LASSILA & TIKANOJA PLC
INTERIM REPORT 1 JANUARY – 31 MARCH 2006

- Net sales: EUR 100.6 million (EUR 85.2 million)
- Operating profit: EUR 9.0 million (EUR 6.3 million)
- Earnings/share: EUR 0.16 (EUR 0.11)
- Return on invested capital(ROI): 16.0% (12.7%)
- Net sales for the entire year are expected to increase, at the least, in line with the long-term target (more than 10 per cent). An improvement in the financial performance 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.

NET SALES AND FINANCIAL PERFORMANCE

Lassila & Tikanoja's net sales for the first quarter totalled EUR 100.6 million (EUR 85.2 million), an increase of 18%, 7.5 percentage points of which resulted from corporate acquisitions. The operating profit was EUR 9.0 million (EUR 6.3 million), which was 8.9% of net sales (7.4%).

Organic growth was strong as a result of the successful sales work. Industrial demand revived. Cleaning operations in Sweden were started at the beginning of the year. Profitability improved because of the improvement in cost-efficency. Most of the increases in costs were passed on to prices.

Environmental Services

The net sales of Environmental Services (waste management, recycling services, environmental products) amounted to EUR 47.1 million (EUR 39.5 million). Net sales increased by 19.2% primarily because of strong organic growth. The operating profit improved to EUR 7.3 million (EUR 4.7 million).

Since the autumn the division has paid particular attention to cost management and improving productivity. The effects of the measures can be clearly seen in the improvement in profitability.

The operations of the recycling plant at Turku started at the beginning of the year and a similar plant at Riga will come on stream at the end of the summer. L&T also intends carrying out two or three medium-sized plant and terminal projects in Finland.

Environmental Products' net sales rose and the financial performance improved as a result of efficiency measures.

Property Services

The net sales of Property Services (property maintenance and cleaning services) totalled EUR 41.1 million (EUR 34.7 million), an increase of 18.3%. The operating profit was 1.3 million (EUR 2.2 million).

Operations abroad accounted for a considerable part of the growth in the net sales of cleaning services. Operations started in Sweden at the beginning of January with the acquisition of Allied Service Partners AB, which is based in Stockholm and Gothenburg. The division's performance was weakened mainly by non-recurring expenses and operating loss of the cleaning services' Moscow operations. Integrating the operations in Sweden has proceeded as planned. Social security expenses were higher than in the comparative period. The net sales of property maintenance increased organically, and profitability was at the level of the comparative period.

Industrial Services

The net sales of Industrial Services (hazardous waste services, industrial cleaning, damage repair services and wastewater services) totalled EUR 13.1 million (EUR 11.6 million), an increase of 12.8%. The operating profit was EUR 0.8 million (EUR –0.2 million).

The net sales of all the product lines went up, most strongly of all in industrial cleaning. The demand for services was particularly good, considering the time of year, apart from hazardous waste services, where the growth came from corporate acquisitions.

The improvement in the division's financial performance was attributable mainly to industrial cleaning. The efficiency programme carried out last year in industrial cleaning had the planned effect, and the financial performance of the product line showed a considerable improvement. Damage repair also improved its financial performance.

FINANCING

Net interest-bearing liabilities amounted to EUR 7.8 million more than a year earlier. Net interest-bearing liabilities, totalling EUR 79.1 million, increased by EUR 15.4 million. Interest expenses decreased by EUR 0.2 million because the average interest rate of the Company's loan portfolio went down. Net finance costs were halved and were 0.2% (0.5%) of net sales and 2.2% (6.4%) of operating profit.

A finance income of EUR 0.4 million resulting from the changes in the fair values of interest rate swaps (EUR 0.4 million) was recognised in the income statement. A total of EUR 0.3 million arising from an interest rate swap to which hedge accounting under IAS 39 is applied, was recognised in equity.

The equity ratio was 43.9% (48.2%). It went down, because the dividend was recognised in equity in March while in the comparison year it was recognised in April. The gearing rate was 54.0 (45.7). Cash flow from operating activities amounted to EUR 11.9 million (EUR 4.5 million). EUR 3.1 million were tied up in the working capital (EUR 6.3 million).

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. In the interim financial statements the dividend was recognised in accrued expenses and deferred income.

INVESTMENTS

Gross investments totalled EUR 15.2 million (EUR 8.2 million). EUR 8.1 million were spent on three corporate acquisitions.

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. The acquisition entered in force on 1 March 2006.

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 acquisition entered in force on 4 January 2006. The property maintenance operations of Kempeleen Kiinteistöhuolto Oy were also acquired, and the acquisition entered in force on 1 February 2006.

The combined annual net sales of the acquired companies totalled EUR 14.8 million.

Machinery and equipment were replaced, production premises were expanded, and new information systems were built. Depreciation amounted to EUR 7.0 million (EUR 5.7 million).

Investments by division were as follows: Environmental Services EUR 6.7 million (EUR 4.0 million), Property Services EUR 7.0 million (EUR 1.9 million), and Industrial Services EUR 1.5 million (EUR 2.3 million).

PERSONNEL

The average number of personnel converted to full-time employees was 6,401 (5,174)in January–March. At the end of March the total number of employees working full-time and part-time was 8,134 people (6,610). Of them 1,717 people (499) 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 March was 3,960,175, which is 10.3% of the average number of shares. The value of trading was EUR 63.4 million. The trading price varied between EUR 14.75 and EUR 16.85. The closing price was EUR 16.30. The market capitalisation was EUR 625.7 million (EUR 553.4 million) on 31 March 2006.

Share capital

At the beginning of the year the Company's registered share capital amounted to EUR 19,188,887. After subscriptions made pursuant to 2002B options. The Company's share capital increased by EUR 4,850 to EUR 19,193,737, and the number of the shares by 9,700 shares to 38,387,474 shares on 16 February 2006.

On 2 May 2006, the Board approved the subscriptions of 26,400 new shares made pursuant to the 2002B options. As a result of these subscriptions, the registered share capital will increase to EUR 19,206,937 and the number of the shares to 38,413,874 shares after the increase has been entered in the Trade Register.

Share option plans 2002 and 2005
All granted 2002A options have been exercised. Until 21 April 2006, a total of 159,200 shares have been subscribed for pursuant to the 2002B options. Pursuant to the remaining outstanding 2002B share options a maximum of 96,800 shares can be subscribed for. Pursuant to all remaining outstanding 2002 options a maximum of 370,800 shares may be subscribed for, which is 1.0% 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.

In 2005, 600,000 stock options were issued, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. All 170,000 2005A stock options have been granted to 27 key persons of the Company. The share subscription price for the 2005A options is EUR 14.22. All 200,000 2005B and 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 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.

PROSPECTS FOR THE REMAINDER OF 2006

Prospects in L&T’s divisions are still good. The demand for environmental services is growing steadily in Finland, although environmental permit processes are having something of a slowdown effect on investment by both L&T and customers in recycling and recovery plants.

The first outsourcing of support services in the forest industry may be done during this year. This and local government outsourcing will increase the market for property and support services. At the same time, however, competition in property services has become fiercer in Finland. The cleaning operations in Sweden will be strengthened.

The market outlook for Industrial Services is favourable, particularly for industrial cleaning, where the order book is strong.

The main objective this year is an improvement in productivity and more efficient cost management. Investment in product development has also been increased.

Organic growth is expected to remain at a good level, but not as strong as in the first quarter. Net sales are expected to increase, at the least, in line with the long-term target (more than 10 per cent). An improvement in the financial performance for the entire year is expected. However, the first quarter results do not provide a basis for any long-term conclusions, since most of the earnings arise in the second and third quarters.

INCOME STATEMENT 1.1. – 31.3.

EUR 1000	**1-3 /2006**	**%**	1-3 /2005	%	Change %	1-12 /2005	%
Net sales	**100 564**	**100.0**	85 192	100.0	18.0	377 448	100.0
Cost of goods sold	**-86 816**	**-86.3**	-74 570	-87.5	16.4	-320 536	-84.9
Gross profit	**13 748**	**13.7**	10 622	12.5	29.4	56 912	15.1
Selling and marketing costs	**-2 972**	**-3.0**	-2 774	-3.3	7.1	-11 508	-3.0
Administrative expenses	**-2 241**	**-2.2**	-1 928	-2.3	16.2	-7 304	-1.9
Other operating income and expenses	**428**	**0.4**	426	0.5	0.5	1 154	0.3
Operating profit	**8 963**	**8.9**	6 346	7.4	41.2	39 254	10.4
Finance income	**557**	**0.6**	576	0.7	-3.3	1 363	0.4
Finance costs	**-758**	**-0.8**	-984	-1.2	-23.0	-3 164	-0.8
Share of profit of associates						27	
Profit before income tax	**8 762**	**8.7**	5 938	7.0	47.6	37 480	9.9
Income tax expense	**-2 485**	**-2.5**	-1 606	-1.9	54.7	-10 250	-2.7
Profit for the period	**6 277**	**6.2**	4 332	5.1	44.9	27 230	7.2
Attributable to:							
Equity holders of the parent	**6 149**		4 222			26 822	
Minority interest	**128**		110			408	

Earnings per share for profit attributable to the equity holders of the parent:

Earnings per share, EUR	0.16	0.11	0.70
Earnings per share, EUR-diluted	0.16	0.11	0.70

BALANCE SHEET

EUR 1000	**3/2006**	3/2005	12/2005
ASSETS			
Non-current assets			
Goodwill	**103 312**	92 395	99 120
Intangible assets from acquisitions	**10 252**	4 515	9 859
Other intangible assets	**6 502**	4 174	5 893
Property, plant and equipment	**138 058**	116 833	135 404
Other non-current assets	**7 049**	6 348	6 676
Total non-current assets	**265 173**	224 265	256 952
Current assets			
Inventories	**4 342**	3 892	4 744
Trade and other receivables	**57 814**	44 762	45 898
Cash and cash equivalents	**9 935**	17 537	7 252
Total current assets	**72 091**	66 191	57 894
TOTAL ASSETS	**337 264**	290 456	314 846
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	**19 194**	19 071	19 189
Share premium reserve	**46 670**	44 973	46 606
Revaluation and other reserves	**90**	-322	-179
Retained earnings	**72 004**	69 633	60 428
Profit for the period	**6 149**	4 222	26 822
Total equity attributable to equity holders of the parent	**144 107**	137 577	152 866
Minority interest	**2 296**	1 766	2 166
Total equity	**146 403**	139 343	155 032
Non-current liabilities			
Deferred income tax liabilities	**17 100**	11 351	15 768
Pension obligations	**221**	876	176
Provisions	**715**	855	684
Interest-bearing liabilities	**73 094**	67 586	59 629
Other non-current liabilities	**421**	18	224
Total non-current liabilities	**91 551**	80 686	76 481
Current liabilities			
Interest-bearing liabilities	**15 950**	13 637	24 077
Trade and other non-interest-bearing payables	**82 931**	56 790	58 956
Provisions	**429**		300
Total current liabilities	**99 310**	70 427	83 333
TOTAL EQUITY AND LIABILITIES	**337 264**	290 456	314 846

CASH FLOW STATEMENT

EUR 1000	**3/2006**	3/2005	12/2005
Cash generated from operations before change in working capital	**15 686**	11 633	62 490
Change in working capital	**-3 104**	-6 261	-3 334
Net finance cost	**-472**	164	-2 760
Taxes	**-215**	-1 047	-7 455
Net cash flows from operating activities	**11 895**	4 489	48 941
Investments in group companies	**-7 028**	-1 434	-15 801
Other investments	**-8 199**	-5 064	-40 151
Proceeds from sales of property, plant and equipment	**605**	147	1 747
Net cash flows from investing activities	**-14 622**	-6 351	-54 205
Proceeds from share subscriptions	**68**	44	1 795
Dividends paid			-9 525
Change in borrowings	**5 362**	-411	479
Net cash flows from financing activities	**5 430**	-367	-7 251
Net change in liquid assets	**2 703**	-2 229	-12 515
Liquid assets at beginning of period	**7 252**	19 759	19 759
Changes in exchange rates and fair values	**-15**	7	8
Liquid assets in balance sheet	**9 940**	17 537	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	5	64			69		69
Translation differences			-18		-18	1	-17
Remuneration expense of share options				109	109		109
Available-for-sale investments, change in fair value			1		1		1
Interest rate swap, change in fair value			286		286		286
Profit for the period				6 149	6 149	129	6 278
Equity at 31.3.2006	**19 194**	**46 670**	**90**	**78 153**	**144 107**	**2 296**	**146 403**
Equity at 1.1.2005	**19 068**	**44 932**	**-276**	**69 515**	**133 239**	**1 550**	**134 789**
Subscriptions pursuant to 2002A soptions	3	41			44		44
Translation differences			-50		-50		-50
Remuneration expense of share options				118	118		118
Investment by a minority holder						106	106
Available-for-sale investments, change in fair value			4		4		4
Profit for the period				4 222	4 222	110	4 332
Equity at 31.3.2005	**19 071**	**44 973**	**-322**	**73 855**	**137 577**	**1 766**	**139 343**

KEY FIGURES

	3/2006	3/2005	12/2005
Earnings per share, EUR	**0.16**	0.11	0.70
Earnings per share, EUR - diluted	**0.16**	0.11	0.70
Equity per share, EUR	**3.75**	3.61	3.98
Cash flows from operating activities per share, EUR	**0.31**	0.12	1.28
Return on equity, ROE, %	**16.7**	12.6	18.8
Return on invested capital, ROI, %	**16.0**	12.7	17.9
Equity ratio, %	**43.9**	48.2	49.5
Gearing, %	**54.0**	45.7	49.3
EVA, EUR million*	**3.8**	1.6	18.3
Gross investments, EUR 1000	**15 158**	8 207	60 852
Depreciation, EUR 1000	**6 988**	5 738	24 774
Net interest-bearing liabilities	**79 110**	63 687	76 455
Average personnel converted to full-time	**6 401**	5 174	5 918
Number of shares, 1000 shares			
average during the period	**38 382**	38 139	38 193
at end of period	**38 387**	38 142	38 378
average during period, diluted	**38 549**	38 373	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	**3/2006**	3/2005	Change %	12/2005
Environmental Services	**47 124**	39 524	19.2	180 679
Property Services	**41 113**	34 745	18.3	142 890
Industrial Services	**13 126**	11 638	12.8	57 584
Group administration and other	**70**	91		366
Inter-division net sales	**-869**	-806		-4 071
Lassila & Tikanoja	**100 564**	85 192	18.0	377 448

OPERATING PROFIT

EUR 1000	**3/2006**	**%**	3/2005	%	Change %	12/2005	%
Environmental Services	**7 294**	**15.5**	4 717	11.9	54.6	23 986	13.3
Property Services	**1 272**	**3.1**	2 224	6.4	-42.8	11 947	8.4
Industrial Services	**785**	**6.0**	-243	-2.1		4 746	8.2
Group administration and other	**-388**		-352			-1 425	
Lassila & Tikanoja	**8 963**	**8.9**	6 346	7.4	41.2	39 254	10.4

OTHER SEGMENT REPORTING

EUR 1000	**3/2006**	3/2005	12/2005
Assets			
Environmental Services	**202 822**	163 922	189 844
Property Services	**58 971**	44 941	50 330
Industrial Services	**60 815**	56 864	59 997
Group administration and other	**3 052**	5 451	5 211
Non-allocated assets	**11 604**	19 294	9 464
Lassila & Tikanoja	**337 264**	290 472	314 846
Liabilities			
Environmental Services	**34 283**	27 532	29 947
Property Services	**24 545**	20 760	20 910
Industrial Services	**8 963**	8 862	8 787
Group administration and other	**15 777**	322	269
Non-allocated liabilities	**107 293**	93 637	99 901
Lassila & Tikanoja	**190 861**	151 113	159 814
Investments			
Environmental Services	**6 719**	3 954	40 542
Property Services	**6 955**	1 912	11 471
Industrial Services	**1 479**	2 338	8 785
Group administration and other	**5**	3	54
Lassila & Tikanoja	**15 158**	8 207	60 852
Depreciation and amortisation			
Environmental Services	**3 848**	3 083	13 567
Property Services	**1 925**	1 326	5 674
Industrial Services	**1 188**	1 302	5 422
Group administration and other	**27**	27	111
Lassila & Tikanoja	**6 988**	5 738	24 774

SEGMENT REPORTING BY QUARTER

EUR 1000	1-3/ 2006	10-12/ 2005	7-9 /2005	4-6 /2005	1-3 /2005	10-12 /2004*	7-9 /2004	4-6 /2004
Net sales								
Environmental Services	47 124	47 333	46 588	47 234	39 524	42 387	39 950	40 679
Property Services	41 113	36 545	35 645	35 955	34 745	33 610	31 051	29 750
Industrial Services	13 126	14 362	15 838	15 746	11 638	14 325	15 865	14 938
Group administration and other	70	92	91	92	91	91	92	94
Inter-division net sales	-869	-1 235	-1 064	-966	-806	-904	-752	-775
Lassila & Tikanoja	100 564	97 097	97 098	98 061	85 192	89 509	86 206	84 686
Operating profit								
Environmental Services	7 294	5 862	7 017	6 390	4 717	5 968	7 161	7 484
Property Services	1 272	2 393	4 462	2 868	2 224	2 133	3 985	2 014
Industrial Services	785	909	2 260	1 820	-243	1 306	3 067	2 604
Group administration and other	-388	-110	-439	-524	-352	-367	-318	-449
Lassila & Tikanoja	8 963	9 054	13 300	10 554	6 346	9 040	13 895	11 653
Operating margin								
Environmental Services	15.5	12.4	15.1	13.5	11.9	14.1	17.9	18.4
Property Services	3.1	6.5	12.5	8.0	6.4	6.3	12.8	6.8
Industrial Services	6.0	6.3	14.3	11.6	-2.1	9.1	19.3	17.4
Lassila & Tikanoja	8.9	9.3	13.7	10.8	7.4	10.1	16.1	13.8
Finance costs, net	-201	-120	-263	-1 010	-408	-665	-861	-253
Share of profits of associates		27				64		
Revenue recognition of deferred pension liability						10 535		
Profit before tax	8 762	8 961	13 037	9 544	5 938	18 974	13 034	11 400

* 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	**3/2006**	3/2005	12/2005
For Company liabilities			
Real estate mortgages	**33**	700	
For other commitments			
Real estate mortgages	**148**	784	105
Corporate mortgages	**567**	622	500
Other securities	**188**	166	188
Bank guarantees required for environmental permits	**2 190**	1 949	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	**3/2006**	3/2005	12/2005
Maturity not later than one year	**2 774**	2 553	2 809
Maturity later than one year and not later than five years	**7 609**	7 262	7 016
Maturity later than five years	**4 217**	4 825	4 357
Total	**14 600**	14 640	14 182

Derivative financial instruments

EUR 1000	**3/2006**	3/2005	12/2005
Nominal values of interest rate swaps*			
Maturity not later than one year	**6 000**	55 333	6 000
Maturity later than one year and not later than five years	**44 000**	20 000	44 000
Total	**50 000**	75 333	50 000
Fair value of interest rate swaps	**642**	-211	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	**386**

** 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, 2 May 2006

LASSILA & TIKANOJA PLC
Board of Directors