

## **LASSILA & TIKANOJA PLC**

### **INTERIM REPORT 1 JANUARY – 30 JUNE 2008**

- **Net sales for the second quarter EUR 154.4 million (EUR 138.8 million); operating profit EUR 10.2 million (EUR 12.0 million); operating profit excluding non-recurring and imputed items EUR 11.3 million (EUR 13.8 million); earnings per share EUR 0.17 (EUR 0.20)**
- **Net sales for January-June EUR 301.7 million (EUR 267.9 million); operating profit EUR 33.0 million (EUR 21.2 million); operating profit excluding non-recurring and imputed items EUR 20.1 million (EUR 24.1 million); earnings per share EUR 0.68 (EUR 0.35)**
- **Full-year net sales are expected to increase by approximately 10 per cent. The operating profit excluding non-recurring and imputed items is expected to be somewhat lower than in the previous year. The capital gain from Ekokem shares will improve earnings.**

#### **GROUP NET SALES AND FINANCIAL PERFORMANCE**

##### **Second quarter**

Net sales for the second quarter stood at EUR 154.4 million (EUR 138.8 million). This represented an increase of 11.2%, 1.5 percentage points of which came from corporate acquisitions. The operating profit was EUR 10.2 million (EUR 12.0 million), which is 6.6% (8.7%) of net sales. The operating profit excluding non-recurring and imputed items was EUR 11.3 million (EUR 13.8 million). Earnings per share were EUR 0.17 (EUR 0.20).

Organic growth continued. The quarter's performance was burdened by a larger rise than expected in the general cost level, particularly in the prices of transport fuels that can only be transferred into sales prices with a delay. The operating profit was also burdened by changes in the fair values of oil derivatives amounting to EUR 1.1 million (EUR 0.5 million).

##### **January-June**

Net sales for January-June stood at EUR 301.7 million (EUR 267.9 million). This represented an increase of 12.6%, 3.8 percentage points of which came from corporate acquisitions. The operating profit was EUR 33.0 million (EUR 21.2 million), which is 10.9% (7.9%) of net sales. The operating profit excluding non-recurring and imputed items was EUR 20.1 million (EUR 24.1 million). Earnings per share were EUR 0.68 (EUR 0.35).

Organic growth outperformed market growth, and new service products were introduced to the market. The operating profit was improved by a capital gain of EUR 14.3 million from the sale of Ekokem shares in January. The operating profit excluding non-recurring and imputed items was burdened by a rapid increase in production costs and a decline in the demand for recycled fuels and biofuels due to the mild winter. The operating profit was burdened by changes in the fair values of oil derivatives amounting to EUR 1.4 million (EUR 1.6 million).

#### **Financial summary**

	<b>4-6/ 2008</b>	<b>4-6/ 2007</b>	<b>Change %</b>	<b>1-6/ 2008</b>	<b>1-6/ 2007</b>	<b>Change %</b>	<b>1-12/ 2007</b>
Net sales, EUR million	<b>154.4</b>	138.8	11.2	<b>301.7</b>	267.9	12.6	554.6
Operating profit excluding non-recurring and imputed items, EUR million*	<b>11.3</b>	13.8	-18.1	<b>20.1</b>	24.1	-16.6	54.3
Operating profit, EUR million	<b>10.2</b>	12.0	-15.3	<b>33.0</b>	21.2	55.8	48.8
Operating margin, %	<b>6.6</b>	8.7		<b>10.9</b>	7.9		8.8
Profit before tax, EUR million	<b>9.2</b>	11.1	-17.2	<b>30.9</b>	19.4	59.3	44.5
Earnings per share, EUR	<b>0.17</b>	0.20	-15.0	<b>0.68</b>	0.35	94.3	0.83
EVA, EUR million	<b>2.8</b>	6.0	-53.3	<b>18.6</b>	9.6	93.8	23.0

\* Breakdown of operating profit excluding non-recurring and imputed items is presented at the end of the explanatory statement.

## NET SALES AND FINANCIAL PERFORMANCE BY DIVISION

### Environmental Services

#### Second quarter

The net sales of Environmental Services (waste management, recycling services, L&T Biowatti, environmental products) in the second quarter amounted to EUR 76.6 million (EUR 71.7 million), an increase of 6.8%. The operating profit was EUR 8.2 million (EUR 8.1 million).

Rapidly increasing production costs, particularly an increase in the prices of transport fuels, burdened the division's operating performance. The cost increase had its greatest effect in waste management, which fell short of its targets. The profitability of recycling services was weakened by a continuing increase in the purchase prices of certain waste materials and a downturn in the availability of recycled materials from the forest industry. The heating values of biofuels supplied by L&T Biowatti were higher than in the comparison period, and its performance improved.

Operations outside Finland within Environmental Services expanded, and performance developed favourably. Net sales from Environmental Products continued to increase.

All units within waste management and recycling services received certificates for quality, environmental, occupational health and safety management. The objective of certification is to improve service and reinforce shared operating procedures.

#### January-June

Environmental Services' net sales for January-June amounted to EUR 152.1 million (EUR 137.1 million), an increase of 10.9%. The operating profit was EUR 16.6 million (EUR 16.9 million).

It was not possible to transfer the major increase in transport fuel prices completely into sales prices. Prices will be increased with a delay, and production efficiency measures were initiated in order to adapt to increased production costs.

Construction of substantial added capacity was initiated at the Kerava recycling park. The capacity of the Kerava plant will be doubled to almost 400,000 tonnes by 2010, and the recovery rate will increase substantially. Due to the reduced capacity of the landfill at the Kerava plant for technical reasons, the costs of disposal of plant reject will increase. The industrial waste landfill under construction in Kotka is expected to be completed within the next few months.

The demand for L&T Biowatti's biofuels was substantially lower than expected, which was due to the exceptionally mild winter. Warm weather also hampered the collection of forest processed chips, and subcontracting costs increased. L&T Biowatti will invest in its own collecting, processing and transport equipment for forest processed chips and start the production of wood pellets during the current year.

The business in Russia and Latvia developed as planned. Resources were increased to further expand international operations.

### Property and Office Support Services

#### Second quarter

The net sales of Property and Office Support Services (property maintenance and cleaning services) in the second quarter totalled EUR 57.1 million (EUR 48.7 million), an increase of 17.4%. The operating profit was EUR 1.2 million (EUR 1.7 million).

Growth in net sales continued thanks to acquisitions made in the previous year. Organic growth was strong particularly in property maintenance. The division's performance weakened due to increased production costs that could not be transferred fully to prices.

Operations in Sweden remained in the red, and an extensive action programme to improve profitability is underway.

### **January-June**

The January-June net sales of Property and Office Support Services totalled EUR 112.7 million (EUR 97.4 million), an increase of 15.7%. The operating profit was EUR 2.8 million (EUR 2.8 million).

Contract revenue increased, and the sales of additional services were successful. Price competition remained intense, and operations are being adapted to increased production costs.

New service products were again introduced to the market. New products in cleaning services included the L&T® EcoCleaning concept, which received the Nordic Ecolabel, also known as the Swan Label, as the first product of the industry in Finland. The concept provides customers the opportunity to carry out concrete environment-friendly actions.

The holding in Blue Service Partners was sold to the joint venture partner in the beginning of February.

The operations in Russia and Latvia developed as planned. The focus in Sweden is still on organic growth and improving profitability. The loss from international operations declined.

### **Industrial Services**

#### **Second quarter**

The net sales of Industrial Services (hazardous waste management, industrial solutions, damage repair services, wastewater services) in the second quarter amounted to EUR 22.1 million (EUR 19.6 million), an increase of 12.7%. The operating profit was EUR 1.2 million (EUR 2.6 million).

Rapid fluctuation in the demand for industrial cleaning services continued, and production could not be adapted to the fluctuation quickly enough. Net sales from all product lines increased but it was not yet possible to transfer the entire increase in the cost level into prices. The operating profit was also burdened by changes in the fair values of oil derivatives amounting to EUR 1.1 million (EUR 0.5 million), as well as the costs of raw material storage for the L&T Recoil re-refinery for used lubricating oil that is currently under construction.

New partner agreements were made in damage repair services, and the service network was expanded.

Demand for the division's services improved towards the end of the period.

### **January-June**

The January-June net sales of Industrial Services amounted to EUR 39.4 million (EUR 35.7 million), an increase of 10.4%. The operating profit was EUR 0.3 million (EUR 2.5 million).

Most of the growth came from operations transferred from Environmental Services. The demand for Industrial Services is usually weakest early in the year; however, demand in the comparison period was exceptionally strong. Production could not be adapted quickly enough to the rapid fluctuation in the demand for services. In the first quarter the earnings were also burdened by difficulties in delivering recycled fuels.

The earnings were also burdened by changes in the fair values of oil derivatives amounting to EUR 1.4 million (EUR 1.6 million).

Pricing will be adjusted, and all product lines will focus on improving profitability. The L&T Recoil re-refinery is expected to be completed towards the end of the year.

## FINANCING

At the end of the period, interest-bearing liabilities amounted to EUR 2.1 million more than a year earlier. Net interest-bearing liabilities, totalling EUR 111.8 million, increased by EUR 6.9 million from the comparison period and by EUR 25.4 million from the beginning of the year. Net finance costs increased by EUR 0.1 million in the second quarter and by EUR 0.3 million in January-June. Interest expenses increased by EUR 0.1 million in the second quarter and by EUR 0.4 million in January-June.

An expense of EUR 0.1 million arising from changes in the fair values of interest rate swaps was recognised in the finance costs while there were none of them in the comparison period. Net finance costs were 0.7% (0.7%) of net sales and 6.3% (8.4%) of operating profit.

In January-June, a total of EUR 0.4 million arising from the change in the fair value of interest rate swaps to which hedge accounting under IAS 39 is applied, was recognised as an increase in equity.

The equity ratio was 44.5% (42.2%) and the gearing rate 57.7 (61.2). Cash flows from operating activities in January-June amounted to EUR 25.9 million (EUR 24.7 million), and EUR 2.3 million were tied up in the working capital (EUR 5.8 million).

## DIVIDEND

The Annual General Meeting held on 1 April 2008 resolved on a dividend of EUR 0.55 per share. The dividend, totalling EUR 21.3 million, was paid to the shareholders on 11 April 2008.

## CAPITAL EXPENDITURE

Capital expenditure totalled EUR 31.4 million (EUR 64.7 million). Production plants were built and machinery and equipment were purchased and information systems were replaced.

On 1 April 2008, the property maintenance services business of Rantakylän Talonhuolto Oy was acquired into Property and Office Support Services (annual net sales EUR 0.2 million).

In the first quarter the cleaning services business of Siivouspalvelu Siivoset Oy and the cleaning services business of Siivousliike Lainio Oy were acquired into Property and Office Support Services. The business of Obawater Oy was acquired into waste water services within Industrial Services. The combined annual net sales of the acquired businesses totalled EUR 0.7 million.

## PERSONNEL

In January-June, the average number of employees converted into full-time equivalents was 7.972 (7.398). At the end of the period, the total number of full-time and part-time employees was 10.087 (9.486). Of them 7.694 (7.212) people worked in Finland and 2.393 (2.274) people in other countries.

## SHARE AND SHARE CAPITAL

### Traded volume and price

The volume of trading in Lassila & Tikanoja plc shares on OMX Nordic Exchange Helsinki from January through June was 12,459,495, which is 32.1% (24.6%) of the average number of shares. The value of trading was EUR 217.9 million. The trading price varied between EUR 14.60 and EUR 23.00. The closing price was EUR 15.57. The market capitalisation was EUR 604.1 million (EUR 971.8 million) at the end of the period.

**Share capital**

At the beginning of the year the company's registered share capital amounted to EUR 19,392,187. Since the beginning of the year, 12,500 shares have been subscribed for pursuant to 2005A share options. After these subscriptions the share capital is EUR 19,398,437, and the number of the shares 38,796,874 shares.

On 28 July 2008, the Board approved the subscriptions of 2,000 new shares made pursuant to the 2005A share options. As a result of these subscriptions, the company's registered share capital will increase by EUR 1,000 to EUR 19,399,437 and the number of the shares will increase to 38,798,874 shares after the increase has been entered in the Trade Register.

**Share option schemes 2005 and 2008**

In 2005, 600,000 share options were issued, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. In the beginning of the exercise period, 25 key persons held 162,000 2005A options. 33 key persons hold 178,000 2005B options and 42 key persons hold 226,500 2005C options. L&T Advance Oy, a wholly-owned subsidiary of Lassila & Tikanoja plc, holds 8,000 2005A options, 22,000 2005B options and 3,500 2005C options.

The exercise price for the 2005A options is EUR 14.22, for 2005B options EUR 16.98 and for 2005C options EUR 26.87. The exercise period for 2005A options is 2 November 2007 to 29 May 2009, for 2005B options 3 November 2008 to 31 May 2010, and for 2005C options 2 November 2009 to 31 May 2011.

The outstanding options issued under the share option plan 2005 entitle their holders to subscribe for a maximum of 1.4% of the current number of shares. The 2005A options have been listed on the OMX Nordic Exchange Helsinki since 2 November 2007.

The Annual General Meeting of the year 2008 resolved to issue 230,000 share option rights, each entitling its holder to subscribe for one share of Lassila & Tikanoja plc. 43 key persons hold 226,500 options and L&T Advance Oy 3,500 options.

The exercise price for the 2008 options is EUR 16.27. The exercise price of the share options shall, as per the dividend record date, be reduced by the amount of dividend which exceeds 70% of the profit per share for the financial period to which the dividend applies. However, only such dividends whose distribution has been agreed upon after the option pricing period and which have been distributed prior to the share subscription are deducted from the subscription price. The exercise price shall, however, always amount to at least EUR 0.01. The exercise period will be from 1 November 2010 to 31 May 2012.

As a result of the exercise of the outstanding 2008 share options, the number of shares may increase by a maximum of 226,500 new shares, which is 0.6% of the current number of shares.

**Shareholders**

At the end of the financial period, the company had 6,123 (4,795) shareholders. Nominee-registered holdings accounted for 9.8% (15.1%) of the total number of shares.

**Notifications on major holdings**

On 20 May 2008, Ilmarinen Mutual Pension Insurance Company announced that its holding of the shares and votes in Lassila & Tikanoja plc had exceeded the threshold of 10%.

On 26 March 2008, Varma Mutual Pension Insurance Company announced that its holding of the shares and votes in Lassila & Tikanoja plc had fallen to 4.52%.

**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.

## RESOLUTIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting of Lassila & Tikanoja plc, which was held on 1 April 2008, adopted the financial statements for the financial year 2007 and released the members of the Board of Directors and the President and CEO from liability. The AGM resolved that a dividend of EUR 0.55, a total of EUR 21.3 million, as proposed by the Board of Directors, be paid for the financial year 2007. The dividend payment date was 11 April 2008.

The Annual General Meeting confirmed the number of the members of the Board of Directors six. The following Board members were re-elected to the Board until the end of the following AGM: Eero Hautaniemi, Lasse Kurkilahti, Juhani Lassila and Juhani Maijala. Heikki Bergholm and Matti Kavetvuo were elected as new members for the same term.

PricewaterhouseCoopers Oy, Authorised Public Accountants, were elected auditors with Heikki Lassila, Authorised Public Accountant, acting as Principal Auditor.

The Annual General Meeting approved the Board's proposal to issue 230,000 share options to key personnel of the Lassila & Tikanoja Group and/or to a wholly-owned subsidiary of Lassila & Tikanoja plc.

At its organising meeting following the Annual General Meeting, the Board of Directors re-elected Juhani Maijala as Chairman of the Board and Juhani Lassila as Vice Chairman.

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

On 22 January 2008, Lassila & Tikanoja sold its holding in the shares of Ekokem Oy Ab to Ilmarinen Mutual Pension Insurance Company. Lassila & Tikanoja had obtained possession of the shares over a period of several years and they no longer had any connection to the business operations of the company and were, consequently, not essential for them. A tax-free capital gain arising from the sale was recognised in the financial statements for the first quarter of the year 2008. The positive effect of the sale on the profit for the period will be EUR 14.2 million.

In a release disclosed on 22 July 2008, the company announced that the full-year operating profit excluding non-recurring and imputed items is estimated to be somewhat lower than in the previous year. Previously the company estimated that the full-year financial performance will remain at the same level as in the previous year.

## NEAR-TERM UNCERTAINTIES

If the prices of crucial production factors such as transport fuels continue to increase at the same rate as in the first half of the year, the delay in transferring the cost increase to sales prices may hamper profitability. Changes in the fair values of oil derivatives associated with L&T Recoil's business depend on the development of world market prices for oil, and may have a substantial effect on the operating profit of Industrial Services. If the next winter is mild, this will have a negative impact on L&T Biowatti's earnings development. A planned amendment to Latvian waste legislation may have adverse effects on the competition situation for waste management in Riga towards the end of the year.

## PROSPECTS FOR THE REST OF THE YEAR

The demand outlook in Lassila & Tikanoja's markets remain mostly good but the adaptation of the costs and transferring the cost increases to sales prices will impose challenges.

Full-year net sales are expected to increase by approximately 10 per cent. The operating profit excluding non-recurring and imputed items is expected to be somewhat lower than in the previous year. However, the capital gain from Ekokem shares will improve earnings.

The demand for Environmental Services is expected to remain good. Increasing the capacity of recycling plants and landfills will continue, as well as geographical expansion in Russia. During the rest of the year, L&T Biowatti will continue to invest in strengthening its procurement organisation and collection equipment for forest processed chips, as well as start the production of wood pellets. A potential slowdown in new construction may be reflected in the intake volumes of recycling plants. Environmental Services' operating profit is expected to remain at the same level as in the previous year.

The market outlook for Property and Office Support Services remains good even though the competitive situation is expected to remain challenging and margins are expected to remain tight. Costs in Finland are increased through pay rises and increases in social security costs and transport fuel prices. The division's international operations are expected to improve their performance but still remain in the red. The operating profit from Property and Office Support Services is expected to fall somewhat short of the previous year's level.

The market outlook for Industrial Services remains mostly positive; however, uncertainties in the forest industry will be reflected in services produced by the division. Rapid fluctuations in demand are expected to continue towards the end of the year. The L&T Recoil re-refinery is expected to be completed at the end of the year. The operating profit from Industrial Services is expected to fall short of the previous year's level.

Investments will be lower than in the previous year. The main emphasis will be on profitability improvement.

#### **BREAKDOWN OF OPERATING PROFIT EXCLUDING NON-RECURRING AND IMPUTED ITEMS**

EUR million	4-6/ 2008	4-6/ 2007	1-6/ 2008	1-6/ 2007	1-12/ 2007
Operating profit	<b>10.2</b>	12.0	<b>33.0</b>	21.2	48.8
Non-recurring items					
Loss on sale of landfill operations of Salvor and integration of the remaining Salvor's operations		1.3		1.3	2.3
Reorganisation of Property and Office Support Services operations in Russia					0.4
Gain on sale of the shares of Ekokem			<b>-14.3</b>		
Oil derivatives	<b>1.1</b>	0.5	<b>1.4</b>	1.6	2.8
Operating profit excluding non-recurring and imputed items	<b>11.3</b>	13.8	<b>20.1</b>	24.1	54.3

## CONDENSED FINANCIAL STATEMENTS 1 JANUARY–30 JUNE 2008

### ACCOUNTING POLICIES

This interim financial report is in compliance with IAS 34, Interim Financial Reporting Standard. The same accounting policies as in the annual financial statements for the year 2007 have been applied. These interim financial statements have been prepared in accordance with the IFRS standards and interpretations as adopted by the EU. Forthcoming standards and interpretations are presented in the accounting policies in Annual Report 2007. Income tax expense is based on the estimated average annual income tax rate, which would be applicable to expected total annual earnings.

The preparation of financial statements in accordance with IFRS require the management to make such estimates and assumptions that affect the carrying amounts at the balance sheet date for the assets and liabilities and the amounts of revenues and expenses. Judgements are also made in applying the accounting policies. Actual results may differ from the estimates and assumptions.

The interim financial statements have not been audited.

### INCOME STATEMENT

	4-6/ 2008	4-6/ 2007	1-6/ 2008	1-6/ 2007	1-12/ 2007
EUR 1000					
<b>Net sales</b>	<b>154 364</b>	138 759	<b>301 695</b>	267 872	554 613
Cost of goods sold	<b>-135 939</b>	-119 485	<b>-267 741</b>	-231 927	-478 151
<b>Gross profit</b>	<b>18 425</b>	19 274	<b>33 954</b>	35 945	76 462
Other operating income	<b>946</b>	986	<b>15 872</b>	1 628	3 834
Selling and marketing costs	<b>-4 329</b>	-3 888	<b>-8 220</b>	-7 710	-14 616
Administrative expenses	<b>-3 216</b>	-2 950	<b>-6 291</b>	-5 889	-11 614
Other operating expenses	<b>-1 628</b>	-1 382	<b>-2 282</b>	-2 773	-5 291
<b>Operating profit</b>	<b>10 198</b>	12 040	<b>33 033</b>	21 201	48 775
Finance income	<b>436</b>	464	<b>816</b>	779	1 661
Finance costs	<b>-1 426</b>	-1 388	<b>-2 906</b>	-2 555	-5 978
<b>Profit before tax</b>	<b>9 208</b>	11 116	<b>30 943</b>	19 425	44 458
Income tax expense	<b>-2 440</b>	-3 332	<b>-4 442</b>	-5 575	-12 291
<b>Profit for the period</b>	<b>6 768</b>	7 784	<b>26 501</b>	13 850	32 167
<b>Attributable to:</b>					
Equity holders of the company	<b>6 778</b>	7 704	<b>26 502</b>	13 598	31 909
Minority interest	<b>-10</b>	80	<b>-1</b>	252	258
<b>Earnings per share for profit attributable to the equity holders of the company:</b>					
Earnings per share, EUR	<b>0.17</b>	0.20	<b>0.68</b>	0.35	0.83
Earnings per share, EUR - diluted	<b>0.17</b>	0.20	<b>0.68</b>	0.35	0.82

## BALANCE SHEET

EUR 1000	6/2008	6/2007	12/2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets			
Goodwill	<b>119 900</b>	125 815	119 946
Intangible assets arising from business combinations	<b>27 703</b>	32 137	30 600
Other intangible assets	<b>12 011</b>	9 138	11 571
<b>Total</b>	<b>159 614</b>	167 090	162 117
Property, plant and equipment			
Land	<b>3 503</b>	3 251	3 532
Buildings and constructions	<b>38 039</b>	36 478	39 594
Machinery and equipment	<b>106 703</b>	93 127	103 832
Other	<b>82</b>	288	82
Advance payments and construction in progress	<b>17 908</b>	4 227	4 830
<b>Total</b>	<b>166 235</b>	137 371	151 870
Other non-current assets			
Investments in associates		3	
Available-for-sale investments	<b>402</b>	2 976	410
Finance lease receivables	<b>4 472</b>	3 435	3 823
Deferred income tax assets	<b>1 435</b>	466	924
Other receivables	<b>634</b>	226	236
<b>Total</b>	<b>6 943</b>	7 106	5 393
<b>Total non-current assets</b>	<b>332 792</b>	311 567	319 380
<b>Current assets</b>			
Inventories	<b>14 518</b>	8 669	14 350
Trade and other receivables	<b>80 088</b>	72 092	71 824
Derivative receivables	<b>1 550</b>	431	1 189
Advance payments	<b>2 354</b>	2 274	774
Available-for-sale investments	<b>2 995</b>	3 295	21 287
Cash and cash equivalents	<b>5 535</b>	10 014	9 521
<b>Total current assets</b>	<b>107 040</b>	96 775	118 945
<b>TOTAL ASSETS</b>	<b>439 832</b>	408 342	438 325

EUR 1000	6/2008	6/2007	12/2007
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity attributable to equity holders of the company			
Share capital	<b>19 398</b>	19 358	19 392
Share premium reserve	<b>50 645</b>	49 725	50 474
Other reserves	<b>-95</b>	163	14 055
Retained earnings	<b>97 252</b>	85 942	86 327
Profit for the period	<b>26 502</b>	13 598	31 909
Total	<b>193 702</b>	168 786	202 157
Minority interest	<b>214</b>	2 706	187
<b>Total equity</b>	<b>193 916</b>	171 492	202 344
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	<b>29 726</b>	30 221	29 842
Pension obligations	<b>591</b>	457	542
Provisions	<b>1 113</b>	806	953
Interest-bearing liabilities	<b>68 558</b>	64 360	81 411
Other liabilities	<b>690</b>	484	500
Total	<b>100 678</b>	96 328	113 248
<b>Current liabilities</b>			
Interest-bearing liabilities	<b>51 766</b>	53 892	35 757
Trade and other payables	<b>91 102</b>	86 155	85 183
Derivative liabilities	<b>2 192</b>		897
Tax liabilities	<b>153</b>	304	794
Provisions	<b>25</b>	171	102
Total	<b>145 238</b>	140 522	122 733
<b>Total liabilities</b>	<b>245 916</b>	236 850	235 981
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>439 832</b>	408 342	438 325

**CASH FLOW STATEMENT**

EUR 1000	6/2008	6/2007	12/2007
<b>Cash flows from operating activities</b>			
Profit for the period	<b>26 502</b>	13 850	32 167
<b>Adjustments</b>			
Income tax expense	<b>4 442</b>	5 575	12 291
Depreciation and amortisation and impairment	<b>18 618</b>	15 821	33 432
Finance income and costs	<b>2 090</b>	1 776	4 317
Oil derivatives	<b>1 361</b>	1 183	2 947
Gain on sale of shares	<b>-14 258</b>		
Other	<b>-1 308</b>	16	-859
Net cash generated from operating activities before change in working capital	<b>37 447</b>	38 221	84 295
Change in working capital			
Change in trade and other receivables	<b>-9 407</b>	-5 645	-4 903
Change in inventories	<b>-182</b>	-1 097	-6 824
Change in trade and other payables	<b>7 310</b>	967	-1 450
Change in working capital	<b>-2 279</b>	-5 775	-13 177
Interest paid	<b>-2 576</b>	-1 859	-5 104
Interest received	<b>795</b>	636	1 460
Income tax paid	<b>-7 486</b>	-6 565	-12 041
<b>Net cash from operating activities</b>	<b>25 901</b>	24 658	55 433
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries and businesses, net of cash acquired	<b>-420</b>	-38 622	-37 050
Proceeds from subsidiaries and businesses, net of sold cash			1 878
Purchases of property, plant and equipment and intangible assets	<b>-31 180</b>	-16 413	-49 109
Proceeds from sale of property, plant and equipment and intangible assets	<b>1 278</b>	2 888	2 261
Purchases of available-for-sale investments		-102	-147
Change in other non-current receivables	<b>-1</b>	24	1
Proceeds from sale of available-for-sale investments	<b>16 807</b>	45	1 098
Dividends received	<b>3</b>		4
<b>Net cash used in investment activities</b>	<b>-13 513</b>	-52 180	-81 064
<b>Cash flows from financing activities</b>			
Proceeds from share issue	<b>178</b>	2 153	2 936
Change in short-term borrowings	<b>14 414</b>	20 352	23 011
Proceeds from long-term borrowings		30 000	50 302
Repayments of long-term borrowings	<b>-11 109</b>	-15 037	-39 909
Dividends paid	<b>-21 315</b>	-21 360	-21 360
<b>Net cash generated from financing activities</b>	<b>-17 832</b>	16 108	14 980
<b>Net change in liquid assets</b>			
Liquid assets at beginning of period	<b>14 008</b>	24 790	24 790
Effect of changes in foreign exchange rates	<b>-36</b>	-66	-131
Change in fair value of current available-for-sale investments	<b>2</b>	-1	
<b>Liquid assets at end of period</b>	<b>8 530</b>	13 309	14 008
<b>Liquid assets</b>			
EUR 1000	6/2008	6/2007	12/2007
Cash	<b>5 535</b>	10 014	9 521
Certificates of deposit and commercial papers	<b>2 995</b>	3 295	4 487
<b>Total</b>	<b>8 530</b>	13 309	14 008

**STATEMENT OF CHANGES IN EQUITY**

EUR 1000	Share capital	Share premium reserve	Revaluation and other reserves	Retained earnings	Equity attributable to equity holders of the company	Minority interest	Total equity
<b>Equity at 1.1.2008</b>	<b>19 392</b>	<b>50 474</b>	<b>14 055</b>	<b>118 236</b>	<b>202 157</b>	<b>187</b>	<b>202 344</b>
Hedging reserve, change in fair value			371		371		371
Current available for sale investments, change in fair value			-14 237		-14 237		-14 237
Translation differences			-284		-284	28	-256
<b>Items recognised directly in equity</b>			-14 150		-14 150	28	-14 122
Profit for the period				26 502	26 502	-1	26 502
<b>Total recognised income and expenses</b>			-14 150	26 502	12 351	27	12 378
Share option remuneration							
Subscriptions							
pursuant to 2005 options	6	172				178	178
Remuneration expense of share options				339	339		339
Dividends paid				-21 323	-21 323		-21 323
<b>Equity at 30.6.2008</b>	<b>19 398</b>	<b>50 645</b>	<b>-95</b>	<b>123 754</b>	<b>193 702</b>	<b>214</b>	<b>193 916</b>
<b>Equity at 1.1.2007</b>	<b>19 264</b>	<b>47 666</b>	<b>326</b>	<b>106 904</b>	<b>174 160</b>	<b>2 709</b>	<b>176 869</b>
Hedging reserve, change in fair value			207		207		207
Current available for sale investments, change in fair value			-7		-7		-7
Translation differences			-363		-363		-363
<b>Items recognised directly in equity</b>			-163		-163	-1	-163
Profit for the period				13 598	13 598	252	13 850
<b>Total recognised income and expenses</b>			-163	13 598	13 435	251	13 686
Share option remuneration							
Subscriptions							
pursuant to 2002 options	94	2 059				2 153	2 153
Remuneration expense of share options				228	228		228
Dividends paid				-21 190	-21 190	-180	-21 370
Purchase of a minority						-74	-74
<b>Equity at 30.6.2007</b>	<b>19 358</b>	<b>49 725</b>	<b>163</b>	<b>99 540</b>	<b>168 786</b>	<b>2 706</b>	<b>171 492</b>

## KEY FIGURES

	4-6/ 2008	4-6/ 2007	1-6/ 2008	1-6/ 2007	1-12/ 2007
Earnings per share, EUR	<b>0.17</b>	0.20	<b>0.68</b>	0.35	0.83
Earnings per share, EUR - diluted	<b>0.17</b>	0.20	<b>0.68</b>	0.35	0.82
Cash flows from operating activities per share, EUR	<b>0.37</b>	0.40	<b>0.67</b>	0.64	1.43
EVA, EUR million	<b>2.8</b>	6.0	<b>18.6</b>	9.6	23.0
Capital expenditure, EUR 1000	<b>17 328</b>	17 516	<b>31 421</b>	64 701	93 187
Depreciation and amortisation, EUR 1000	<b>9 379</b>	8 103	<b>18 618</b>	15 821	33 432
Equity per share, EUR			<b>4.99</b>	4.36	5.21
Return on equity, ROE, %			<b>26.8</b>	15.9	17.0
Return on invested capital, ROI, %			<b>21.4</b>	16.1	17.6
Equity ratio, %			<b>44.5</b>	42.2	46.6
Gearing, %			<b>57.7</b>	61.2	42.7
Net interest-bearing liabilities, EUR 1000			<b>111 795</b>	104 943	86 360
Average number of employees in full-time equivalents			<b>7 972</b>	7 398	7 819
Total number of full-time and part-time employees at end of period			<b>10 087</b>	9 486	9 387
Adjusted number of shares, 1000 shares					
average during the period			<b>38 794</b>	38 587	38 670
at end of period			<b>38 797</b>	38 716	38 784
average during period, diluted			<b>38 830</b>	38 824	38 843

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

EUR 1000	4-6/ 2008	4-6/ 2007	Change %	1-6/ 2008	1-6/ 2007	Change %	1-12/ 2007
Environmental Services	<b>76 639</b>	71 744	6.8	<b>152 119</b>	137 142	10.9	279 845
Property and Office Support Services	<b>57 114</b>	48 660	17.4	<b>112 688</b>	97 380	15.7	204 141
Industrial Services	<b>22 052</b>	19 572	12.7	<b>39 427</b>	35 722	10.4	75 479
Group admin. and other		3			6		10
Inter-division net sales	<b>-1 441</b>	-1 220		<b>-2 539</b>	-2 378		-4 862
L&T total	<b>154 364</b>	138 759	11.2	<b>301 695</b>	267 872	12.6	554 613

**OPERATING PROFIT**

EUR 1000	4-6/ 2008	%	4-6/ 2007	%	1-6/ 2008	%	1-6/ 2007	%	1-12/ 2007	%
Environmental Services	<b>8 151</b>	10.6	8 104	11.3	<b>16 574</b>	10.9	16 875	12.3	34 977	12.5
Property and Office Support Services	<b>1 156</b>	2.0	1 690	3.5	<b>2 765</b>	2.5	2 777	2.9	11 005	5.4
Industrial Services	<b>1 162</b>	5.3	2 595	13.3	<b>284</b>	0.7	2 456	6.9	4 769	6.3
Group admin. and other	<b>-271</b>		-349		<b>13 410</b>		-907		-1 976	
L&T total	<b>10 198</b>	6.6	12 040	8.7	<b>33 033</b>	10.9	21 201	7.9	48 775	8.8

**OTHER SEGMENT REPORTING**

EUR 1000	4-6/ 2008	4-6/ 2007	1-6/ 2008	1-6/ 2007	1-12/ 2007
<b>Assets</b>					
Environmental Services			<b>258 219</b>	243 519	250 980
Property and Office Support Services			<b>77 139</b>	76 546	75 508
Industrial Services			<b>90 156</b>	68 625	78 311
Group admin. and other			<b>381</b>	2 908	2 814
Non-allocated assets			<b>13 937</b>	16 744	30 712
L&T total			<b>439 832</b>	408 342	438 325
<b>Liabilities</b>					
Environmental Services			<b>41 149</b>	43 132	36 935
Property and Office Support Services			<b>33 532</b>	30 251	32 447
Industrial Services			<b>19 217</b>	11 888	17 046
Group admin. and other			<b>627</b>	1 850	667
Non-allocated liabilities			<b>151 391</b>	149 729	148 886
L&T total			<b>245 916</b>	236 850	235 981
<b>Capital expenditure</b>					
Environmental Services	<b>7 977</b>	6 547	<b>14 314</b>	43 853	60 704
Property and Office Support Services	<b>2 338</b>	8 839	<b>4 773</b>	17 335	20 040
Industrial Services	<b>7 013</b>	2 130	<b>12 334</b>	3 470	12 267
Group admin. and other				43	176
L&T total	<b>17 328</b>	17 516	<b>31 421</b>	64 701	93 187
<b>Depreciation and amortisation</b>					
Environmental Services	<b>5 690</b>	5 054	<b>11 328</b>	9 737	20 330
Property and Office Support Services	<b>2 152</b>	1 766	<b>4 243</b>	3 518	7 782
Industrial Services	<b>1 537</b>	1 283	<b>3 045</b>	2 565	5 315
Group admin. and other	1		2	1	5
L&T total	<b>9 380</b>	8 103	<b>18 618</b>	15 821	33 432

**INCOME STATEMENT BY QUARTER**

EUR 1000	4-6/ 2008	1-3/ 2008	10-12/ 2007	7-9/ 2007	4-6/ 2007	1-3/ 2007	10-12/ 2006	7-9/ 2006
<b>Net sales</b>								
Environmental Services	<b>76 639</b>	75 480	74 788	67 915	71 744	65 398	53 765	52 696
Property and Office								
Support Services	<b>57 114</b>	55 574	54 798	51 963	48 660	48 720	44 584	41 463
Industrial Services	<b>22 052</b>	17 375	19 867	19 890	19 572	16 150	18 252	18 500
Group admin. and other			1	3	3	3	3	19
Inter-division net sales	<b>-1 441</b>	-1 098	-1 282	-1 202	-1 220	-1 158	-1 242	-1 030
L&T total	<b>154 364</b>	147 331	148 172	138 569	138 759	129 113	115 362	111 648
<b>Operating profit</b>								
Environmental Services	<b>8 151</b>	8 423	8 372	9 730	8 104	8 771	7 104	10 056
Property and Office								
Support Services	<b>1 156</b>	1 609	4 015	4 213	1 690	1 087	1 154	4 833
Industrial Services	<b>1 162</b>	-878	180	2 133	2 595	-139	3 025	3 730
Group admin. and other	<b>-271</b>	13 681	-468	-601	-349	-558	-971	1 233
L&T total	<b>10 198</b>	22 835	12 099	15 475	12 040	9 161	10 312	19 852
<b>Operating margin</b>								
Environmental Services	<b>10.6</b>	11.2	11.2	14.3	11.3	13.4	13.2	19.1
Property and Office								
Support Services	<b>2.0</b>	2.9	7.3	8.1	3.5	2.2	2.6	11.7
Industrial Services	<b>5.3</b>	-5.1	0.9	10.7	13.3	-0.9	16.6	20.2
L&T total	<b>6.6</b>	15.5	8.2	11.2	8.7	7.1	8.9	17.8
Finance costs, net	<b>-990</b>	-1 100	-1 247	-1 294	-924	-852	-366	-740
Share of profits of associates							18	
<b>Profit before tax</b>	<b>9 208</b>	21 735	10 852	14 181	11 116	8 309	9 964	19 112

In September 2007, L&T obtained full ownership of Salvor Oy. The business operations of Salvor were reorganised and most of the operations were transferred from Environmental Services into Industrial Services. The figures for the comparison period have been adjusted accordingly.

## BUSINESS ACQUISITIONS

### Business combinations in aggregate

EUR 1000	Fair values used in consolidation	Carrying amounts before consolidation
Property, plant and equipment	116	116
Customer contracts	158	
Agreements on prohibition of competition	81	
Trade and other receivables	10	10
Total assets	366	126
Net assets	366	126
Goodwill arising from acquisitions	55	
Acquisition cost	420	
Acquisition cost	420	
Cash flow effect of acquisitions	420	

The cleaning services business of Siivouspalvelu Siivoset Oy was acquired into Property and Office Support Services on 1 January 2008, the cleaning services business of Siivousliike Lainio Oy on 1 March 2008 and the property maintenance services business of Rantakylän Talonhuolto Oy on 1 April 2008. The business of Obawater Oy was acquired into waste water services within Industrial Services on 15 February 2008.

The aggregate net sales of the acquired companies totalled EUR 680 thousand. The aggregate acquisition cost was EUR 420 thousand, of which EUR 55 thousand was recognised in goodwill. All itemisations in accordance with IFRS 3 are not presented because the figures are immaterial.

The accounting policy concerning business combinations is presented in Annual Report 2007 under Note 2 of the consolidated financial statements and under Summary on significant accounting policies.

**CHANGES IN INTANGIBLE ASSETS**

EUR 1000	1-6/2008	1-6/2007	1-12/2007
Carrying amount at beginning of period	<b>162 117</b>	124 407	124 407
Business acquisitions	<b>294</b>	45 552	41 885
Other capital expenditure	<b>1 823</b>	1 844	5 403
Disposals	<b>-2</b>	-1 073	-1 546
Amortisation and impairment	<b>-4 506</b>	-3 514	-7 921
Transfers between items			228
Exchange differences	<b>-112</b>	-126	-339
Carrying amount at end of period	<b>159 614</b>	167 090	162 117

**CHANGES IN PROPERTY, PLANT AND EQUIPMENT**

EUR 1000	1-6/2008	1-6/2007	1-12/2007
Carrying amount at beginning of period	<b>151 870</b>	134 038	134 038
Business acquisitions	<b>116</b>	1 756	5 574
Other capital expenditure	<b>29 188</b>	15 462	40 147
Disposals	<b>-648</b>	-1 533	-2 096
Depreciation and impairment	<b>-14 112</b>	-12 306	-25 511
Transfers between items			-228
Exchange differences	<b>-179</b>	-46	-54
Carrying amount at end of period	<b>166 235</b>	137 371	151 870

**CAPITAL COMMITMENTS**

EUR 1000	1-6/2008	1-6/2007	1-12/2007
Intangible assets	<b>1 616</b>	140	70
Property, plant and equipment	<b>18 806</b>	6 301	8 646
Total	<b>20 422</b>	6 441	8 716
The Group's share of capital commitments of joint ventures	<b>15 780</b>	4 800	8 584

**RELATED-PARTY TRANSACTIONS**

(Joint ventures)

EUR 1000	1-6/2008	1-6/2007	1-12/2007
Sales	<b>574</b>	563	1 851
Purchases		185	247
Non-current receivables			
Capital loan receivable	<b>5 396</b>	3 296	2 646
Current receivables			
Trade receivables	<b>55</b>	126	110
Current payables			
Trade payables			5

## CONTINGENT LIABILITIES

EUR 1000	6/2008	6/2007	12/2007
<b>Securities for own commitments</b>			
Real estate mortgages	<b>10 192</b>	10 514	10 114
Corporate mortgages	<b>10 000</b>	12 500	15 000
Other securities	<b>186</b>	156	182
Bank guarantees required for environmental permits	<b>4 155</b>	2 430	4 309

Other securities are security deposits.

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

## Operating lease liabilities

EUR 1000	6/2008	6/2007	12/2007
Maturity not later than one year	<b>8 034</b>	6 181	7 424
Maturity later than one year and not later than five years	<b>16 214</b>	12 938	15 611
Maturity later than five years	<b>5 492</b>	3 318	3 905
Total	<b>29 740</b>	22 437	26 940

## Derivative financial instruments

### Interest rate swaps

EUR 1000	6/2008	6/2007	12/2007
Nominal values of interest rate swaps*			
Maturity not later than one year	<b>15 000</b>	15 500	7 500
Maturity later than one year and not later than five years		15 000	15 000
Total	<b>15 000</b>	30 500	22 500
Fair value	<b>301</b>	693	394
Nominal values of interest rate swaps**			
Maturity not later than one year	<b>4 629</b>	1 429	3 029
Maturity later than one year and not later than five years	<b>18 514</b>	5 714	18 514
Maturity later than five years	<b>9 714</b>	7 142	12 028
Total	<b>32 857</b>	14 285	33 571
Fair value	<b>1 204</b>	799	703

\* 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.

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

### Currency derivatives

EUR 1000	6/2008	6/2007	12/2007
Nominal values of forward contracts*			
Maturity not later than one year	<b>2 259</b>	2 046	2 184
Fair value	<b>-17</b>	5	7

\* Hedge accounting under IAS 39 has not been applied to the currency derivatives. Changes in fair values have been recognised in finance income and costs.

<b>Oil derivatives</b> 1000 bbl	<b>6/2008</b>	<b>6/2007</b>	<b>12/2007</b>
Volume of crude oil put options			
Maturity not later than one year	<b>226</b>	68	182
Maturity later than one year and not later than five years	<b>114</b>	340	226
<b>Total</b>	<b>340</b>	408	408
Fair value, EUR 1000	<b>18</b>	835	83
Volume of sold crude oil futures			
Maturity not later than one year	<b>42</b>	42	42
Fair value, EUR 1000	<b>-2 192</b>	-409	-897

Hedge accounting under IAS 39 has not been applied to oil derivatives. Changes in fair values have been recognised in other operating expenses.

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

## **CALCULATION OF KEY FIGURES**

**Earnings per share:**

profit attributable to equity holders of the parent company /adjusted average number of shares

**Cash flows from operating activities/share:**

cash flow from operating activities as in the cash flow statement / adjusted average number of shares

**EVA:**

operating profit - cost calculated on invested capital (average of four quarters) before taxes

WACC 2007: 8.75%

WACC 2008: 9.3%

**Equity/share:**

profit attributable to equity holders of the parent company / adjusted number of shares at year end

**Return on equity, % (ROE):**

(profit for the period / shareholders' equity (average)) x 100

**Return on investment, % (ROI):**

(profit before tax + interest expenses and other finance costs) / (balance sheet total - non-interest-bearing liabilities (average)) x 100

**Equity ratio, %:**

shareholders' equity / (balance sheet total - advances received) x 100

**Gearing, %:**

net interest-bearing liabilities / shareholders' equity x 100

**Interest-bearing liabilities:**

Interest-bearing liabilities - liquid assets

Helsinki 28 July 2008

LASSILA & TIKANOJA PLC  
Board of Directors

Jari Sarjo  
President and CEO

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Lassila & Tikanoja specialises in environmental management and property and plant support services. L&T is operative in Finland, Sweden, Latvia, Russia and Norway. Net sales in 2007 amounted to 555 million euro. L&T employs 10000 persons, 2400 of which are located outside Finland. L&T's shares are listed on OMX Nordic Exchange Helsinki.

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