



LASSILA & TIKANOJA PLC INTERIM REPORT 1 JANUARY – 30 JUNE 2006

- Net sales for the second quarter EUR 108.4 million, growth 10.6%; operating profit EUR 11.1 million, growth 4.7%; earnings per share EUR 0.20 (EUR 0.18)
- Net sales for January-June EUR 209.0 million, growth 14%; operating profit EUR 20.0 million, growth 18.3%; earnings per share EUR 0.36 (EUR 0.29)
- Net sales for the whole year are expected to increase in line with the long-term target, i.e. more than 10 per cent, and an improvement in the financial performance for the entire year is expected.

This interim report has been prepared in accordance with the accounting and valuation principles of IFRS. The interim report has not been audited.

GROUP NET SALES AND FINANCIAL PERFORMANCE

Second quarter net sales and financial performance

Lassila & Tikanoja's net sales in the second quarter totalled EUR 108.4 million (EUR 98.1 million). The operating profit was EUR 11.1 million (EUR 10.6 million), which was 10.2% of net sales (10.8%). Net sales went up by 10.6%, 4.7 percentage points of the increase coming from corporate acquisitions. Net sales were increased by a revival in industrial demand and successful sales work. The costs of expanding international operations and tighter price competition in Finland weakened the financial performance of Property Services.

January-June net sales and financial performance

Net sales for six months went up by 14.0% to EUR 209.0 million (EUR 183.3 million), 6 percentage points of the increase coming from corporate acquisitions. The earnings per share were EUR 0.36 (EUR 0.29). Organic growth exceeded market growth. Most of the increases in costs were passed on to prices. Cleaning operations in Sweden were started at the beginning of the year.

Key figures

	4-6/2006	4-6/2005	Change %	1-6/2006	1-6/2005	Change %	1-12/2005
Net sales, EUR million	108.4	98.1	10.6	209.0	183.3	14.0	337.4
Operating profit, EUR million	11.1	10.6	4.7	20.0	16.9	18.3	39.3
Operating profit %	10.2	10.8		9.6	9.2		10.4
Profit before taxes, EUR million	10.7	9.5	12.6	19.4	15.5	25.2	37.5
Earnings per share, EUR	0.20	0.18	11.1	0.36	0.29	24.1	0.70
EVA, EUR million	5.7	5.5	3.6	9.5	7.1	33.8	18.3

NET SALES AND FINANCIAL PERFORMANCE BY DIVISION

Environmental Services

Second quarter

The net sales of Environmental Services (waste management, recycling services, environmental products) in the second quarter amounted to EUR 51.7 million (EUR 47.2 million), an increase of 9.4%. The operating profit was EUR 7.8 million (EUR 6.4 million).

The recycling plant in Turku which was put into production at the beginning of the year attained the projected utilization rate and quality. Strong organic growth and improved productivity in recycling services improved profitability. The recycling plant in Riga, Latvia will come on stream at the end of the summer.

January-June

The net sales of Environmental Services for January-June amounted to EUR 98.8 million (EUR 86.8 million), an increase of 13.9%. The operating profit was EUR 15.1 million (EUR 11.1 million).

Efforts to improve productivity and significant investments in recycling plants were continued. Together with strong organic growth, these have contributed to improved profitability, despite increased competition in certain areas. These measures will be continued for instance with the phased introduction of a new production management system. Two more, possibly three, minor new recycling plants will be built in Finland during the current year, and these will come on stream at the beginning of next year.

International operations developed favourably. The operations of the joint venture Salvor will be concentrated in the latter half of the year. Environmental Products' financial performance improved as a result of efficiency measures.

Property Services

Second quarter

The net sales of Property Services (property maintenance and cleaning services) totalled EUR 41.2 million (EUR 36.0 million), an increase of 14.7%. The operating profit was EUR 1.5 million (EUR 2.9 million).

The financial performance of Property Services was adversely affected by severe price competition in cleaning services in Finland and by the costs of expanding international operations. The first agreements with forest industry customers for outsourcing support services were signed.

January-June

The net sales of Property Services for January-June totalled EUR 82.4 million (EUR 70.7 million), an increase of 16.5%. The operating profit was EUR 2.8 million (EUR 5.1 million).

Most of the growth in cleaning services occurred abroad, although price increases in Finland were carried out as planned. Price competition in Finland increased clearly. Due to enhanced sales work, the trade in cleaning services improved towards the end of the period.

The cleaning services operations in Moscow recorded a loss. According to plan, these operations will show a profit within one year.

Cleaning services in Sweden were started at the beginning of January with the acquisition of Allied Service Partners Ab, which is based in Stockholm and Gothenburg. Lassila & Tikanoja now provides cleaning services in Sweden, Latvia and Russia. The volume of international operations is being increased both organically and, in Sweden and Latvia, through corporate acquisitions. At the same time, new and more efficient practices are being introduced.

The net sales of property maintenance increased organically, and the result was at the level of the comparative period. Maintenance of technical systems in particular have grown, and operations have expanded to new locations.

Industrial Services

Second quarter

The net sales of Industrial Services (hazardous waste management, industrial cleaning, damage repair services and wastewater services) totalled EUR 16.5 million (EUR 15.7 million), an increase of 4.9%. The operating profit was EUR 2.3 million (EUR 1.8 million).

The improved net sales and operating profit in the second quarter was due to robust demand for industrial cleaning and damage repair services. In particular, damage repair services saw an unusually large number of major consequential damage repair jobs for the time of year. In the comparative period, the financial performance of industrial cleaning was adversely affected by the labour disputes in the forest industry. Demand for hazardous waste management services was less than in the comparative period.

January-June

The net sales of Industrial Services for January-June was EUR 29.6 million (EUR 27.4 million), an increase of 8.2%. The operating profit was EUR 3.1 million (EUR 1.6 million).

The financial performance and profitability of the division grew substantially due to robust demand and improved profitability. This was mainly due to industrial cleaning, where methodical efforts have been taken to improve cost-efficiency and productivity. Damage repair and wastewater services also improved their financial performance.

In hazardous waste services, the Oulu plant was modernized to respond better to increasing requirements for waste recovery. By continuously raising the rate of waste recovery, the need for expensive delivery of hazardous waste to a third party to be destroyed will be reduced.

FINANCING

Net interest-bearing liabilities amounted to EUR 1.7 million more than a year earlier. Net interest-bearing liabilities, totalling EUR 85.6 million, increased by EUR 1.0 million. In April-June, interest expenses were equal to those in the comparison period, and in January-June EUR 0.2 million less than in the comparison period. An income of EUR 0.1 million (EUR -0.3 million) resulting from changes in the fair values of interest rate swaps was recognised in the income statement in April-June, and EUR 0.5 million in January-June, while there were none in the previous year. In January-June, net finance costs were less than half of the costs for the comparison period, being 0.3% (0.8%) of net sales and 3.0% (8.4%) 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 January-June.

The equity ratio was 46.3% (45.0%). The gearing rate was 55.4 (61.8). Cash flow from operating activities amounted to EUR 24.2 million (EUR 17.3 million). EUR 7.4 million were tied up in the working capital (EUR 5.6 million).

INVESTMENTS

In January-June, gross investments totalled EUR 23.8 million (EUR 34.6 million). EUR 9.0 million were spent on five corporate acquisitions. The effect of the combined annual net sales of the acquired companies on the group net sales totalled EUR 18.7 million.

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 67 per cent of the shares. Suomen Keräystuote Oy is a marketing company owned by 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 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.

Machinery and equipment were replaced, production premises were expanded, and new information systems were built. Depreciation amounted to EUR 13.8 million (EUR 11.9 million) in January-June.

In January-June, investments by division were as follows: Environmental Services EUR 11.4 million (EUR 24.6 million), Property Services EUR 9.9 million (EUR 5.5 million), and Industrial Services EUR 2.5 million (EUR 4.5 million).

PERSONNEL

The average number of personnel converted to full-time employees was 6,698 (5,797) in January-June. At the end of June the total number of employees working full-time and part-time was 8,542 people (7,844). Of them 1,490 people (978) were abroad.

SHARES AND SHARE CAPITAL

Traded volume and price

The volume of trading in Lassila & Tikanoja plc shares on the Helsinki Stock Exchange from January through June was 6.841.359, which is 17.8% of the average number of shares. The value of trading was EUR 111.6 million. The trading price varied between EUR 14.75 and EUR 17.70. The closing price was EUR 16.18. The market capitalisation was EUR 621.5 million (EUR 592.7 million) on 30 June 2006.

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 36,100 shares have been subscribed for pursuant to the 2002B share options. After these subscriptions, the company's share capital amounts to EUR 19,206,937, and the number of the shares is 38,413,874.

On 25 July 2006, the Board approved the subscriptions of 97,500 new shares made pursuant to the 2002B and 2002C options. As a result of these subscriptions, the registered share capital will increase to EUR 19,255,687 and the number of the shares to 38,511,374 shares after the increase has been entered in the Trade Register.

Dividend

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

Share option plans 2002 and 2005

The subscription period for 2002A options has ended. Until 13 July 2006, a total of 239,000 shares pursuant to the 2002B options and a total of 17,700 shares pursuant to the 2002C options have been subscribed for. Pursuant to the remaining outstanding 2002B share options a maximum of 17,000 shares and pursuant to the remaining 2002C options a maximum

of 256,300 shares can be subscribed for. Pursuant to all remaining outstanding 2002 options a maximum of 273,300 shares may be subscribed for, which is 0.7% of the current number of shares.

The share subscription price for the 2002B options is EUR 7.02 and for 2002C options EUR 11.46. 2002-options have been granted to 28 key persons. The 2002B options have been listed on the Helsinki Stock Exchange since 2 May 2005 and the 2002C options 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. All 170,000 2005A options have been granted to 27 key persons of the Company, and all 200,000 2005B options to 36 key persons of the Company. The share subscription price for the 2005A options is EUR 14.22, and for 2005B options EUR 16.98. All 230,000 2005C options have been subscribed for by a wholly-owned subsidiary of Lassila & Tikanoja plc to be granted at a later date to the present or future key persons of the Company. 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 Majjala 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 Majjala 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.

PROSPECTS FOR THE REMAINDER OF 2006

Prospects in L&T's divisions are still good. The demand for environmental services and recycled fuels is growing steadily in Finland. The environmental permits that have been granted enable investments in new recycling plants.

Outsourcing of support services in the forest industry will continue. Together with continued local government outsourcing, this will increase the market for property and support services. Competition in property services in Finland will remain fierce. The cleaning operations in Sweden will be strengthened. Investments in the expansion of cleaning services abroad will continue to have an adverse effect on profitability in the latter half of the year.

The market outlook for Industrial Services is favourable, particularly for industrial cleaning, where the order book is strong and demand is more even and more predictable than in earlier years. The market for hazardous waste management in Finland is not really growing. L&T is responding to increasingly severe competition by raising the degree of processing and through good cost control.

According to the Lassila & Tikanoja strategy that was updated in the early summer, the company's fundamental strategy remains unchanged, but productivity improvement and the speeding up of product development will be given more emphasis than before. This will be enacted by giving the entire personnel greater involvement in the improvement of operations and by regarding business as a set of processes whose speed and cost-efficiency can be improved. The aim is to launch new service products almost on a monthly basis.

Organic growth is expected to remain at a good level, but not as strong as in the first half of the year. Net sales for the whole year are expected to increase in line with the long-term target, i.e. more than 10 per cent, and an improvement in the financial performance for the entire year is expected.

INCOME STATEMENT

EUR 1000	4-6/2006	4-6/2005	1-6/2006	1-6/2005	1-12/2005
Net sales	108 430	98 061	208 994	183 253	377 448
Cost of goods sold	-92 253	-82 496	-179 069	-157 066	-320 536
Gross profit	16 177	15 565	29 925	26 187	56 912
Selling and marketing costs	-3 233	-3 208	-6 205	-5 982	-11 508
Administrative expenses	-1 964	-1 974	-4 205	-3 902	-7 304
Other operating income and expenses	77	171	505	597	1 154
Operating profit	11 057	10 554	20 020	16 900	39 254
Finance income	434	-200	991	376	1 363
Finance costs	-825	-810	-1 583	-1 794	-3 164
Share of profit of associates					27
Profit before income tax	10 666	9 544	19 428	15 482	37 480
Income tax expense	-2 897	-2 620	-5 382	-4 226	-10 250
Profit for the period	7 769	6 924	14 046	11 256	27 230
Attributable to:					
Equity holders of the parent	7 580	6 774	13 729	10 996	26 822
Minority interest	189	150	317	260	408
Earnings per share for profit attributable to the equity holders of the parent:					
Earnings per share, EUR	0.20	0.18	0.36	0.29	0.70
Earnings per share, EUR -diluted	0.20	0.18	0.36	0.29	0.70

BALANCE SHEET

EUR 1000	6/2006	6/2005	12/2005
ASSETS			
Non-current assets			
Goodwill	103 719	98 613	99 120
Intangible assets from acquisitions	10 035	9 088	9 859
Other intangible assets	7 444	4 185	5 893
Property, plant and equipment	138 460	126 049	135 404
Other non-current assets	6 715	6 368	6 676
Total non-current assets	266 373	244 303	256 952
Current assets			
Inventories	4 235	4 310	4 744
Trade and other receivables	57 961	50 052	45 898
Cash and cash equivalents	7 247	6 516	7 252
Total current assets	69 443	60 878	57 894
TOTAL ASSETS	335 816	305 181	314 846
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	19 207	19 071	19 189
Share premium reserve	46 842	44 973	46 606
Revaluation and other reserves	282	-204	-179
Retained earnings	72 087	60 198	60 428
Profit for the period	13 729	10 996	26 822
Total equity attributable to equity holders of the parent	152 147	135 035	152 866
Minority interest	2 481	1 921	2 166
Total equity	154 628	136 956	155 032
Non-current liabilities			
Deferred income tax liabilities	19 321	13 220	15 768
Pension obligations	265	556	176
Provisions	723	900	684
Interest-bearing liabilities	58 534	60 942	59 629
Other non-current liabilities	385	18	224
Total non-current liabilities	79 228	75 636	76 481
Current liabilities			
Interest-bearing liabilities	34 310	30 156	24 077
Trade and other non-interest-bearing payables	67 371	62 433	58 956
Provisions	279		300
Total current liabilities	101 960	92 589	83 333
TOTAL EQUITY AND LIABILITIES	335 816	305 181	314 846

CASH FLOW STATEMENT

EUR 1000	6/2006	6/2005	12/2005
Cash generated from operations before change in working capital	33 154	27 860	62 490
Change in working capital	-7 407	-5 560	-3 334
Net finance cost	-701	-1 754	-2 760
Taxes	-813	-3 235	-7 455
Net cash flows from operating activities	24 233	17 311	48 941
Investments in group companies	-7 049	-12 744	-15 801
Other investments	-12 791	-17 064	-40 151
Proceeds from sales of property, plant and equipment	1 451	775	1 747
Net cash flows from investing activities	-18 389	-29 033	-54 205
Proceeds from share subscriptions	253	44	1 795
Dividends paid	-15 257	-9 525	-9 525
Change in borrowings	9 153	7 937	479
Net cash flows from financing activities	-5 851	-1 544	-7 251
Net change in liquid assets	-7	-13 266	-12 515
Liquid assets at beginning of period	7 252	19 759	19 759
Changes in exchange rates and fair values	2	23	8
Liquid assets in balance sheet	7 247	6 516	7 252

STATEMENT OF CHANGES IN EQUITY

EUR 1000	Share capital	Share premium reserve	Revaluation and other reserves	Retained earnings	Equity attrib. to equity holders of the parent	Minority interest	Total equity
Equity at 1.1.2006	19 189	46 606	-179	87 250	152 866	2 166	155 032
Dividend				-15 355	-15 355		-15 355
Subscriptions pursuant to 2002 options	18	236			254		254
Translation differences			35		35	-1	34
Remuneration expense of share options				192	192		192
Current available-for-sale investments, change in fair value			1		1		1
Interest rate swap, change in fair value			425		425		425
Profit for the period				13 729	13 729	316	14 045
Equity at 30.6.2006	19 207	46 842	282	85 816	452 147	2 481	154 628
Equity at 1.1.2005	19 068	44 932	-276	69 515	133 239	1 550	134 789
Dividends				-9 535	-9 535		-9 535
Subscriptions pursuant to 2002A options	3	41			44		44
Translation differences			73		73		73
Remuneration expense of share options				218	218		218
Investment by a minority holder						111	111
Profit for the period				10 996	10 996	260	11 256
Equity at 30.6.2005	19 071	44 973	-203	71 194	135 035	1 921	136 956

KEY FIGURES

	4-6/2006	4-6/2005	1-6/2006	1-6/2005	12/2005
Earnings per share, EUR	0.20	0.18	0.36	0.29	0.70
Earnings per share, EUR - diluted	0.20	0.18	0.36	0.29	0.70
Cash flows from operating activities per share, EUR	0.32	0.33	0.63	0.45	1.28
EVA, EUR million*	5.7	5.5	9.5	7.1	18.3
Gross investments, EUR 1000	8 675	26 421	23 833	34 628	60 852
Depreciation, EUR 1000	6 812	6 165	13 800	11 903	24 774
Equity per share, EUR			3.96	3.59	3.98
Return on equity, ROE, %			18.1	16.2	18.8
Return on invested capital, ROI, %			17.3	15.6	17.9
Equity ratio, %			46.3	45.0	49.5
Gearing, %			55.4	61.8	49.3
Net interest-bearing liabilities			85 596	84 583	76 455
Average personnel converted to full-time			6 698	5 797	5 918
Number of shares, 1000 shares					
average during the period			38 392	38 140	38 193
at end of period			38 414	38 142	38 378
average during period - diluted			38 562	38 379	38 421

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

SEGMENT REPORTING**NET SALES**

EUR 1000	4-6/2006	4-6/2005	Change %	1-6/2006	1-6/2005	Change %	12/2005
Environmental Services	51 692	47 234	9.4	98 816	86 758	13.9	180 679
Property Services	41 243	35 955	14.7	82 356	70 700	16.5	142 890
Industrial Services	16 513	15 746	4.9	29 639	27 384	8.2	57 584
Group admin. and other	26	92		96	183		366
Inter-division net sales	-1 044	-966		-1 913	-1 772		-4 071
Total	108 430	98 061	10.6	208 994	183 253	14.0	377 448

OPERATING PROFIT

EUR 1000	4-6/2006	%	4-6/2005	%	1-6/2006	%	1-6/2005	%	12/2005	%
Environmental Services	7 828	15.1	6 390	13.5	15 122	15.3	11 107	12.8	23 986	13.3
Property Services	1 499	3.6	2 868	8.0	2 771	3.4	5 092	7.2	11 947	8.4
Industrial Services	2 277	13.8	1 820	11.6	3 062	10.3	1 577	5.8	4 746	8.2
Group admin. and other	-547		-524		-935		-876		-1 425	
Total	11 057	10.2	10 554	10.8	20 020	9.6	16 900	9.2	39 254	10.4

OTHER SEGMENT REPORTING

EUR 1000	4-6/2006	4-6/2005	1-6/2006	1-6/2005	12/2005
Assets					
Environmental Services			198 756	183 664	189 844
Property Services			59 904	47 580	50 330
Industrial Services			62 842	60 320	59 997
Group admin. and other			4 976	5 404	5 211
Non-allocated assets			9 338	8 213	9 464
Lassila & Tikanoja			335 816	305 181	314 846
Liabilities					
Environmental Services			32 197	31 685	29 947
Property Services			25 532	21 737	20 910
Industrial Services			9 798	10 211	8 787
Group admin. and other			431	475	269
Non-allocated liabilities			113 230	104 117	99 901
Lassila & Tikanoja			181 188	168 225	159 814
Investments					
Environmental Services	4 667	20 682	11 386	24 636	40 542
Property Services	2 936	3 559	9 891	5 471	11 471
Industrial Services	1 031	2 180	2 510	4 518	8 785
Group admin. and other	41		46	3	54
Lassila & Tikanoja	8 675	26 421	23 833	34 628	60 852
Depreciation and amortisation					
Environmental Services	3 953	3 420	7 798	6 503	13 567
Property Services	1 636	1 377	3 563	2 703	5 674
Industrial Services	1 195	1 340	2 383	2 642	5 422
Group admin. and other	28	28	55	55	111
Lassila & Tikanoja	6 812	6 165	13 800	11 903	24 774

SEGMENT REPORTING BY QUARTER

EUR 1000	4-6/2006	1-3/2006	10-12/2005	7-9/2005	4-6/2005	1-3/2005	10-12/ 2004*	7-9/ 2004
Net sales								
Environmental Services	51 692	47 124	47 333	46 588	47 234	39 524	42 387	39 950
Property Services	41 243	41 113	36 545	35 645	35 955	34 745	33 610	31 051
Industrial Services	16 513	13 126	14 362	15 838	15 746	11 638	14 325	15 865
Group admin. and other	26	70	92	91	92	91	91	92
Inter-division net sales	-1 044	-869	-1 235	-1 064	-966	-806	-904	-752
Lassila & Tikanoja	108 430	100 564	97 097	97 098	98 061	85 192	89 509	86 206
Operating profit								
Environmental Services	7 828	7 294	5 862	7 017	6 390	4 717	5 968	7 161
Property Services	1 499	1 272	2 393	4 462	2 868	2 224	2 133	3 985
Industrial Services	2 277	785	909	2 260	1 820	-243	1 306	3 067
Group admin. and other	-547	-388	-110	-439	-524	-352	-367	-318
Lassila & Tikanoja	11 057	8 963	9 054	13 300	10 554	6 346	9 040	13 895
Operating margin								
Environmental Services	15.1	15.5	12.4	15.1	13.5	11.9	14.1	17.9
Property Services	3.6	3.1	6.5	12.5	8.0	6.4	6.3	12.8
Industrial Services	13.8	6.0	6.3	14.3	11.6	-2.1	9.1	19.3
Lassila & Tikanoja	10.2	8.9	9.3	13.7	10.8	7.4	10.1	16.1
Finance costs, net	-391	-201	-120	-263	-1 010	-408	-665	-464
Share of profits of associates			27				64	
Revenue recognition of deferred pension liability							10 535	
Profit before income tax	10 666	8 762	8 961	13 037	9 544	5 938	18 974	13 431

* Operating profit excluding revenue recognition of deferred pension liability.

A non-recurring pension liability amounting to EUR 10.5 million (EUR 7.8 million net of deferred tax assets) was recognised as revenue in the IFRS income statement for 10-12/2004, because the principles for calculating disability pension liabilities under the Finnish statutory employment pension scheme had changed.

CONTINGENT LIABILITIES

EUR 1000	6/2006	6/2005	12/2005
For Group borrowings			
Real estate mortgages		700	
For other own commitments			
Real estate mortgages	148	98	105
Corporate mortgages	1 067	500	500
Other securities	190	209	188
Bank guarantees required for environmental permits	2 721	1 676	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	6/2006	6/2005	12/2005
Maturity not later than one year	2 812	2 733	2 809
Maturity later than one year and not later than five years	7 479	7 217	7 016
Maturity later than five years	3 934	4 605	4 357
Total	14 225	14 555	14 182

Derivative financial instruments

EUR 1000	6/2006	6/2005	12/2005
Nominal values of interest rate swaps*			
Maturity not later than one year	13 500	6 000	6 000
Maturity later than one year and not later than five years	30 500	44 000	44 000
Total	44 000	50 000	50 000
Fair value of interest rate swaps	763	-536	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	714
Maturity later than one year and not later than five years	5 714
Maturity later than five years	8 572
Total	15 000
Fair value of interest rate swap	574

** 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.

Helsinki, 25 July 2006

LASSILA & TIKANOJA PLC
Board of Directors

Jari Sarjo
President and CEO

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