>46 606</b>	<b>-180</b>	<b>1</b>	<b>87 250</b>	<b>152 866</b>	<b>2 166</b>	<b>155 032</b>
Hedging fund, change in fair value				384		384		384
Current available-for-sale investments, change in fair value				10		10		10
Currency translation differences			111			111	-1	110
Items recognised directly in equity			111	394		505	-1	504
Profit for the period					34 613	34 613	642	35 255
<b>Total recognised income and expenses</b>			111	394	34 613	35 118	641	35 759
Share option remuneration								
Subscriptions pursuant to 2002 options	75	1 060				1 135		1 135
Remuneration expense of share options					396	396		396
Dividends paid					-15 355	-15 355	-164	-15 519
Investment by a minority holder							66	66
<b>Equity at 31.12.2006</b>	<b>19 264</b>	<b>47 666</b>	<b>-69</b>	<b>395</b>	<b>106 904</b>	<b>174 160</b>	<b>2 709</b>	<b>176 869</b>

**KEY FIGURES**

	<b>10-12 /2006</b>	10-12 /2005	<b>2006</b>	2005
Earnings per share, EUR	<b>0.18</b>	0.16	<b>0.90</b>	0.70
Earnings per share, EUR - diluted	<b>0.18</b>	0.16	<b>0.90</b>	0.70
Cash flows from operating activities per share, EUR	<b>0.72</b>	0.47	<b>1.82</b>	1.28
EVA, EUR million*	<b>4.6</b>	3.4	<b>28.6</b>	18.3
Capital expenditure, EUR 1000	<b>15 074</b>	11 259	<b>47 162</b>	60 852
Depreciation and amortisation, EUR 1000	<b>7 519</b>	6 598	<b>28 155</b>	24 774
Equity per share, EUR			<b>4.52</b>	3.98
Dividend per share, EUR			<b>0.55**</b>	0.40
Dividend/earnings, %			<b>61.1**</b>	57.0
Dividend yield, %			<b>2.5**</b>	2.7
P/E ratio			<b>24.1</b>	21.2
Return on equity, ROE, %			<b>21.2</b>	18.8
Return on invested capital, ROI, %			<b>21.0</b>	17.9
Equity ratio, %			<b>50.4</b>	49.5
Gearing, %			<b>29.7</b>	49.3
Net interest-bearing liabilities			<b>52 471</b>	76 455
Average number of employees in full-time equivalents			<b>6 775</b>	5 918
Adjusted number of shares, 1000 shares				
average during the period			<b>38 445</b>	38 193
at end of period			<b>38 528</b>	38 378
average during period, diluted			<b>38 601</b>	38 421

\*EVA = operating profit – cost calculated on invested capital (average of four quarters). WACC 2006: 8.75%; 2005: 9.0%

\*\*Proposal by the Board of Directors

**SEGMENT REPORTING****NET SALES**

EUR 1000	<b>10-12/ 2006</b>	10-12/ 2005	Change %	<b>1-12/ 2006</b>	1-12/ 2005	Change %
Environmental Services	<b>55 463</b>	47 333	17.2	<b>207 252</b>	180 679	14.7
Property and Office Support Services	<b>44 584</b>	36 545	22.0	<b>168 403</b>	142 890	17.9
Industrial Services	<b>16 554</b>	14 362	15.3	<b>64 416</b>	57 584	11.9
Group admin. and other	<b>3</b>	92		<b>118</b>	366	
Inter-division net sales	<b>-1 242</b>	-1 235		<b>-4 185</b>	-4 071	
Total	<b>115 362</b>	97 097	18.8	<b>436 004</b>	377 448	15.5

**OPERATING PROFIT**

EUR 1000	10-12/ 2006	%	10-12/ 2005	%	1-12/ 2006	%	1-12/ 2005	%
Environmental Services	7 390	13.3	5 862	12.4	32 498	15.7	23 986	13.3
Property and Office Support Services	1 154	2.6	2 393	6.5	8 758	5.2	11 947	8.4
Industrial Services	2 739	16.5	909	6.3	9 601	14.9	4 746	8.2
Group admin. and other	-971		-110		-672		-1 425	
Lassila & Tikanoja	10 312	8.9	9 054	9.3	50 185	11.5	39 254	10.4

**OTHER SEGMENT REPORTING**

EUR 1000	10-12/2006	10-12/2005	1-12/2006	1-12/2005
<b>Assets</b>				
Environmental Services			199 872	189 844
Property and Office Support Services			59 394	50 330
Industrial Services			63 508	59 997
Group admin. and other			2 804	5 211
Non-allocated assets			27 006	9 464
Lassila & Tikanoja			352 584	314 846
<b>Liabilities</b>				
Environmental Services			33 388	29 947
Property and Office Support Services			29 708	20 910
Industrial Services			10 367	8 787
Group admin. and other			1 084	269
Non-allocated liabilities			101 168	99 901
Lassila & Tikanoja			175 715	159 814
<b>Capital expenditure</b>				
Environmental Services	5 436	7 249	21 940	40 542
Property and Office Support Services	7 613	2 622	19 472	11 471
Industrial Services	2 025	1 398	5 696	8 785
Group admin. and other		-10	54	54
Lassila & Tikanoja	15 074	11 259	47 162	60 852
<b>Depreciation and amortisation</b>				
Environmental Services	4 240	3 595	16 002	13 567
Property and Office Support Services	2 045	1 548	7 274	5 674
Industrial Services	1 225	1 427	4 796	5 422
Group admin. and other	9	28	83	111
Lassila & Tikanoja	7 519	6 598	28 155	24 774

**INCOME STATEMENT BY QUARTER**

EUR 1000	10-12/ /2006	7-9/ 2006	4-6/ 2006	1-3/ 2006	10-12/ 2005	7-9/ 2005	4-6/ 2005	1-3/ 2005
<b>Net sales</b>								
Environmental Services	55 463	52 973	51 692	47 124	47 333	46 588	47 234	39 524
Property and Office Support Services	44 584	41 463	41 243	41 113	36 545	35 645	35 955	34 745
Industrial Services	16 554	18 223	16 513	13 126	14 362	15 838	15 746	11 638
Group admin. and other	3	19	26	70	92	91	92	91
Inter-division net sales	-1 242	-1 030	-1 044	-869	-1 235	-1 064	-966	-806
Lassila & Tikanoja	115 362	111 648	108 430	100 564	97 097	97 098	98 061	85 192
<b>Operating profit</b>								
Environmental Services	7 390	9 986	7 828	7 294	5 862	7 017	6 390	4 717
Property and Office Support Services	1 154	4 833	1 499	1 272	2 393	4 462	2 868	2 224
Industrial Services	2 739	3 800	2 277	785	909	2 260	1 820	-243
Group admin. and other	-971	1 233	-547	-388	-110	-439	-524	-352
Lassila & Tikanoja	10 312	19 852	11 057	8 963	9 054	13 300	10 554	6 346
<b>Operating margin</b>								
Environmental Services	13,3	18,9	15,1	15,5	12,4	15,1	13,5	11,9
Property and Office Support Services	2,6	11,7	3,6	3,1	6,5	12,5	8,0	6,4
Industrial Services	16,5	20,9	13,8	6,0	6,3	14,3	11,6	-2,1
Lassila & Tikanoja	8,9	17,8	10,2	8,9	9,3	13,7	10,8	7,4
Finance costs, net	-366	-740	-391	-201	-120	-263	-1 010	-408
Share of profits of associates	18				27			
<b>Profit before tax</b>	9 964	19 112	10 666	8 762	8 961	13 037	9 544	5 938

**CONTINGENT LIABILITIES**

EUR 1000	12/2006	12/2005
Securities given for own commitments		
Real estate mortgages	10 484	105
Corporate mortgages	12 778	500
Other securities	197	188
Bank guarantees required for environmental permits	2 026	1 969

Other securities are security deposits.

The Group has given no pledges, mortgages or guarantees on behalf of outsiders.

**Operating lease liabilities**

EUR 1000	12/2006	12/2005
Maturity not later than one year	6 107	2 809
Maturity later than one year and not later than five years	12 742	7 016
Maturity later than five years	3 614	4 357
Total	22 463	14 182

**Derivative financial instruments**

EUR 1000	12/2006	12/2005
Nominal values of interest rate swaps*		
Maturity not later than one year	13 500	6 000
Maturity later than one year and not later than five years	30 500	44 000
Total	44 000	50 000
Fair value of interest rate swaps	726	237

\* Hedge accounting under IAS 39 has not been applied to these interest rate swaps. Changes in fair values have been recognised in finance income and costs.

**Nominal value of interest rate swap\*\***

Maturity not later than one year	1 429
Maturity later than one year and not later than five years	5 714
Maturity later than five years	7 857
Total	15 000
Fair value of interest rate swap	519

\*\* The interest rate swap is used to hedge cash flow related to a floating rate loan, and hedge accounting under IAS 39 has been applied to it. The hedge has been effective, and the total change in the fair value has been recognised in the hedging fund under equity.

	12/2006 Quantity 1000 bbl	12/2006 Fair value EUR 1000
<b>Maturity of raw oil put options held for trading</b>		
Later than one year and not later than five years	453	2 288

Oil derivatives were entered into in order to hedge the base oil price risk associated with the re-refinery plant under construction for the joint venture L&T Recoil. Hedge accounting under IAS 39 has not been applied, but the changes in fair values have been recognised in other operating income and expenses.

The fair values of all derivative contracts are based on market prices on the balance sheet date. The fair values of the oil options have been determined on the basis of a generally used measurement model.

Helsinki 5 February 2007

LASSILA & TIKANOJA PLC  
Board of Directors

Jari Sarjo  
President and CEO

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